ECONOMIC AND POLITICAL WEEKLY

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RESTRUCTURING TAX SYSTEM IN INDIA: REAPPRAISAL OF KEY ISSUES

DECONSTRUCTING ADULT LITERACY PRIMERS

NARMADA PROJECT: RETURN OF THE OUSTEES

CLEANING GANGA: LIMITS OF JUDICIAL ACTIVISM

COMPLEX PATTERNS: WOMEN WORKERS IN INFORMAL SECTOR

CLIMBING DOWN GOLAN HEIGHTS: ADVANTAGE SYRIA

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ECONOMIC AND POLITICAL WEEKLY

Vol XXX No 26 July 1, 1995

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Reforming Tax System

In considering a switchover to VAT or any of its variants what is of fundamental importance is the effect it has on resource allocation in the economy and resource transfer to the government. The revenue generated under the alternative systems and the structure and relative prices associated with each need to be carefully understood. Another issue that has come in the way of a proper assessment of alternative tax systems is the question of cascading. The central issue of revenue neutrality and relative prices under alternative tax systems need to be examined. **1581**

Nation State Under Scrutiny

The feeling that the nation state is in trouble and that it will not survive the growing pressures from within and without may not stand close scrutiny. At most it can be said that the state is in crisis as it faces a world that is undergoing transformation, which is subjecting it to diverse pressure, including for reducing its traditional role in human affairs. **1593**

Unsafe, Insecure

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Dismantling Men

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Population Politics

There seems to be a consensus among all political parties that the country's increasing population is a stumbling block in the development of the nation. This accepted wisdom needs to be questioned. **1617**

Development or Destruction?

THIS is with reference to the article by Vidhya Das (June 3). All three partners in this joint venture alumina project are committed to sustaining the environment, controlling pollution and minimising disturbance to the society of which we are about to become members. It was because we felt the need for independent opinion and guidance in these areas that we have closely involved the National Institute of Rural Development, Hyderabad, and the Tata Institute of Social Sciences, Bombay, in advising us on rehabilitation plans as well as on community development activities.

The plateau which is to have the bauxite mine has no human habitation. As for the plant site, we selected the present location with a view to minimise displacement of people and minimise acquisition of existing agricultural land or green areas. The technology to be used in the plant as well as in disposal of red mud waste is more advanced than any other in India. That is why this present project, despite being larger than the Nalco plant, is going to use approximately 55 per cent less land. The people likely to be affected are from one hamlet of Korol, one hamlet of Dimundi and Rambera village. They have been explained in detail by our people and shown the alternative land for their resettlement. In fact, if one alternative area is not found suitable by the people, another plan is worked out to suit their needs and requirements. Therefore, we believe that it is neither fully correct nor fair to say that the local people have not been told anything except that they have to leave.

As for the impact on the environment, the Utkal project mining lease does not fall within any declared forest area. About 100 hectares falls within the category of 'village forests' (under the state revenue department), for which we have engaged the services of a specialist consultant and developed alternative compensatory afforestation plans, and identified land for the same in surrounding areas. Ground and surface water studies have been carried out by the National Geophysical Research Institute, Hyderabad, who have confirmed that soil contamination will be negligible. We are nevertheless ensuring stringent preventive measures. The 'dry stacked' red mud storage area will be properly restored after use, through extensive plantation. We do this as a matter of routine; a visit to Indal's Belgaum Alumina Plant will prove the point.

Since this project does not envisage downstream conversion of alumina into aluminium metal at that site, the question of carbon residue, fluoride emission and other effluents associated with smelters does not arise. Further, the Indian Toxological Research Institute, Lucknow, has studied the impact of the proposed alumina plant on the drainage system and concluded that there will be no adverse impact. They have also conducted environment impact studies, collecting baseline data over a period of two years on noise, dust, air, water, to determine the existing ambient levels to help us ensure that the same are not exceeded in future. A detailed study by the Central Water and Power Research Station of the ministry of irrigation has concluded that the siltation effects are insignificant in view of stringent control measures adopted by the project.

Unlike other mining operations, Utkal will be minimising the 'drill and blast' mining method. As a result, the noise level will not be more than existing ambient levels. The dust in the mining area, to be controlled through the atomised dust suppression system, could well be less than the ambient dust levels. The run-off water from the mine will be guided through checks dams, siltation tanks and a network of garland canals so that solid particles are captured and retained, and the outflow water has less solid particles than even ambient levels. At our Durgmanwadi mines in Kolhapur, Maharashtra, the noise, dust and water levels are monitored by the independent Sahu Institute of Kolhapur. At Baphlimali too, environment/pollution monitoring will be by external agencies and the records will be open to scrutiny. At Baphlimali we also propose to have a 15 metre wide peripheral barrier to separate the mine slopes from the surrounding region. After mining, the top soil (overburden) will be back-filled on to the mined area and trees will be planted. There will be plantations along the plateau slopes as well. Trees do not grow on bauxite plateaus. That is why they are barren, dusty and have plenty of suspended solids in run-off water. It is only after the bauxite is removed that trees can take root and flourish. Again, we would refer to Indal's mining operations in Maharashtra, where we started mining only about a year ago, but have already planted nearly 75,000 saplings of varieties endemic to that region.

While the Utkal project will generate some direct and indirect employment, it would still not be enough to uplift the livelihood of that entire region. However, we are taking steps even now, i e, well before the pace of project implementation picks up, to upgrade the ITIs in Koraput and other contiguous towns. Then we will select groups of youths from among the local population and train them in these facilities, so that they can find meaningful future employment in projects such as ours and others that will come up in the region. Utkal Alumina has already commenced work on a few pilot community development projects such as health camps, vocational training in pottery, improved drinking water supply to some villages, and spreading improved agricultural practices. We are always open to advice and guidance on our activities, and to that end we are also open to interaction and information sharing with organisations similarly active in the area. We believe that if both sides are honest to their purpose and objectives, meeting grounds can be created, on the basis of which we can have economic progress at minimum cost to our ecological and social heritage.

N K CHOUDHARY
Director
Utkal Alumina International
Calcutta

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Making Research Pay

THE CSIR in response to the changing national and international economic, trade and intellectual property environment [has] re-oriented itself to be more user-responsive and market-driven." So reads the preamble to a recent paper presented by the Council of Scientific and Industrial Research (CSIR) to the prime minister's office, heralding what is termed as a new focus for the premier agency. The paper is said to document changes which are already in place in response to the government's directive that CSIR laboratories should earn at least 33 per cent of their budget allocations. This will further hasten the CSIR's move away from what is seen as basic reasearch to 'applied' research.

There can be no gainsaying the fact that the CSIR has been lackadaisical both in developing relevant processes and in marketing them. Technologies developed here have had a poor uptake from industry – because the processes are unrelated, inappropriate or have been at too rudimentary a stage for industry to develop further. The other side of the picture is more complex: on the one hand, Indian industry, in general, did not have either the vitality or the inclination to pick up these technologies; but on the other, it made use of state-established research and development resources by contracting, albeit haphazardly, premier institutions (such as the IITs) to undertake research projects of their choice. In either case, the CSIR hardly benefited continuing to suffer the criticism of underemphasising applied research.

The roots of the crisis in Indian science today, illustrated by the abject state of research agencies like the CSIR, lie elsewhere: in the government's attitude to science and technology. While reams of paper have been wasted on glorifying science and its promotion, the centre's budget for science and technology has remained 2 per cent of the total allocations for decades. And of this a major portion goes to big money-guzzlers like the atomic energy, space and ocean development. The CSIR, the Indian Council of Agricultural Research, the Indian Council of Medical Research were envisaged not only as centres for pursuing research but as nodal agencies for creating an ethos for scientific research in their areas. They have increasingly become networks of laboratories with poor financial support and little administrative freedom to encourage creative leadership within them. Linkages with industry, agriculture and health needs, respectively, have been underdeveloped.

Scientific research has always been viewed as an esoteric enterprise – few of the development programmes in the various ministries has ever had a functioning research and development component. For example, such a component in the irrigation departments could have tackled issues such as the impact of irrigation on the surrounding soils, on the flora and fauna, on the spread of vector-borne diseases, and on the people, which in turn would undoubtedly have led to what are termed basic research problems. This linkage, the integration of 'development' whether in industry or elsewhere with the research enterprise has never received attention.

The other problem that has beset scientific enterprise in India has been the premise that science has to be harnessed to development. Such a philosophy can take root in a political and economic climate where science itself is seen differently, historically as a product of people's endeavour and currently, as itself empowering people to define the goals of development. But in class society under the bourgeois state, the concept suffers the inevitable distortion. As has happened in India, a crude and arbitrary division takes place between basic and applied research, with the implication that the latter is directly related to development in material terms – in the building of industry, harnessing of natural resources, etc – and the latter is only a sort of investment for the future. While certainly in the allocation of scarce resources necessary prioritisation has to be made, such a process must be dictated by the identification of people's needs – for instance the need for a alternative energy resources where all components from the basic to the applied would need to have the same emphasis. It is also a fact that fields not burdened with the need to produce 'applied science' are the ones which have made tremendous contributions to knowledge which in turn has spurred applications, for instance, developments in mathematics, astronomy, etc. The devaluing of science has a cumulative and long-term effect: Even at the undergraduate level, science streams are no longer chosen, but simply suffered because other streams of medicine, technology, etc, are not available. In a sense we are witnessing also the devaluation and the degeneration of the methodology of science with its central focus of rational enquiry.

It is sad commentary indeed that the premier research agency of a country that is supposedly poised to enter a new and expansive phase in its development, should narrow its vision to become more "user-responsive" and "market-driven" instead of strengthening and revitalising the roots of scientific enterprise. This unrooted endeavour is not likely to produce anything but garden variety innovations. That regional research laboratories should harness their considerable scientific talents to setting up patent consultancy services, whatever their practical advantage, is a misuse of the enormous resources which have been invested in creating these infrastructures. While certainly, there is a need for CSIR to reorient itself to the changing environment, its current intense preoccupation with making research pay may well result in the opposite – there may not be any research at all.

CONSTRUCTION WORKERS

Gross Negligence

AMONG the most vulnerable and poor segments of the unorganised sector working class is the building and construction industry workers. Apart from the general absence of job security, as well as the irregularity and seasonal nature of the jobs, most construction workers have to move from place to place seeking construction sites. The living conditions of the families of construction workers are appalling. Except for the Minimum Wages Act, 1948 under which the government of India is responsible for the fixation and revision of minimum wages in 'construction of roads or in building operations' as one of the 40 scheduled employments notified under the act, there is hardly any law which aims at regulating the employment and conditions of service of workers in this important and growing area of economic activity. Interestingly, it is now revealed that even the enforcement of the Minimum Wages Act by the authorities is mostly directed towards establishments possessing a licence or registration under the Contract Labour (Registration and Abolition) Act, 1970; establishments operating without the requisite registration or licence for carrying on business with contract labour, those not covered by the Contract Labour Act and a large number of unauthorised and clandestine constructions hardly receive the attention of the enforcement authorities.

Though the union ministry of labour has been quoting a figure of eight million as the total employment in the construction industry, the National Sample Survey results had placed the number of workers normally employed in construction at 12 million in 1987-88. All evidence suggests that the construction industry has been the fastest growing even insofar as the employment of unorganised labour force is concerned. This segment of the informal sector labour force deserved special attention from the authorities. And year after year, the union ministry of labour, in its annual report, has been stating that a proposal for enactment of a central legislation for the building and other construction workforce with a view to regulating their employment and conditions of service and providing for their safety and welfare was being vigorously pursued in consultation with other concerned ministries like surface transport, urban development, railways and finance and in the light of experiences of states like Kerala and Tamil Nadu where certain welfare schemes for construction workers were already under implementation. It looks as though serious ideological pressures under the impulse of economic liberalisation are coming in the way of evolving some rudimentary protection to the growing but vulnerable sections of the working class.

It is against this background that one should be dismayed at the results of the evaluation study on the implementation of the Minimum Wages Act, 1948 in the construction industry in the state sphere in the union territory of Delhi. The evaluation study was split into two phases (March 4 to March 22, 1992 and April 19 to May 10, 1992) so as to allow some more time for the enforcement and publicity of wage rates revised through the half-yearly wage revision effective from February 1992. Since May 1, 1989, the minimum rates of wages of building and construction workers had been linked to the consumer price index numbers so as to bring them on par with the organised industrial workers insofar as time-bound wage revisions were concerned. According to the study only 20 per cent of the unskilled workers in the establishments surveyed were receiving the prescribed minimum wages. The proportion of unskilled workers in the total labour force was as high as 70.6 per cent. About 83.3 per cent of the unskilled workers had a rural background, 86.6 per cent were illiterates and 79 per cent had less than one year's service to their credit. Employment of female workers was confined to the unskilled category and the level of minimum wage compliance in respect of them was 16.7 per cent as compared to 21.2 per cent for their male counterparts. In other words, 83.3 per cent of female workers and 78.8 per cent of male unskilled workers received less than the prescribed minimum wages. The evaluation study thus characterises this category of unskilled workers as "the most vulnerable section of the workers in building and construction establishments".

The overall compliance level in regard to the prescribed minimum wages for all workers together was 57.8 per cent which was, of course, mainly attributable to the pitifully low compliance of 20 per cent in respect of unskilled workers. Thus, the half yearly wage revisions hardly made much of a difference to a vast majority of the unskilled workers. Interestingly, only about 26.5 per cent of the establishments covered by the study had been inspected by the enforcement officers.

The mere knowledge of an evaluation study being undertaken by the authorities seems to have improved the compliance performance, with the level improving from 9 per cent during the first phase of the study to 27.8 per cent during the second phase in respect of unskilled workers and from 48.6 per cent to 63.9 per cent for all workers together. In general, the compliance with the minimum wages in respect of semi-skilled, skilled, and clerical and supervisory staff was, according to the report, highly satisfactory as almost all of them were getting the prescribed wages.

JANATA DAL

Leaderless Chaos

THE three-day national camp at Attibele in Bangalore, instead of emerging with one voice, ended in a cacophony. Though there was the brave talk of forgetting the past and forging a new future, the overall impression conveyed by the meet was that the leaders were interested in settling previous scores. After the breakup of SP-BSP in UP, a certain section of the JD wanted the SP to be included in the National Front. But Laloo Prasad Yadav, against whom Mulayam Singh campaigned in the recent assembly polls in Bihar, staunchly opposed the move. Laloo Prasad, after his triumph in the Bihar elections, aims to emerge as an uncontested leader of the yadavs in the northern belt. Notably, the victory rally felicitating Laloo Prasad was organised in Sambhal in Moradabad district of UP, the home territory of Mulayam Singh. Sharad Yadav's suggestion that the JD should keep its options open towards BSP has invited the ire of Ram Vilas Paswan who is planning to project Phoolan Devi against Mayawati and anoint himself as the leader of the dalits in the Hindi belt. It is this tendency to expand one's support base while chipping at the other's that has caused mutual resentment within the JD.

Another factor which disturbingly raised its head in the JD conclave is the extent to which the party and its ally, TDP, in the National Front are seriously committed to building a secular front. The overtures of Deve Gowda and N T Rama Rao to AIADMK to join the Front indicates that in spite of drawing up a minimum programme of action against the new economic policy, communalism and corruption, a different set of calculations seems to dominate their minds. Their argument that joining hands with AIADMK will ensure 100 seats from the south, besides leaving their long-standing ally, DMK, in the cold, defeats the purpose of secularism and reveals how amorphous their formulation of anti-Congressism is. This line of thinking also afflicts Sharad Yadav's background paper on JD's strategy for the coming Lok Sabha polls. Classifying the states into five categories on the basis of the relative strength of JD and its allies, the paper advocates an alliance with Arjun Singh in Madhya Pradesh, if anti-Congressism is to prevail. This mechanistic thinking purely in terms of seat adjustment dilutes the common programme of NF-LF, and instead inaugurates a coalition of all and sundry parties who will, no doubt, later

bicker amongst themselves for a share of the cake.

After the JD initiative in formulating poll strategy, there seems to be two distinct patterns of alignment emerging across the nation. First is the attempt made by the 'national' parties like the Congress, the BJP, to forge alliances with the regional parties in various states in case a hung parliament eventualises. The other is the one chalked out by the NF to form a front of various regionally dominant parties. It seems that the latter strategy can prove to be more friction-ridden, if some rigour is not maintained in the selection of the allies. Also, unlike 1989 when V P Singh symbolised the anti-Bofors forces targeting the centre, the leadership post in the present-day JD lies vacant. The party is like a torso without a head. That its regional chiefs, under the influence of various pulls, have not been able to give a cohesiveness to the JD is what the Bangalore meet has conveyed to the people.

G 7 SUMMIT

Fire Fighting

THE principal purpose of the G-7 summits is supposed to be to sort out mutual economic and financial difficulties. And there certainly was no shortage of such problems at the Halifax Summit in June, with Bosnia being at the top of the pile But some of these problems have become obstinately hard to sort out and some others do not admit of solution because of the obstinacy of the key players. Unemployment in the developed world could be said to belong to the first category; the US trade dispute with Japan over automobiles and auto parts belongs to the latter category. The US is simply unwilling to abide by the charter of the newly-established World Trade Organisation in regard to conflict resolution. It insisted on invoking its own bilateral sanctions should Japan not agree to its terms.

Where does the matter of IMF reform belong? It is a question that has dogged the international community for quite some years, particularly since the early 1980s, but thanks to the distorted perspectives of the majority of G-7, all that has been attempted so far is to attend to the immediate crisis.

The IMF was set up after second world war with the objective of functioning as a sort of World Central Bank which would monitor the international financial scene and insure, through timely intervention against destabilising movements. But like any central bank, the IMF needed to be armed with not only adequate powers of surveillance and monitoring but authority to enforce certain requirements of behaviour, backed of course with sufficient resources. Unfortunately, the IMF was armed with very limited powers and resources, although vesting a near total control over its decision-making in the hands of just one country, the US, given its effective veto.

The result has been a piecemeal approach to problems crying out for long-term solutions. The basic problems of shortage of international liquidity was never tackled at the multilateral level and ultimately, private banks took over. Consequently, the problem took the shape of volatile, unregulated movements of capital across national borders. The international community continues to be unable to face the problem. All that it has done so far is to attend to cases as and when they have arisen, the latest being Mexico.

The Halifax Summit, no doubt, discussed the question of creating a mechanism to tackle Mexico type crisis and agreed to create an emergency financing mechanism by refurbishing what was so far known as General Arrangement to Borrow (GAB) within the IMF. But how inadequate this new arrangement could be can be judged by recalling that for Mexico alone something like $ 40 billion had to be mobilised and now the IMF will have just $ 58 billion to cater to the entire world, developed and underdeveloped. Are they really serious?

URBAN DEVELOPMENT

Long Neglect

AS the Fourteenth Report of the Standing Committee on Urban and Rural Development of the Tenth Lok Sabha points out with reference to its concerned department, "The Annual Report... is an important document by which not only the progress of the various schemes can be known but also the performance of the ministries concerned can be verified. It is also relied upon by members of parliament while participating in the discussion on the annual budget." And yet, an annual report which gives reliable and up to date information on the ministries/department's programmes is more the exception than the rule. The quality of the reports and the ministries' lackadaisical attitudes to the document is well- illustrated by the remarks of the standing committee on the ministry's annual report of 1992-93.

The standing committee, clearly taking its task seriously, has pointed out that since the ministry is supposed to have established "close monitoring system for getting information and feedback on programmes", such information should be made available in the annual reports. With amazing nonchalance the ministry, narrowing its response to the matter of water supply and sanitation has replied that it has no organised monitoring cell to keep track of the projects on a regular basis. That the ministry which is in charge of formulating and directing policy on urban development should acknowledge this, shows utter disregard not only for mandatory requirements, but a certain disinterest in pursuing its purposes. In fact the annual report of the ministry (now called the ministry of urban affairs and employment) for 1995-96 admits its role includes planning and policy formulation, but it is obvious that the recommendations of the standing committee have made no impact on the preparation of the report. For instance, the section on water supply and sanitation, which had come in for considerable comment in the standing committee report, continues to merely list programme objectives, funds released and targets achieved, with regard to utilisation of funds. To quote the standing committee report, "The main point is whether the required population is getting adequate facility or not, whether the quality of facility available is socially acceptable or not Therefore, the committee would like to recommend that population coverage under water supply and sanitation system must take into account the adequacy and the quality of the facility provided in order to avoid nullification of the very purpose for which the facilities are meant". The standing committee had pointed out the discrepancy between the ministry's claim that 46 per cent of the urban population in India is covered by sewerage and sewage facilities and the WHO report of the Commission on Health and Environment 1992 which points out that only 209 of the 3,119 towns (7 per cent) are partially covered by such facilities. The ministry has gone into a convoluted explanation about the difference in the base number on which the two figures are based and admits that the ministry has no town/ citywise updates on programme coverage. Interestingly enough, the last year's annual report dispenses entirely with programme coverage data, confining itself to utilisation of funds

In the Sixth Plan, with a belated recognition that urban development needed more than the cursory attention it had received till then, the integrated development of small and medium towns scheme (IDSMT) was launched and has continued through the Eighth Plan with an allocation of Rs 155 crore. Interestingly, other than mentioning the guidelines on which the towns are chosen for the scheme, and noting the amounts utilised, there is no information on the actual coverage and no indication about what 'development' if any has taken place in these towns.

PAKISTAN

Mayhem in Karachi

If Kashmir is a thorn in Narasimha Rao's side, he can take comfort in the thought that Benazir Bhutto is nettled by happenings in Karachi. If the secular image of India gets a sound drubbing when the world watches it amassing its armed forces against the Muslim minority in the Valley, Pakistan's much-flaunted Islamic ideology equally loses its credibility when it is seen turning its guns against its own co-religionists – the Mohajirs – in Karachi.

The symbiosis between Benazir's increasingly shrill obduracy in the face of Mohajir demands, and the Mohajir Quami Movement's (MQMs) escalating terrorism has wrought havoc with the lives of Karachi's ordinary citizens. The latest mayhem was sparked off by the rape of the sister of an MQM activist, allegedly by members of a rival faction (the Haquiqe) which enjoys the patronage of the all powerful Inter Services Intelligence (ISS) of the Pakistani defence establishment. The MQM alleges that the Urdu-speaking Muslims who migrated from India to Pakistan after partition expecting a homeland where they would be treated as equal citizens, are reduced to third class citizens who do not enjoy fundamental constitutional rights and economic opportunities in proportion to their numbers. In its movement to demand redressal of their grievances – which had become increasingly violent in retaliation to state repression – the MQM has lost hundreds of its activists to police and army bullets, and hundreds are either in jail, or on the run (including its leader Altaf Hussain, who is in exile in London, and fears that he will be killed if he returns to Pakistan).

But the MQM is not as lily-white as it claims to be. During its turbulent history of a little over a decade, it has demonstrated by its actions that it can be as morally unscrupulous and politically opportunistic as the LTTE of Sri Lanka, or the Khalistanis of Punjab. Like Prabhakaran and his followers of the LTTE who had no scruples in requesting military training from the Indian RAW for the 'liberation movement' (when the RAW itself was engaged at the same time in suppressing similar 'liberation movements' in the north-east of India), or like Bhindranwale who rose to prominence by accepting the role of a pawn in Indira Gandhi's hands to serve her purpose of marginalising and dividing the Akalis in Punjab, the MQM leader Altaf Hussain had shifted his loyalties from one patron to another in order to strengthen his clout in Pakistan politics.

In Pakistan, it is widely known that Altaf Hussain formed the MQM during the Zia regime, with the blessings of the ISS, which used it to marginalise Bhutto's Pakistan People's Party (PPP) in Sindh, where the Mohajirs are mainly concentrated, forming 40 per cent of its population. After a brief honeymoon with the PPP following the formation of Benazir's first government in 1988, the MQM fell out with her. But all through these vagaries of political alignments and re-alignments in national politics, the MQM managed to steadily increase its electoral strength, emerging as the third largest party in the National Assembly after the October 1990 general elections. The movement, however, has acquired a notoriety over the years for violent and intolerant activities by its leaders and ranks – both against dissidents within the MQM and Urdu-speaking Mohajirs outside who did not toe its line, – recalling the violence-ridden history of the Tamil Tigers, the Khalistanis, and the Kashmiri militants directing their vengeance against members of their own respective communities. The accession of the criminal underworld of Karachi, armed with sophisticated weapons siphoned off from the state-patronised Afghan mercenaries, to the MQM is diluting whatever political position (of demanding institutionalisation of Mohajir demands for equality and protection of their cultural identity) that the MQM might have had taken to mobilise the Urdu-speaking migrants. But then again, Benazir Bhutto cannot simply resort to a military solution – which she is doing – in response to what has exploded today into a law and order problem from long-accumulated social and economic grievances of the Mohajir community, which her government continues to ignore. Unless she succeeds in resolving these grievances, the Mohajirs of Karachi will continue to empathise willy-nilly with the MQM – despite its authoritarian and terrorist activities. The situation again has a parallel in Kashmir, where due to the decades-long central indifference to the grievances of the people there, popular protest has gathered around the various terrorist outfits.

Ironically, notwithstanding Benazir's pathological loathing for New Delhi, she is taking a leaf out of the Indian government's repressive policies regarding Kashmir. While Karachi, like the Valley, continues to remain paralysed by strikes and militant actions, Islamabad is preparing an army crackdown, and has asked non-Mohajirs to quit Karachi while cutting off the city from all communications – shades of Kashmir in January 1990, when governor Jagmohan asked – and arranged for the evacuation of – the Hindu pandits to leave the Valley, preparatory to an army crackdown on the Muslim residents.

Twenty Years Ago

EPW, July 5, 1975

The far-reaching political changes ushered in with the proclamation of a state of emergency on June 26 notwithstanding, in the economic field the government is apparently not contemplating any startling change of direction or policies. The emphasis, it is clear, will be on a more determined pursuit of the trends which have been increasingly in evidence in the last four years or so. In this context, the prime minister's broadcast on June 27, in which she announced that the government had no plans of nationalising industries or of imposing fresh economic controls, was no less significant than her subsequent broadcast on July 1 in which she spelt out what has now come to be known as the 21-point programme.

A major theme of the 21-point programme is that, in the Prime Minister's words, "we must go all out to increase production". In industry, licensing procedures had been "streamlined", leading to a sharp rise in the numbers of licences and letters of intent issued, illegally installed capacity had ben regularised in all manner of industries, the list of priority industries had been made progressively all-encompassing and imports of raw materials and components had been liberalised. Also, curbs on the expansion of large business houses had been dismantled and the anti-monopoly and anti-concentration provisions of the MRTP Act had been allowed to fall into to disuse.

One of the major items in the celebrated 10-point economic programme adopted by the AICC in June 1967 was that the growth of monopolies would be curbed and concentration of economic power would be prevented. By contrast, it is the implicit premise of the 21-point programme that increased production, from whatever quarter it may emanate, must be encouraged. Similarly, larger production, in whichever industry it may occur, is to be welcomed. Hence any tightening of the definitions of priority or essential industries is clearly ruled out.

In regard to the rural sector, the prime minsiter in her broadcast listed a number of programmes which are vital for improving the condition of some of the poorest sections of the population, such as landless labourers and small farmers, scheduled castes and adivasis.

Organisation of the rural poor is, vital for the realisation of those parts of the 21-point programme which are intended to benefit the landless, the scheduled castes, the adivasis and the like. How this can be done in the changed political conditions of today is something which should occupy the attention of all those who are committed to the goals of the programmes put forward by the prime minister.

S and Y Mills

S AND Y MILLS incorporated in 1994 have undertaken a project for weaving of polyester blended suiting materials, with an annual installed capacity of 14.88 lakh metres for which commercial production is scheduled to commence in July 1995. To part finance the project, the company will enter the capital market on July 14 with a public issue of 12,50,000 equity shares of Rs 10 each at par aggregating Rs 125 lakh. S and Y Mills will be listed on the Bombay, Madras and Coimbatore stock exchanges. The estimated project cost is of Rs 593 lakh, out of which the promoters are contributing Rs 298 lakh towards the equity and the balance of Rs 170 lakh is through term loan. Out of the total requirement of plant and machinery worth Rs 241.70 lakh, the company is acquiring second-hand plant and machinery worth Rs 141.79 lakh. However, out of the total 24 nos of Sulzer looms required for the project, the company has acquired only 12 looms so far. The company has no firm tie-up for the procurement of raw materials. It has obtained a temporary power connection from TNEB.

Mount Everest Mineral Water

Promoted by Dadi Balsara, an NRI from Singapore, Mount Everest Mineral Water is approaching the Indian capital market with an aggregate issue of Rs 1,164.28 lakh consisting of a public issue of Rs 72.50 lakh equity shares of Rs 10 each for cash at par (Rs 725 lakh) and firm allotments of 43,92,800 equity shares also at par (Rs 439.28 lakh). The company proposes to set up a fully integrated plant for the manufacture of polyethylene terepthalate (PET) bottles and natural mineral water rich in minerals such as bicarbonates, calcium and magnesium sourced from the Dhaula Kuan-Paonta Sahib area, district Simour, Himachal Pradesh. The company has technical collaboration with Fresenius Consult GmbH of Germany for planning, installation and commissioning of the plant. It also has a technical agreement with AOKI Technical Laboratory, of Japan for know-how and consultancy services for manufacture of PET bottles. As the proposed plant is located in a backward region, it will enjoy sales tax and income tax exemptions, for 10 years and five years respectively.

The PET bottles proposed to be manufactured by the company will use a stretch-blowmoulding process. The PET bottles, it is hoped, will have ready demand in the Indian market as they would be used for packaging of mineral water as well as for external sales to liquor and edible oil manufacturers. Likewise, mineral water is targeted especially at touring and travelling market segments; the total demand for mineral water was estimated at 1,000 lakh litres for the year 1993-94 against which the extant supplies stand at 799 lakh litres. Apart from the capital raised from the public issue, a foreign currency loan worth yen 165 million (526.11 lakh) has already been sanctioned by Bank of India. In addition, the company will have Rs 340 lakh of working capital and Rs 578 lakh of foreign letters of credit for import of raw materials and capital goods (the latter on one-time basis).

FGP

A pioneer in the fibre glass industry in India and with an uninterrupted dividend track record for over 23 years, FGP is making a rights issue of 69,97,536 equity shares of Rs 10 each for cash at a premium of Rs 25 per share aggregating Rs 24.49 crore. The company has bought over the glass fibre division of Ceat at Hyderabad. Also, the company has been facing a severe liquidity crunch as a result of the utilisation of short-term funds for modernisation of its furnace at Thane. Hence the present offer. However, the fund requirements have been estimated internally; they have not been appraised by any financial institution or bank. As a result, the utilisation of funds raised through the rights issue will be left entirely at the discretion of the management.

Jyoti Cosmetics

Jyoti Cosmetics (EXIM), which is setting up manufacturing facilities for toothpaste, liquid and all purpose cream, dendricial and general shampoo and almond lotion in Mehsana district of Gujarat, is approaching the market with a capital issue of Rs 7.50 crore. The project cost of Rs 11.30 crore will be financed, apart from the public issue, by promoters' contribution of Rs 3.80 crore. As per the estimates available, as against a supply of 30,000-35,000 mt, the demand for the products is placed at 40,000-45,000 mt worth about Rs 200-Rs 250 crore, thus showing a gap of about Rs 65 crore worth of products. Besides, there is also considerable export potential. The annual rise in the consumption of toiletries and cosmetics is found to be as high as 12 to 15 per cent.

Scan Organics

Engaged in the production of reactive dyes and gamma acid, Scan Organics is now planning to augment its operations by increasing capacity for gamma acid and manufacturing of dye intermediates, namely, bon acid, tobias acid, J acid and N methyl. For part financing in the project the company is making a public issue of Rs 6.45 crore. The government of India has identified dyes and dye intermediates industry as a major thrust area. The export potential for the industry has expanded because the manufacture of dyes and dye intermediates is being phased out in industrialised countries. The actual exports from India is already growing at the rate of 15 per cent per annum.

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CURRENT STATISTICS

EPW Research Foundation

The annual inflation rate has eased further to stand at 8.2 per cent for the week ended June 17. However the final figures may be higher. For the first four weeks of 1995-96 the inflation rate based on final WPI is about 1 per cent higher than that based on the provisional indices. The phenomenal rise in net RBI credit to the centre continues and is reflected in sizable currency expansion. The loss of bank deposits over March 31 this year has been larger at Rs 6 795 crore (or 1.8 per cent). In the primary floatations the yields on 91 day TBs have further firmed up from 12.07 per cent to touch the record high of 12.58 per cent. All round liquidity shortage continues also evident from the poor response to the second auction of the 14 per cent 10 year GoI stock.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	June 17 1995	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
All Commodities	100.0	290.8	0.9	8.2	12.0	2.0	4.0	10.4	10.8	7.0	13.6
Primary Articles	32.3	298.8	0.1	7.6	14.8	2.3	7.2	13.7	11.5	3.0	15.3
Food Articles	17.4	330.7	0.6	6.2	12.8	5.4	11.1	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	315.8	0.9	10.8	21.9	2.4	1.7	15.5	24.9	1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.6	0.0	2.0	9.7	0.0	0.4	2.4	13.1	15.2	13.2
Manufactured Products	57.0	287.5	1.7	9.9	10.8	3.3	3.0	10.7	9.9	7.9	12.6
Food Products	10.1	278.0	0.5	3.1	10.8	2.0	2.0	5.1	12.3	6.8*	10.2
Food Index (computed)	27.5	310.6	0.4	4.9	12.1	1.0	0.7	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-June 17 1995)	100.0	288.5		10.3	9.1	8.9	11.9	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1982=100)	295[4]	0.7	9.7	9.8	0.7	0.7	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	243	0.4	9.5	8.3	9.5	8.3		8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1306[4]	0.5	13.1	13.1	0.5	0.9	10.6	11.6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	June 09 1995	Over Month	Variation: Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93
Money Supply (M_3)	532681	1536 (0.3)	6203 (1.2)	7938 (1.8)	75167 (16.7)	72367 (19.1)	50484 (15.4)
Currency with Public	112852	1150 (1.0)	11982 (11.9)	11738 (13.7)	18990 (23.2)	14067 (20.7)	7111 (11.7)
Deposit with Banks	417277	766 (0.2)	4981 (1.2)	2479 (0.7)	56321 (15.1)	57185 (18.5)	42945 (16.1)
Net Bank Credit to Govt	237009	4251 (1.8)	17118 (7.9)	11198 (5.5)	14380 (7.0)	29370 (16.7)	17903 (11.3)
Bank Credit to Comml Sector	288302	1050 (0.4)	412 (0.1)	4758 (1.7)	43796 (17.9)	16591 (7.3)	30187 (15.3)
Net Foreign Exchange Assets	73636	1639 (2.3)	2254 (3.0)	4262 (7.9)	32197 (41.3)	38775 (115.3)	3747 (17.7)
Reserve Money	179291	148 (0.1)	10317 (6.1)	8251 (6.0)	30386 (21.9)	27843 (25.1)	11271 (11.3)
Net RBI Credit to Centre	114029	2537 (2.3)	15351 (15.6)	570 (0.6)	949 (1.0)	1306 (1.4)	3586 (3.9)
Scheduled Commercial Banks							
Deposits	378705	94 (0.0)	6795 (1.8)	4723 (1.3)	19271 (14.8)	52144 (18.6)	39017 (16.1)
Advances	208549	1763 (0.8)	1157 (0.6)	5303 (3.1)	38784 (27.7)	11566 (7.3)	23757 (17.5)
Non-Food Advances	193053	2962 (1.5)	4378 (2.3)	6472 (4.0)	37416 (23.4)	7402 (4.9)	21684 (16.6)
Investments	151487	2113 (1.4)	2233 (1.5)	9744 (7.3)	14172 (10.5)	28435 (26.7)	16820 (18.7)

Monetary and banking data are based on March 31 figures before closure of government accounts.

Index Numbers of Industrial Production (1980-81=100)	Weights	Jan 1995	Average for Fiscal Year So Far 1994-95	1993-94	Variation (Per Cent) Fiscal Year Averages: 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	265.5	242.2 (7.6)	225.1 (5.5)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	282.1	235.1 (6.5)	220.8 (3.6)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	252.7	233.0 (8.8)	216.6 (5.4)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	335.1	311.0 (8.4)	286.8 (7.2)	7.3	5.1	8.5	7.8	10.5	9.5	7.7

Capital Market	June 30 1995	Month Ago	Year Ago	1995-96 So Far Trough	1995-96 So Far Peak	1994-95 Trough	1994-95 Peak	End of Fiscal Year 1994-95	End of Fiscal Year 1993-94	End of Fiscal Year 1992-93
BSE Sensitive Index (1978-79=100)	3247	3385	4084	3015	3484	3233	4604	3261	3779	2281
	(-20.6)		(-83.5)					(-13.7)	(65.7)	(-46.8)
National Index (1983-84=100)	1580	1592	1978	1482	1691	1572	2176	1606	1830	1021
	(-21.1)		(-80.5)					(-12.2)	(79.2)	(-48.1)

Foreign Trade	March 1995	1994-95	1993-94	Full Fiscal Year Variations: 1992-93	1991-92	1990-91	1989-90	1988-89
Exports Rs crore	9251	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)	27681 (36.8)	20281 (29.0)
US $ mn	3922	26233 (18.3)	22173 (20.1)	18537 (3.8)	17866 (-1.5)	18143 (9.1)	16626 (19.0)	14005 (15.5)
Imports Rs crore	9062	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)	35416 (25.1)	27693 (23.9)
US $ mn	2863	28251 (21.7)	23217 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)	21272 (9.1)	19123 (11.0)
Non-POL US $ mn	2512	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)	17504 (6.2)	16238 (15.0)
Balance of Trade Rs crore	189	6375	3253	-9687	3809	10640	7735	7412
US $ mn	59	2018	1039	3345	-1545	-5930	-4646	5118

Foreign Exchange Reserves (excluding gold)	June 23 1995	June 24 1994	Mar 31 1995	Variation Over: Month Ago	Year Ago	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
Rs crore	61726	50803	66028	1723	10917	4303	3183	18402	27430	5385	10223
US $ mn	19748	16341	20816	508	3407	-1068	1165	5640	8724	731	3383

Money Market Rates of Interest

(per cent per annum)

Weekended Fridays / Instruments	June 1995					May 1995				April 1995			
	30	23(RF)	16	9(RF)	2	26(RF)	19	12(RF)	5	28(RF)	21	14(RF)	7
Call money rate (weekly weighted average)	na	na	14.59	10.45	13.39	12.29	16.78	13.14	10.06	7.83	10.71	10.84	14.68
Call money rate (range:weekly)	14.00-19.00	0.25-21.50	13.50-17.25	2.00-12.00	10.50-16.00	2.00-22.00	15.50-19.50	11.50-19.00	8.50-12.00	1.00-11.50	7.50-14.50	8.00-18.00	10.00-19.00
Treasury Bills:-													
91-Day (On tap or ad hoc)	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
91-Day (RBI auction):													
Primary	12.58	12.50	12.37	12.33	12.33	12.07	12.07	12.07	11.95	11.40	11.90	12.03	11.98
Secondary: DFHI (mid-point of bid and offer)	12.85	12.75	12.60	12.38	12.05	11.90	11.90	11.73	11.55	11.40	11.65	11.65	11.65
All SGL trading (weighted YTM)	12.96	...	...	13.00	...	...	12.78	12.52	10.04	6.26	...	...	...
364-Day (RBI auction)													
Primary	*	12.60	*	12.52	*	12.52	*	12.50	*	12.21	*	12.08	*
Secondary: DFHI (mid-point)	11.60	11.50	11.40	11.30	11.10	11.00	11.00	10.85	10.70	10.55	10.85	10.85	10.85
All SGL trading (weighted YTM)	14.07	13.90	13.51	13.30	13.37	13.27	12.86	11.51	10.99	11.54	12.00	13.32	13.21
RBI Repo auctions (GOI securities)	*	*	*	*	*	*	*	*	*	*	*	*	*
Secondary market	16.00	na	na	na	na	na	na	na	na	na	na	na	na
State government loans (coupon rates)	–	–	–	–	–	14.00	–	–	–	–	–	–	–
All SGL trading (weighted YTM)	12.07	13 18	12.64	11.78	12.14	10.50	11.88	11.64	12.35	11.61	10.13	12.12	12.30
GOI Securities: Primary auctions	*	14.00 (10 years)	*	14.00 (10 years)	*	13.80$	*	*	13.75 (10 years)	13.25 (conversion 5 years)	*	*	*
Secondary: All SGL trading (weighted YTM)	13.95	13.45	13.51	13.74	13.69	13 61	13.62	12.40	12.23	12.67	13.06	13.18	12.36
PSU Bonds yield:-													
Tax free: NSE (traded, weighted)	11.70	11.65	11.30	11.63	11.64	11.50	11.73	11.60	11.72	11.53	11.39	11.62	11.62
NSE (range:weekly)	11.21-12.62	10.83-12.78	10.94-11.40	10.66-12.21	10.61-12.22	10.94-13.08	11.17-12.44	11.47-12.58	10.07-11.63	10.23-11.69	11.39	10.86-11.79	10.86-11.79
Taxable. NSE (traded, weighted)	16.54	16.50	17.75	16.67	17.91	17.41	15.54	15.53	16.00	15.59	14.59	14.95	14.96
NSE (Range:weekly)	16.50-18.04	13.13-16.71	16.00-18.08	13.16-18.17	16.85-18.29	12.78-18.31	14.30-15.60	15.53	13.20-16.06	12.56-16.07	12.54-15.12	12.57-15.25	12.57-15.31
Commercial Bills: DFHI (Rediscount rate)	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.50-15.00	14.50-15.00	15.00	15.00	15.00	15.00
CP:Primary market (90 days)	15.00-16.00	15.00-16.00	15.00-16.00	15.00-16 00	15.00-16.00	15.00-16.00	14.25-15.00	14.25-15.00	14.25-15.00	14.50-16.00	14.50-16.00	14.50-16.00	14.50-16.00
Secondary: DFHI (discount rate)	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Secondary: market/NSE	14.64	14.94	14.40	13.67	14.58	13.50	14.73	na	na	14.40	14.50	15.25	14.20
CDs:Primary market (one year)	14.50-15.00	14.50-15.00	14.50-15.00	14.50-15.00	14.50-15 00	14.00-15.00	14.00-15.00	14.00-15.00	14.00-15.00	14.00-15.00	14.00-15.00	13.75-14.50	13.50-14.50
Secondary: DFHI (discount rate)	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.50-15.00	14.50-15.00	15 00	15.00	15 00	15.00
Inter-corporate deposits (30/90/180 days)	16.00-21.00	16.00-21.00	16.00-21.00	16.00-21.00	16.00-21.00	15.00-20.50	15.00-20.50	15.00-20.50	15.00-20.50	15.00-20.50	15.00-20.50	15.00-20.50	15.00-20.50
UTI-1964 Units (Week-end secondary market price in rupees)	17.81	17.81	17.81	17.80	17.80	17.80	17.80	17.81	17.73	17.73	17.73	17.69	17.69
Hundi rate	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Memorandum Items:													
(i) Forward premia on the US dollar in the domestic inter-bank market (annualised in per cent per annum) (weekly average)@													
Spot/Cash	14.09	8.07	6.47	2.76	1.31	3.78	7.05	7.17	3.09	4.94	4.36	7.99	16.26
One-month	5.05	5.53	4.25	3.48	4.10	5.35	5.54	4.55	3.58	6.69	7.87	8.50	8.29
Three-month	5.66	5.86	5.34	5.33	6.86	6.14	6.18	5.54	5.08	7.07	7.81	8.12	7.56
Six-month	6.08	6.21	5.86	5.95	6.62	6.63	6.77	6.37	6.07	7.51	8.03	8.15	7.80
(ii) Havala rate(Rs/US$) (Dubai)	35.25	35.25	35.30	35.35	35.50	35.40	35.30	34.97	35.25	35.20	35.20	36.00	36.00

... no trading * no auction na not available (–) no floatation YTM = yield to maturity $ Auction held on May 29. RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period.

@ Based on the daily quotations supplied by Mecklai Financial and Commercial Services Ltd, Bombay.

Notes: (i) Superscript numeral denotes month to which figure relates, e.g. superscript ' stands for July, (ii) Figures in brackets are percentage variations over the comparable previous period. (iii) – means not available.

MRF

On a Roll

MRF is the market leader in the tyre industry. The company has done well for 1993-94 with the turnover increasing by 10 per cent (Rs 81.75 crore), operating profit by 10 per cent (Rs 9.72 crore) and net profit by 16 per cent (Rs 2.27 crore). Other income has fallen by 49 per cent (Rs 3.48 crore), non-operating surplus by 142 per cent (Rs 98 lakh), while interest charges have risen by 6 per cent (Rs 1.94 crore) and depreciation by 12 per cent (Rs 2.80 crore). Exports were down for the year by 21 per cent (Rs 20.95 crore), and imports by 4 per cent (Rs 4.39 crore). A dividend of 90 per cent was declared for the year. The debt-equity ratio fell marginally by 2 percentage points for the year, while short-term bank borrowings to inventories fell by 26 percentage points for the year. Sales to total assets and sales to gross fixed assets fell by 3 percentage points and 24 percentage points, respectively. Exports to sales was down by 4 percentage points while raw material consumption fell by 1 percentage point. Earning per share rose by Rs 5 from Rs 33 to Rs 38 for 1993-94. Gross saving to gross capital formation rose by 15 percentage points for the year.

The company has managed to maintain its leadership in the tyre segment and expects to further improve its performance. Its sale of tyres increased by Rs 93.29 crore and of automobile tubes by Rs 14.82 crore. MRF has also diversified into the manufacture of finished leather. Its soft touch leather products and Catzvelte range of leather garments which are exported to Norway, Sweden, UK and Germany are said to be well received. Exports have suffered because of diversion of products to the domestic market. The company bought the 9.08 per cent stake from Michelin of France, former collaborator, which had attempted a takeover when the latter disinvested in MRF. The company invested Rs 6.46 crore in its R and D activities.

PUNJAB TRACTORS

Indigenous Development

Promoted by Punjab State Industrial Development Corporation (PSIDC), Punjab Tractors was incorporated in 1970. PSIDC holds 24 per cent of the equity while mutual funds and financial institutions 40 per cent, FIIs 10 per cent, with 24 per cent of the equity being with the public. The company commenced its operations in 1974 based on indigenously developed technology. It has three divisions – tractors, combines and a foundry which are marketed under the brand name 'Swaraj'. Tractors account for 95 per cent of its aggregate turnover.

The company's turnover was up by 20 per cent (Rs 44.62 crore), operating profit by 26 per cent (Rs 7.08 crore) and net profit by 16 per cent (Rs 2.4 crore). Margins would have been higher but for the rise in taxation, interest charges and depreciation by Rs 3.5 crore, Rs 63 lakh and Rs 94 lakh, respectively. A dividend of 80 per cent was declared for the year. Exports rose sharply at Rs 5.3 crore as against Rs 1.05 crore in the past year. Imports fell to Rs 1.25 crore from Rs 2.17 crore in the previous year.

Debt-equity ratio has risen by 8 per cent, 9 per cent and 18 per cent in the past three years. Short-term bank borrowings fluctuated at 15 per cent, 8 per cent and 9 per cent for the same years. Sales to total assets fluctuated at 156 per cent, 174 per cent and 156 per cent, while sales to gross fixed assets rose at 288 per cent, 295 per cent and 303 per cent for 1991-92, 1992-93 and 1993-94. Inventories to sales showed a declining trend. Return on investment fluctuated at 16 per cent, 20 per cent and 19 per cent for the past three years. Earning per share fell by Rs 9 for 1992-93 and rose by Rs 2 for 1993-94. Remuneration to employees declined by 41 per cent, 35 per cent and 31 per cent in the three years.

The company has now moved into the third position in the industry. The sale of tractors remained high throughout the year with harvester combines and forklift trucks too doing well. Out-turn at the foundry grew by 3.3 per cent for the year. The company is expanding its capacity from 21,000 to 36,000 tractors per annum with a total outlay of Rs 25 crore which is to go on stream by the end of 1996. Having developed indigenous technology the company has restricted its foreign exchange outgo. The increase in sales is also attributed to its after sales support service. The company's R and D facilities expenditure was Rs 89 lakh.

BHARAT BIJLEE

Expanding Markets

For the past three years Bharat Bijlee which manufactures transformers, electric motors and lifts has shown a fall in profits. Though net sales were up at Rs 97.55 crore as against Rs 89.87 crore, operating profits fell to Rs 8.96 crore against Rs 10.09 crore in the previous year. Margins fell to Rs 1.8 crore as against Rs 2.70 crore in 1992-93. Though other income and non-operating profits rose, and interest charges as well as depreciation was low, margins declined. This fall has been attributed to the transport strike and the additional depreciation provision of Rs 51 lakh to write off assets of negotiable amounts. While imports rose sharply from Rs 5.39 crore to Rs 9.21 crore, exports fell to Rs 3.69 crore from Rs 4.27 crore. The company declared a dividend of 22 per cent for the year.

Return on investment declined in the past three years at 10 per cent, 7 per cent and 6 per cent. Net value addition to the value of production fell by 2 percentage points for 1992-93 and 1 percentage point for 1993-94. Remuneration to employees however, grew by 1 percentage point and 4 percentage points for the same period. Earning per share fell at Rs 219 in 1991-92, Rs 93 in 1992-93 and Rs 63 in 1993-94. Debt-equity ratio fluctuated at 50 per cent, 43 per cent and 45 per cent for the past three years. Short-term loans rose by 15 percentage points for 1992-93 and fell by 1 percentage points for 1993-94. Consumption of raw materials grew by 3 percentage points for 1992-93 and fell by 7 percentage points for 1993-94. Sales to total assets and sales to gross fixed assets grew in the past 3 years.

The sales of the motor division in terms of value and quantity grew for the year. The transformer division did well with high export orders being booked. The order booking of the lift division was satisfactory and the proportion of Olympus Schindler installations increased. The transformer division which makes both power and distribution transformers is the major contributor to its turnover. The division contributes around 50 per cent to the sales. The company has collaboration agreements with Siemens AG of Germany for the manufacture of transformers. The division also specialises in making electronic motors including standard motors up to 45 KW, flame proof motors and monobloc pumps and also custom engineered motors for specialised applications. Escalators are also being made in collaboration with Schindler of Switzerland. Marketed under the brand name Olympus Schindler they enjoy a 15 per cent market share.

With the power sector being opened up to private companies, investment in the sector is expected to shoot and so is the demand for the equipment. The company expects to do well in the next few years.

(Rs lakh)

Financial indicators	MRF Ltd		Punjab Tractors		Bharat Bijlee		Mysore Cements		Narmada Cement	
	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993	March 1994	March 1993
Income/appropriations										
1 Net sales	87229	79054	26343	21881	9755	8987	24926	22905	11190	10093
2 Value of production	88404	78756	26326	21850	9422	9332	24220	22563	10681	10129
3 Other income	349	697	487	489	89	60	47	54	58	42
4 *Total income*	88753	79453	26813	22339	9511	9392	24267	22617	10739	10171
5 Raw materials/stores and spares consumed	55617	50130	20505	17194	5077	5379	6892	6849	1229	1158
6 Other manufacturing expenses	4923	4167	240	197	655	418	7880	8211	5596	4754
7 Remuneration to employees	4947	4004	1549	1441	1640	1527	1438	1196	782	654
8 Other expenses	13343	12201	1144	840	1243	1059	5369	2858	2563	2385
9 *Operating profit*	9923	6951	3375	2667	896	1009	2908	3503	569	1220
10 Interest	3400	3206	357	294	448	468	1936	2295	853	808
11 *Gross profit*	6494	5814	3221	2537	532	816	2060	2259	–280	694
12 Depreciation	2587	2307	510	416	127	76	1132	1528	161	504
13 *Profit before tax*	3467	3260	2711	2121	405	540	927	730	–441	190
14 Tax provision	1830	1850	990	640	220	270	0	0	0	0
15 *Profit after tax*	1637	1410	1721	1481	185	270	927	730	–441	190
16 Dividends	382	382	810	405	67	67	491	410	0	0
17 Retained profit	1255	1028	911	1076	118	203	436	320	–441	190
Liabilities/assets										
18 Paid-up capital	424	424	1013	1013	313	313	4584	2103	3124	2124
19 Reserves and surplus	13386	11691	6922	6011	1337	1219	28707	21242	–5309	–4868
20 Long term loans	12007	10774	1480	649	752	674	8352	13846	7078	7750
21 Short term loans	10291	11521	1226	1456	1601	1732	2324	2775	274	517
22 Of which bank borrowings	8235	11272	410	348	1205	1426	1963	2358	274	517
23 Gross fixed assets	34504	28580	8691	7404	1694	1632	55924	53064	9715	9665
24 Accumulated depreciation	16345	13779	3196	2700	903	783	20856	19032	6382	6307
25 Inventories	15434	14111	4519	4274	2199	2585	4094	4889	1801	2112
26 Total assets/liabilities	53795	47730	16798	12564	7718	7742	48923	45501	6829	7536
Miscellaneous items										
27 Excise duty	26768	21998	2197	2652	644	1765	5827	5500	2081	2364
28 Gross value added	14926	13457	4933	4058	2758	2731	6492	6759	1385	2459
29 Total foreign exchange income	7723	9838	530	105	613	427	86	8	560	192
30 Total foreign exchange outgo	9590	10132	146	235	1013	573	56	65	90	90
Key financial and performance ratios										
31 Turnover ratio (sales to total assets) (%)	162.2	165.6	156.8	174.2	126.4	116.1	50.9	50.3	163.9	133.9
32 Sales to total net assets (%)	241.6	229.7	247.6	239.7	243.7	228.2	56.7	57.3	216.6	182.7
33 Gross value added to gross fixed assets (%)	43.3	47.1	156.8	54.8	162.8	187.3	11.6	12.7	14.3	25.4
34 Return on investment (gross profit to total assets) (%)	12.1	12.2	19.2	20.2	6.9	8.0	4.2	5.0	–4.1	9.2
35 Gross profit to sales (gross margin) (%)	7.4	7.4	12.2	11.6	5.5	6.9	8.3	9.9	–2.5	6.9
36 Operating profit to sales (%)	11.4	11.3	12.8	12.2	9.2	11.2	11.7	15.3	5.1	12.1
37 Profit before tax to sales (%)	4.0	4.1	10.3	9.7	4.2	6.0	3.7	3.2	–3.9	1.9
38 Tax provision to profit before tax (%)	52.8	56.7	36.5	30.2	54.3	50.0	0.0	0.0	0.0	0.0
39 Profit after tax to net worth (return on equity) (%)	11.9	11.6	21.7	21.1	11.2	17.6	2.8	3.1	20.2	–6.9
40 Dividend (%)	90.0	90.0	80.0	80.0	22.0	22.0	20.0	–	0.0	0.0
41 Earning per share (Rs)	38.6	33.3	17.0	14.6	63.6	93.6	2.0	3.4	–1.4	0.9
42 Book value per share (Rs)	325.7	285.7	78.3	69.3	572.4	530.7	72.7	111.1	–7.0	–12.9
43 P/B ratio (based on latest and corresponding last year's price)	18.1	0.0	22.4	0.0	26.3	18.2	22.9	0.0	–15.8	0.0
44 Debt-equity ratio (adjusted for revaluation) (%)	86.9	88.9	18.7	9.2	45.6	44.0	25.1	59.3	–323.9	–282.4
45 Short term bank borrowings to inventories (%)	53.4	79.9	9.1	8.1	54.8	55.2	47.9	48.2	15.2	24.5
46 Sundry creditors to sundry debtors (%)	75.5	52.2	448.1	601.9	70.7	80.7	199.6	229.0	271.0	85.8
47 Total remuneration to employees to gross value added (%)	33.1	29.8	31.4	35.5	58.5	55.9	22.2	17.7	56.5	26.6
48 Total remuneration to employees to value of production (%)	5.6	5.1	5.9	6.6	17.4	16.4	5.9	5.3	7.3	6.5
49 Gross fixed assets formation (%)	20.7	–	17.4	18.3	3.8	6.9	5.4	–	0.5	–
50 Growth in inventories (%)	9.38	–	5.73	–2.93	–14.93	7.00	–16.26	–	–14.73	–

MYSORE CEMENTS

Power Shortages

Mysore Cements, a part of the S K Birla Group, has registered mixed performance for 1993-94 with an increase in sales by 8 per cent; operating profit fell by 16 per cent, and gross profit by 8 per cent, and net profit rose by 26 per cent. The rise in margins was due to the fall in interest charges by 15 per cent, depreciation by 25 per cent, and nil taxation. Other income fell by 12 per cent, while non-operating rose by 3 per cent. Exports were up by Rs 78 lakh, while imports fell by 8 per cent for the year. A dividend of 20 per cent was declared for the year. Debt-equity ratio fell by 34 percentage points, short-term bank borrowings fell by 1 percentage point for the year. While sales to total assets remained steady, sales to gross fixed assets rose by 1 percentage point for the year. Consumption of raw material fell for the year. Earning per share fell by Rs 2 per cent for the year. Remuneration to employees rose from 17 per cent in 1992-93 to 22 per cent in 1993-94.

The cement industry was dogged by short supply of coal, inadequate and erratic supply of power and non-availability of wagons. The company has managed to maintain its capacity utilisation at 103 per cent as against the all-India level of 86 per cent and the despatches also increased by 8 per cent. Increases in cost of cement production was due to the increase in the administered prices of inputs, like coal, fuel oil, freight and transport and power. Rights issue of FCDs aggregating Rs 113.38 crore was completed during the year. After the conversion of debentures the equity of the company increased to Rs 44.42 crore. The company as a part of its diversification has plans to set up a latex thread project in TIDCO at Hosur and in technical and financial collaboration with Polcon Italiana of Italy who are also to participate in the equity capital of the new company. The company has also decided to increase its own power generation capacity at all its units. A new cement plant has been set up at Damoh in Madhya Pradesh, with a 10 MW captive power plant for the Damoh unit and installed wagon tippler, coal stacker and coal washery for the one million tpa clinkerisation plant. The company has plans to diversify into pig iron, casting and structural fabrications, for which a new subsidiary is being set up. The first phase will comprise a three lakh tonne foundry grade pig iron plant at Haldia, at a cost of Rs 150 crore. In the second phase the pig iron capacity is to be expanded while it would also diversify into foundry-grade casting and structural fabrications at a cost of Rs 600 crore.

NARMADA CEMENTS

Rise in Exports

Narmada Cement Company, once a blue chip company, is now experiencing a decline in margins. Net sales of the company was up by 10 per cent for 1993-94. However, operating profits fell by 53 per cent and net profits by 332 per cent. Interest charges grew by 5 per cent for the year; other income was up by 38 per cent; depreciation was down by 68 per cent. Sluggish demand and subdued prices put heavy pressure on the company's margins. Exports were up at Rs 5.6 crore as against Rs 1.92 crore in 1992-93. Imports fell to Rs 78 lakh from Rs 90 lakh in the previous year.

The long-term borrowings of the company fell by 8 per cent for the year. Short-term borrowings fell from 24 per cent in 1992-93 to 15 per cent in 1993-94. Sales to total assets grew at 133 per cent and 163 per cent in the past two years. Sales to gross fixed assets grew at 104 per cent and 115 per cent for the same period. Return on investment fell by 13 percentage points for the year. Inventories to sales fell by 4 percentage points for the year; net value added to value of production fell by 8 percentage points. Remuneration to employees rose by 30 percentage points for the year.

Clinker production was at 7.89 lakh MT for the year. Despatches of cement in the domestic market during the year were at 6.38 lakh MT and realisation fell by Rs 29 per MT for the year. With the reduction of import duty on coal to 35 per cent from 85 per cent, indigenous coal has become expensive and hence the company is forced to import all its coal requirements. The company has plans to install new machinery and thus lower its operating costs.

Promoted by the Chowgules the company has been a BIFR case and it has prepared a Rs 90.09 crore draft scheme to tide the company over the situation. The scheme envisages a capital expenditure of Rs 28.59 crore and payment to financial institutions and banks of Rs 61.5 crore. The cost of this scheme is to met by promoters' contribution of Rs 61.5 crore and internal generations of Rs 28.59 crore. The net worth is expected to become positive from 1994-95 and the accumulated losses are likely to be cleared during 1996-97. These accumulated losses ate into the company's Rs 29 crore equity capital. The company expended around Rs 4.8 lakh on its R and D activities.

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Right to Assembly

A G Noorani

The Supreme Court had ruled, 20 years ago, against arbitrary power to ban public meetings. Recent instances reveal that the judgment has had little impact on the minds of governments. A reminder from the Supreme Court is overdue.

THE Constitution of India guarantees to every citizen the fundamental right "to assemble peacefully and without arms" in Article 19(1)(b). But the exercise of the right seems to depend on the whim of the executive. The judiciary has been none too helpful in upholding the right, exceptions apart. The right is subject to any reasonable restrictions "imposed by the state in the interests of the sovereignty and integrity of India or public order" – and on no other ground. Even on the two stated grounds, the restrictions must be "reasonable".

Successive governors of the state of Jammu and Kashmir have confidently denied this right to the people of the valley. Even a religious procession on the 10th day of Mohurram (June 9) was broken up by the police in Srinagar. The chief minister of Uttar Pradesh, Mayawati, banned meetings and processions soon after assuming office but relented a few days later. She realised of course that such a blanket ban had no chance of survival in the courts. There is scope for judicial intervention in cases of bans for a term, but judicial intervention becomes infructuous and futile if the state imposes a ban on a particular meeting at the last moment.

On May 3, 1981, a meeting was to be held on the Chowpatty sands in Bombay to protest against the government of India's policy on Afghanistan. The government of Maharashtra banned it after dilly-dallying over the requisite permission. The organisers moved the High Court on May 2 when Justice M L Pendse gave a mandatory injunction to the state to grant the permission. The state appealed to a division bench. The appeal was all but finally heard when it was withdrawn. A central minister, Vasant Sathe, pompously declared in Srinagar that no one would be allowed to make assertions which went against the accepted national policy. Accepted by whom? Indira Gandhi, of course. He referred specifically to the proposed meeting in Bombay and said India did not want to get its relations with friendly countries spoiled by such meetings. He meant the friendly regime of Soviet-installed Babrak Karmal.

In 1991 the Madras High Court, on the petition of K Thiagarajan, struck down the order of the commissioner of police, Egmore, banning public meetings for 15 days. The petitioner had sought permission for a meeting to be held on September 27, 1991. Such bans were renewed as a matter of course. The court observed that "merely under a pretext or assumption that there would be a breach of peace or a law and order problem would be created, summary rejection of an application for the conduct of a meeting could not be permitted". It deprecated the practice of renewing such ban orders fortnightly.

In a later case, however, the high court imposed conditions before directing the police to accord the requisite permission. The prior conditions related to the content of the speeches – a form of pre-censorship. The meeting was to commemorate the death anniversary of Bhagat Singh. According to an article in *The Hindu* of May 3, 1992, the court directed that the meeting could be held only if the speakers gave an undertaking to speak only on Bhagat Singh and his policies and would not speak "anything about politics" and that "they would not make any statement or speech which would intimidate the general public of the locality or other parties".

The Supreme Court tripped in the leading case of Himatlal vs Police Commissioner, Ahmedabad. Chief Justice S M Sikri gratuitously and very wrongly observed that "we do not think that Article 19(1)(a) is attracted on the facts of the case". This provision embodies the guarantee of free speech. It is absurd to suggest that the guarantee of free speech is not 'attracted' if a public meeting is to be held. What else is the purpose of a meeting if not to express thoughts, feelings, opinions or emotions – by words, music or dance? Both rights are 'attracted' – the right to free speech and the right to assemble.

The Supreme Court, however, ruled against arbitrary power to ban public meetings. That was 20 years ago. In the light of experience the ambit of direction which the court granted to the executive must be more narrowly defined.

The observations by justice K K Mathew in his concurring judgment have been quoted in support of the citizen's rights. He said:

> public meeting in open spaces and public streets forms part of the tradition of our national life. In the pre-independence days such meetings have been held on open space and public streets and the people have come to regard it as a part of their privileges and immunities.

The state and the local authority have a virtual monopoly of every open space at which an outdoor meeting can be held. If therefore the state or municipality can constitutionally close both its streets and its parks entirely to public meetings, the practical result would be that it would be impossible to hold any open-air meetings in any large city... The conferment of a fundamental right of public assembly would have been an exercise in futility, if the government and the local authorities could legally close all the normal places where alone the vast majority of the people could exercise the right.

The state possesses the power of 'reasonable regulation' but not of 'arbitrary exclusion'. The power to decide whether a meeting should be permitted or not cannot be conferred on a state official without laying down precisely the criteria he should observe. The Supreme Court approvingly recalled in this context the dicta of the US Supreme Court that the conferment of "such broad discretion in a public official allows him to determine which expressions of view will be permitted and which will not. This thus sanctions a device for the suppression of the communication of ideas and permits the official to act as a censor".

Recent instances reveal that the judgment has had little impact on the minds of governments. A reminder from the Supreme Court is overdue.

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The ICS is compiling a Directory of Indian scholars and institutions with interest in Chinese Studies (including Language). Those engaged in teaching/research on China are requested to send their particulars for inclusion in this Directory by 1 September 1995.

Those involved in research on contemporary China are invited to send details of their research and publications to the ICS which encourages collaboration with scholars all over the country.

Administrative Officer

Women's Struggle for Production of Life

Public Hearings of Women Workers in Informal Sector

Gabriele Dietrich

There is a growing tendency to focus on violence against women and on cultural deprivation. While this in itself is very important, it is often not clear, how this can go beyond seeing women as mere victims and how it relates to the work sphere. The recent public hearings, one on the entire informal sector in Tamil Nadu and another on women employed at all levels in the fishing industry, enable an understanding of women's social agency in the sphere of production and to identify how production relations need to be transformed.

WE are living at a point in the history of our nation where everything seems to be in flux. Under the impact of the NEP, the public sector of the economy is shrinking, the private sector takes to more ruthless forms of profiteering and the informal sector, covering already over 90 per cent of the economy, keeps expanding. Obviously, under such conditions, the vast number of women, more than 50 per cent in the sector, are increasingly under duress. As the government, under the pressure of multinationals, IMF and WTO is increasingly abdicating social responsibility public hearings become a device to make the voice of these voiceless women heard all the same. It is a sector in which employment-employer relationships can often not be pinpointed, and whom to make answerable and how appears a hazy question. It is only due to the enormous efforts of labour organisations in the informal sector that the situation of such women becomes visible at all. This trend is in marked contrast to all sorts of efforts of the government to co-opt women into its policies by giving them space in Mahila Samakya programmes in different states and offering feminists in NGOs an apparent shortcut to mass work.

There are many discrepancies in how women's situation is analysed. There is a growing tendency to focus on violence against women and on cultural deprivation. While this in itself is very important, it is often not clear, how this can go beyond seeing women as mere victims and how it relates to the work sphere. Side by side, there is another emphasis, especially among NGOs to focus on income generation without clarifying how this relates to the overall changes in economic policies. The hearings in the informal sector enable us to understand women's social agency in the sphere of production and to identify how production relations need to be transformed.

Looking at the informal sector, the extent to which the government disowns social responsibility becomes more easily visible. But obviously, there are also contradictions within the state as we can see committed judges siding with the poor in the attempt to make the government answerable. At the same time it is obvious that the transformation of the sector which is needed cannot be carried out by legal means only, but must involve a process of comprehensive reorganisation of society in which trade unions, women's and ecology movements, political parties and all democratically minded forces must join together. We need to understand the complexity of the informal sector and evolve new mechanisms of redressal, procedures of implementation of laws, forms of organisation, as well as a new jurisprudence which will be able to strengthen the overall struggle for transformation. This will enable the most disadvantaged sections of the working class to become visible as social agents.

On June 23-24 a public hearing on women's struggles for survival in fisheries was held by the National Fishworkers Forum in Mas Hotel Auditorium, Ernakulam. This in itself was a historical step as it was the outcome of over 15 years of struggle to make women visible within the sector. The fishing communities in the marine sector comprises of 75 lakhs, nearly half of these women and of course there are many inland fishing communities as well. While women in India do not go to sea, in some parts they do inherit fishing gears and are owners of the catch. Some women in Visakhapatnam advance running capital for trawlers. Women also dive for pearls and catch cockles and shrimps with their fingers in inland fisheries. They have been traditionally involved in the preservation and marketing of fish and in net-making. All this has been impacted by the intrution of increased mechanisation in the sector, depletion of fish resource due to trawling, increased export orientation and preservation and marketing being more and more taken over by men.

The present major battle of the sector as a whole is the fierce struggle against licensing of foreign vessels which culminated in a hunger fast of NFF chairperson Tom Kocherry at Porbandar, supported by a simultaneous struggle in New Delhi to compel parliament to take notice. However, the promise of the minister of food processing industries to review the terms of reference of the committee concerned with the issue given on May 18, has not been kept. The National Fisheries Action Committee on June 26 had to decide to begin a protracted struggle and has announced the blocking of important ports for November 23, including Kandla, Bombay, Goa, Mangalore, Kochi, Tutukudi and Paradip (*The Hindu*, Ernakulam edition, June 27). Under conditions like these where the survival of the whole artisanal sector is at stake, who will listen to the women within the sector?

Yet, women raised their voice in painful clarity. The effort was supported very actively by the NFF chairperson Tom Kocherry and general secretary Harekrishna Debnath, but organisational efforts of women, both in the unions, in the PCO centre and in different women's organisations as well has been enormous.

The first day was devoted to a hearing in front of Justice Krishna Iyer, Justice Janakiamma and advocates Nandita Haksar and Indira Jaisingh. This hearing highlighted mainly the lot of the about 30,000 women fishworkers who migrate from Kerala to other maritime states in order to work in the prawn peeling sheds. They are young women between 16 and 25 years who are sold into virtual bondage by contractors and spend their lives under unbelievably inhuman conditions with 12-15 hours of work and totally inadequate housing and sanitation. Six women from Kerala and Tamil Nadu had been chosen to give their testimony, representing the plight of thousands of others. Aleyamma Vijayan, who had studied the sector in depth on behalf of the women's programme of the International Collective in support of fishworkers (ICSF) supplemented important information on the overall situation. The women earn between Rs 800 and 1,100 a month, though invariably at least Rs 1,200 is promised to them. Food expenses of Rs 250-300 will be deducted. Medical expenses are borne by the workers and are very high. They suffer many injuries and infections due to handling frozen prawns, working in damp conditions, slipping on water and ice. They live, 30 to 50 people in one room, with only two or three latrines and have to take baths in bunches of four or five in order to make it to work on time. There is no recreation and even if close relatives die, they are not

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informed and do not get leave. Sexual harassment seems to occur but is difficult to voice as fear rules. Possibilities of labour organisation are extremely difficult as the girls are cooped up with each other and with the contractor who handles the money and controls their life.

The jury interrogated the girls about the method of recruitment and contracting and a major debate later arose on how this phenomenon can be controlled. The district labour officer of Ernakulam, while highlighting all the legal provisions in Factories Act, Casual Temporary Workers Act, Industrial Disputes Act, etc, also admitted that the government had no hold over the contractors. He admitted that not a single contractor had been registered but held the ignorance of the workers responsible for this. He promised to bring the matter to the notice of the labour commissioner. Albertina Almeida of Bailancho Saad, a women's organisation in Goa involved in the issue, explained about the difficulty to organisationally intervene as it was not clear whether to unionise or whether to have the women declared as bonded labourers and work towards getting them released. She also reported severe harassment of unionising attempts, including the death of a unionist's child under suspicious circumstances.

At the end of the day, the jury gave a very spirited judgment acknowledging the totally inhuman conditions in the sector and certifying violation of (1) Contract Labour (Regulation and Abolition Act of 1970); (2) Inter State Migrant Workmen (Regulation and Employment Act 1979); (3) Bonded Labour (Abolition) Act 1976; (4) Minimum Wages Act 1948; (5) Factories Act; and (6) ESI Act. They also pointed out violation of fundamental rights guaranteed in the Constitution of India like right to equality (Article 14), Right to Life (Article 19(1) and 21), prohibition of trafficking in labour and forced labour (Article 23). and several others. They simultaneously pinpointed the violation of the Universal Declaration of Human Rights and of convention 122 of the ICO and Declaration on the Right to Development of 1986.

They concluded that the government does not seem to have the will to enforce the labour laws. The Marine Products Export Development Authority (MPEDA) has not a single labour representative. The jury recommended the strengthening of international solidarity, referring to the participation of organisations from Senegal and Canada. It urged the government of India to take steps to ensure natural resources for the country and for a human-centred development based on self-reliance. It called upon the state governments to implement the labour laws.

The jury acknowledged that the problem will not be solved with such a judgment as the New World Order under the World Trade Organisation does not allow implementation of such recommendations. The jury concluded emphatically: "We have to commit ourselves to a long struggle so that world production systems based on production for life, not production for profit are evolved. We have to evolve a jurisprudence which is based on the belief that each human being is a priceless asset. We need to develop a resurgent jurisprudence to protect workers from exploitation so that we never have to hear such painful testimonies again. This new jurisprudence will help to convert the pain of these women to power – power to fight this unjust system."

Struggle of Fisherwomen

It was, therefore, only too apt that the second day of the hearing was devoted to the struggle of fisherwomen. Nalini Nayak, a member of NFF who works with the women programme of the ICSF gave the background of women in vending, net making, fish drying, cockle picking and subsequently women representing these different occupations spoke out. If the first day been emotional for the agonised outcry of very young girls, the second day was moving as it showed the survival struggle of elderly women, often widowed or deserted, fighting with lack of credit, lack of transport, local goondas and tax collectors in the market place. This gets aggravated by diminishing catch, longer travel, internationalisation of the trade, enhanced competition and violence. On top of it all, the living conditions in the coastal villages and urban slums inhabited by fishworkers, are totally crammed, lacking security and even water or toilet facility. In Ernakulam, women have to defecate in plastic bags and throw it into the river. They do this in public and during monsoon the excrement floats back due to flooding. All this meets with total apathy from the administration. Some women also touched upon the drinking habits of men, the violence, and the oppressive role of the church, especially the priests. Even where unionisation takes place, women do not get representation in the local committees as was reported from Kanyakumari. Dowry is another problem weighing on the women of the community heavily.

Aissatou Fay, and Amadou Wade from Senegal highlighted the situation in their countries and Chantal from Canada Maritime Fishworkers Union and Oxfam pointed out that Canadian fisherwomen would never have the guts to speak out in front of the mike with the boldness of the Indian fisherwomen.

A panel consisting of Vivekanandan of South Indian Federation of Fishermen Societies (SIFFS), Ruth Manorama of Women's Voice, Bangalore and Gabriele Dietrich, Pennurimai Iyakkam (Movement for Women's Rights) Tamil Nadu concluded the day with their responses. While Vivekanandan systematised the issues brought forward, Ruth Manorama blamed the government for its apathy and encouraged the unorganised sector to put up a chart of demands for struggle.

The hearing was summed up in three points:

(1) It was a historical event which had made women in the sector fully visible for the first time. It had also revealed all the ramifications of the sector from the local economic and socio-cultural level to the state and national as well as international levels. To make the connections conceptually and in the struggle is a crucial task.

(2) It is necessary to understand the connection between the village situation in which young girls are oppressed by family and church and day to day life world and get sold by contractors and the abysmal conditions in the far away peeling sheds. The girls are not uprooted. They wish to relate to the home situation, they want to sustain it, they do not just want to make a fast buck. It is this solidarity which forces them into exploitation. How can this cultural strength of solidarity be converted to a powerful transformative force? This will not only depend on unionisation only. It will also depend on how the movement can address the socio-cultural problems and help to transform the life world, cherishing and reconsrtructing socio-cultural traditions and identities and defending them against the onslaught of disintegration while at the same time curtailing their exploitative and oppressive contents.

(3) How do we work, at all organisational levels, for transformation of society towards production of life instead of production for profit.

Another historical process of women in the informal sector took place in Tamilnadu from the end of last year onwards and culminated in a series of co-ordinated struggles on March 8, International Working Women's Day. The struggle on March 8 saw over 500 women workers demonstrating before Labour Statue on Marina Beach, organised by Tamil Nadu Women's Labour Co-ordination Committee (TNWLCC) under the leadership of R Gita of Construction Workers Panchayat Union. In Madurai 200 women demonstrated, led by TNWLCC and Pennurimai Iyakkam, representing construction workers, weavers, agricultural labourers, domestic workers and slum dwellers. In Nagapattinam, construction workers were joined by weavers and beedi workers, while in Tuticorin, the demonstration was not allowed, but people met the collector. The demonstrations called on the Tamil Nadu state government to act on the recently released rulings and recommendations by Justice V R Krishna

Iyer and Krishnaswami Reddiar on illegal and exploitative working conditions of women in the unorganised sector. Failing response, protracted struggle would need to be resorted to. At present, preparations for protracted statewide campaign are in preparation.

This was the outcome of a public enquiry held in Madras under the auspices of the National Commission for Women (NCW) and organised by Centre for Labour Education and Development (CLEAD) on December 14 and 15, 1994. The findings were submitted to parliament in early February. This process in Tamil Nadu is not entirely comparable to the fishworkers hearing in Ernakulam as the NFF made an attempt to make visible the situation of women in one particular sector, from the village to the state, national and international level. The process in Tamil Nadu was an inquiry into the situation of women in many different parts of the informal sector over a large number of districts. The emerging picture is therefore far less homogeneous. However, both these approaches and methodologies are revealing in their own ways as the one reveals the logic of a sector while the other one reveals the condition of women in the informal sector of a whole state. These have different political implications.

Unsafe, Unhealthy, Ill-Paid

The public enquiry itself was preceded by local meetings with women labourers. After this search conferences in Madras (November 4-7, 1994), Nagapattinam (November 13-16), Tuticorin (November 13-20) and Madurai (November 22-23) took place. In these search conferences, women workers represented the problems in building constructions, agriculture, beedi, cigar, handloom, fishing, palm products, match industries, contract labour and domestic work. Gypsies making bead necklaces also participated. Such wideranging participation was brought about by the arduous travel schedules in a large number of districts like Madras, Chengai MGR, Nagapattinam, Tanjore, Madurai, Pasumpon, Trichy, VOC, Nella Kattabomman covering rural and urban areas.

The search conferences revealed conditions of poverty and vulnerability of women in the unorganised sector in its detail and hardly any support system except workers' organisation. Women labourers according to the 1991 Census numbered nearly 78 lakhs in Tamil Nadu. Their work participation was rated to be 35.7 per cent. Majority of women are classified as marginal workers under census definition because of the irregular nature of their employment. Some laws such as the Minimum Wages Act which has the provision for a wage-slip, the Contract Labour Act which stipulates provision for identity card, or Beedi and Cigar Workers Act that has provision for pass-book have been hardly implemented or blatantly violated in the case of women labourers, making them invisible. Hard labour of women in vital sectors such as construction, agriculture and handloom, too, are invisible in the records. Invisibility in the sectors such as domestic workers are supported by law. The family incomes of the women in the unorganised sector range from Rs 400 to Rs 600 per month. As the official poverty line is set at Rs 16,000 per year, women in the unorganised sector who earn yearly incomes at less than half the poverty lines are some of the most vulnerable of the working poor.

One can appreciate the process of the search conferences only if one keeps in mind that the women had to leave their families and their work behind for several days and travel large distances. However, they did so with great enthusiasm and not only shared each other's lives but were vying with each other to speak out and to put their experiences into songs and skits as well, which emboldened them to prepare for the ensuing struggles.

It is extremely difficult to highlight the different aspects which come out of the search conferences as the different subsectors are by no means homogeneous and there are also variations between districts. Unlike the hearing on the fisheries sector, where connections within one sector from local to international level can be made, the search conferences presented a patchwork of conditions and issues from which it is difficult to generalise and to make connections between the subsectors. This only shows the enormous efforts needed to bring all these women together. Some general observations can be made.

Employment is non-regular leading to underemployment varying from 100-150 days (agriculture) to 250 days (construction, weaving, beedi, match). All home-based production is affected during monsoon. There is no scheme for provision for the period of non-employment. Work security is nil as even work records are mostly non-existing. Indebtedness and conditions of near-bondage abound. Even public sector establishments such as Madras Port Trust and Basin Bridge Power House failed to regularise women contract labourers and to give them job security. Prawn farming which is fast spreading out, receiving government subsidies under the New Economic Policy, affects women's employment in agriculture and in fishing in addition to affecting rural ecology adversely.

In all the different subsectors women receive wages which are lower than that of men. Women's work is undervalued not only in social practice but also in government policy. Minimum wages fixed by the government undervalue women's work and are discriminatory. What is fixed, sometimes, as minimum wage in home-based sectors such as handloom, match, beedi and cigar is actually family income (because of family labour) and not the individual's wage. For sectors such as domestic work, beads making and dry fish and palm product activities the minimum wage is not fixed. The minimum wage and equal wage violations are rampant in all sectors and there is no effective method for implementation. Unless there is proof and regulation of employment and women labour's participation in implementation ensured by law, the law on minimum wages and equal remuneration cannot work.

As in the fisheries sector, the living conditions of the workers in the other subsectors are equally insecure and water as well as other basic amenities are virtually absent. Recently in Madras, Slum Board tenements in which some of the workers live, collapsed over their heads leading to loss of life. In the name of flood prevention, rampant evictions have taken place in Madurai under World Bank Scheme which leads not only to loss of housing but also to loss of livelihood as the workers are not allotted alternative accommodation close to the place of work, in blatant violation of WB rules.

It was most heart-rending in all of these workshops to hear of the tragedy of children of workers in the unorganised sector. In the absence of creche facilities they are looked after by siblings which leads to loss of schooling especially among girl children. Bondage perpetuates itself. Low wages and absence of social security benefits in themselves force families to promote the exploitation of their own offspring. The welfare fund providing scholarships for beedi workers children has a stipulation of 45 per cent minimum marks. Rather than serving as an incentive to eliminate child labour and encourage compulsory education, such rules exclude children from educational opportunities.

The whole unorganised sector is plagued by lack of safety and people are incapacitated and maimed by accidents all the time. No binding safety norms exist. Compensation as per Workmen's Compensation Act could be secured only where unions have fought to establish the accidents. Accidents faced by domestic workers are not covered by the Workmen's Compensation Act. The long legal process and appeals are unsuitable for unorganised labour since they are in a vulnerable situation. The Accident Relief Scheme of the Tamil Nadu government for agriculture and construction workers produces inordinate delays and corruption as it is routed through revenue department.

Insecurity marks the situation literally from the cradle to the grave, and more so during child bearing in-between. There is a lack of social security such as Provident Fund, Maternity Benefit and Pension.

Implementation of PF in beedi and cigar industries is full of problems involving non-remittance by the employer or closure of accounts by lump sum payment. Later, the lump sum is collected and PF accounts started in false names. Since there is no maternity benefit women worked till the day of delivery and had to become indebted due to medical and food expenses. The Tamil Nadu government scheme is hardly a substitute since 50 per cent of the money is lost in bribes and the other half in loss of wage while running around for that. It was suggested to extend Employees State Insurance (ESI) as a workable alternative. Without the pension provisions women have to work till they became infirm. The existing Old Age Pension of the state government that provides Rs 75 p m and 1 kilo of rice p m and two sarees a year is inadequate. Raising the money to Rs 300 a month and supplementing it by the pension scheme for the unorganised sector could be a helpful policy.

In the different search conference workshops, land encroachment and land-alienation became visible as a factor adversely affecting workers in the informal sector. Even common lands are illegally occupied by politically influential persons. Some concrete instances were documented like, the closing of a public pond in Jaladhampet in Chengai MGR district, encroachment of grazing land, common land and even the main roads by landlords in the Irular village of Gandhigram in Tiruvallur taluk of Chengai district, false promises of 'pattas' for mobilising people to attend the chief ministers' function in Nagapattinam, police firing killing two persons and filing of false cases on dalit women and men when they reclaimed 650 acres allotted to them during the 1930s in Karanai, Chengai MGR district. It was felt that land distribution to women in the informal sector should become a top priority if basic constitutional rights are to be implemented.

There were also animated discussions on alcoholism of men and the family violence going with it. Demand for total prohibition of liquor was voiced in all the workshops. Under the slogan 'food instead of liquor', the demand for prohibition got connected with the demand to strengthen the public distribution system (PDS) and to enforce price controls and proper quantities like 30 kg of rice and 15 litres of kerosene a month. Distribution hours also need to be adjusted with working hours.

Jayanthi Patnaik, the chairperson of the National Commission for Women, referred largely to the same labour laws which came up in the fish workers hearing mentioned above and commented that the schemes of the Tamil Nadu Manual Workers Act which is in itself a good state law covering the unorganised sector, only covers the three districts of Madras, Kovai and Madurai, apart from leaving out vital issues of employment and social security.

Padma Seth, another member of the commission, explaining the format of the public inquiry, called upon the government officials to take this opportunity to understand the complexity of the problems which will help in evolving long range policy formulations. Justice V R Krishna Iyer in his inaugural address reaffirmed that payment of minimum wages, employment security, a work environment free of gender-based discrimination, laws to ensure personal protection and social security were inviolable and basic rights of women workers. He expressed the belief that the public inquiry, which brought together the state government officials and workers under the supervision of the National Commission for Women, would be a new method of putting democratic presssure to enforce the legitimate needs of the workers and to create a new mechanism of implementation that would give women workers the confidence that legislation works.

As far as answerability of government officials was concerned, the picture was rather bleak. The behaviour of S S Sharma, the director general of labour welfare from New Delhi appeared fairly symbolic. He refused to talk into the mike and gave answers only to the commission, consistently turning his back to the people. Challenged on this by the audience he replied he was answerable to the commission only, not to the people. The women unanimously refuted the claims of director of the state social welfare board K Deenadayalan on the functioning of welfare schemes. Even in the slums opposite Fort St George, they pointed out, children did not benefit from the noon meal scheme.

Justice V R Krishna Iyer concluded that neither the present system of legal adjudication nor any new system of a departmental body will help to permanently solve their problems. The legal bench ruled. There is need for establishment of a mechanism such as tripartite board (government employers and workers) all over Tamil Nadu to address to the demands of men and women construction workers and to regularise the industry. The mechanism should take care of ensuring regularity of employment, enforcement of minimum wage, removal of all forms of discrimination and workplace safety.

Recommendations included a need for central legislation on construction labour. Implementation of Tamil Nadu Manual Workers Act extending it beyond Madras, Madurai and Coimbatore to all areas in the state, and to ensure proportional representation of women in the board. Collecting 2 per cent over estimated construction cost as a levy, payment of monsoon allowance to workers, provision for skill training programmes for women and employment for skilled women workers, regularisation of slums and provision of basic amenities to workers constitute some of the crucial recommendations.

There were rulings on all the different sectors addressing all the concerns brought forward during the different workshops like regularisation of maternity benefits and re-fixing of minimum wages in the different industries, especially beedi, regularisation of contract labour. The ruling on domestic labour did not recommend their inclusion under Tamil Nadu Manual Labourers Act as their organisation had demanded. This apparently had to do with reluctance of the commission members to apply labour laws to women who do labour in their own households. The model of the tripartite board for regularisation of employment and wages as envisaged in the Construction Workers Bill and in the struggle for national legislation on construction labour, remains an important model for other parts of the sector as well and will hold the key for implementation of social security, safety, permanency of work and all other benefits. One of the most important rulings was on the extremely damaging effects of prawn farming with respect to women's employment and destruction of soils. Justice V R Krishna Iyer challenged the scientific community which claims to develop means of cultivating prawn in non-arable land to develop means of making land useful for agricultural production, geared to local needs.

The search conferences in Tamil Nadu and the hearing in Madras, including the struggles on March 8, have given an emphatic picture of women emerging on the public platform in the informal sector. The emergence of National Centre for Labour (NCL), a national outfit of unions in the informal sector together with working class women's movements and other supporting organisations in Bangalore on May 28 in a massive rally, was an important step in trying to unite the sector. The struggle can only pick up if it does succeed in connecting all the local levels to state and national issues and to the entire international dimension. Women in the forefront of this struggle indeed mean the focus to be on the right to life and livelihood and the concerted attempt is to break down the hegemonic development model based on profit and the power of the market.

[Writing this article would not have been possible without the organisational efforts and recording work of large number of people. I cannot name them all but would like to mention Aleyamma Vijayan, Nalini Nayak, Mercy Alexander, Aparna Sunder, Gita Ramakrishnan, Kamala Visveshwaran, Agila Sivandan, E Siddhamma, David Rajendran and of course the large number of women workers giving their testimony as well as the judges, lawyers and commission members involved.]

Disillusionment of the Displaced

S Srinivasan

Just about a year ago oustees of the Sardar Sarovar Project were forcibly evicted and transported to new sites. Today, disgusted with the lack of facilities, they have begun to return to their original villages or places close by. The trickle of returnees may well turn into a flood.

LESS than an hour's drive from the boom town of Baroda, Gujarat's so-called cultural capital, are situated a majority of the resettlement sites of the Sardar Sarovar Project on the Narmada. Oustees from Gujarat's 19 submergence villages, and those displaced from Maharashtra and M P are resettled at these sites. The inhabitants at these sites, especially the Gujarat oustees, were promised alternative benefits under the Gujarat government's Resettlement and Rehabilitation (R and R) policy, and in persuading these oustees to shift from their ancestral homes near the Narmada, not a small part was played by two of the prominent NGOs of Gujarat.

But now it is increasingly becoming clear that these oustees were resettled, relocated and dumped but not rehabilitated. Over the last few years, there has been a trickle of oustees going back to their original villages from the resettlement sites, disillusioned and disenchanted with the lack of facilities to carry on their lives. This summer the trickle threatens to be a steady stream. In May 1995 about eight families from Malu resettlement site returned to Gadher, a declared submergence site. Then on June 8, 1995 a total of 22 families (numbering 114 persons in all) returned from Malu to Gadher. About the same time, 34 families from Karmaliyapura resettlement site have gone back to Suka, Vagrali and Kareli, villages near their old village of Panchmoli which is now dyke-filled. In village Mukhdi, there are now two families back from Ambawadi resettlement site.

For those returning from Malu on June 8-9 the event was marked by a show of strength by the government. These 22 families had hired six trucks, at anything between Rs 800 to 1,600 per truck per day, had dumped all their household goods in the trucks and were about to leave. The trucks with the goods of those waiting to return to Gadher were seized and not allowed to leave Malu resettlement site. Police and the resettlement authorities saw to that. There were arguments and altercations. The oustees decided to walk all the way back to their original village of Gadher without their household goods. When we met them on June 24 at Gadher, they had built two makeshift houses covered with tarpaulin and leaves of teak trees. Their goods were still impounded at Malu and life at Gadher was being carried on with vessels, clothing and grains borrowed from nearby villages. Later in the day we met about 40 oustee representatives from Ambawadi, Piparvati, Lotiya, Parsa and other resettlement sites. All of them felt they had come to the end of their tether and would like to return to their original villages.

In almost all cases, oustees said they want to return to their original villages for one or more of the following reasons: the allotted land at the new site was barren, fallow, disputed, fragmented and/or encumbered; the water was brackish and/or saline and unsuitable for humans, cattle and irrigation, and inadequate or no water sources for cultivation in non-monsoon months. Other aggravating factors have included, hostility of nearby villages, living day and night in inhospitable tin sheds, lack of grazing and fodder facilities for cattle, waterlogging, poor yields from land; lack of safety for women, cultural alienation, difficulties in making a transition from a relatively non-monetised economy to a market economy. Many of the oustees at Malu, Ambawadi, Piparvati and other sites frequently had to do wage-labour ('majoori') to supplement their livelihood. This was in marked contrast to working on one's own land in their original villages where they felt their lives were far more self-reliant and self-sufficient.

During March a People's Union for Civil Liberation (PUCL) team from Baroda visited resettlement sites in Baroda, Panchmahals and Bharuch districts. The team found oustees from M P from the following resettlement sites had returned *en masse*, in many cases entire sites were vacant (but for the watchmen on government payroll): Rajnagar, Jaipura, Koba, Kachota, Miyagam, Bakrol, Lotana. The report of the committee of MLAs of MP under the chairmanship of Singhdeo, which visited the sites earlier (December last), also speaks of the significant return of oustees back to MP because of inhuman/inhospitable conditions at the resettlement sites. One unofficial estimate puts the figure at 328 families as having returned to MP out of the 1,044 families that had come to Gujarat. (Official figures of course paint a rosy picture. It should also be mentione here that ultimately 50 per cent of the 33,014 affected families from MP are expected to settle in Gujarat).

As the PUCL report says,

> Human rights are violated at every stage of the process in shifting, in the so-called resettlement and in the awarding of inadequate and/or no compensation and the inability of the affected persons to live in accordance with their preferences and with their dignity and self-worth intact.

> **Article 21 of the Constitution has been interpreted by the Supreme Court in Olga Tellis vs BMC, 1985, as guaranteeing the right to livelihood apart from meaning the right to live with dignity. Article 39 and the Preamble repeatedly emphasise the value of the dignity of the individual. Again, Article 19 (1) (e) guarantees the right to reside and settle anywhere in the country. Also a whole host of directive principles, exhort the state to take a series of serious actions to create conditions so that individuals can have adequate means to livelihood, the state is expected to render assistance in cases of undeserved want.**

That these problems have occurred because of callousness, indifference and negligence of the R and R implementation officials is clear. This fact has now been formally acknowledged by a prominent pro-dam NGO, ARCH-Vahini. In a circular dated June 12 the latter has come out strongly against Rajagopalan, the chief executive of the Narmada Rehabilitation Agency. Ironically the NGO in the letter now speaks of threats it received by the government, questioning its loyalty to the dam and to get co-opted 'or else'. According to the NGO, the rehabilitation officials spoke of the inevitability of corruption in such a massive R and R effort. This is no news for oustees. Many of them have had firsthand experience. That the main responsible R and R authority is saying this is probably news.

The more basic issue is whether equitable rehabilitation is possible at all when displacement takes place on such a large scale. As the PUCL report says, "If one considers in addition the cultural deprivation of the community, the uprootment, the alienation, the change of lifestyles, and the fragmentation of their communities, it is impossible for oustees to restore their lives to their previous equilibrium".

Visible evidence that the oustees are fast losing patience, if any were required, comes in the form of two recent incidents involving oustees and officials. On June 17 at Ambawadi resettlement site (near Dediapada) oustees assaulted ('slapped' according to one version) the assistant commissioner in charge of R and R of Gujarat oustees as also the deputy collector Sangada and the chief engineer. On June 28 oustees at Dharampuri resettlement site near Dabhoi seized the jeep of an official angered by his inability to get their water problems solved. Almost a year ago on June 24, the homes of these oustees in their original village of Vadgam (near the dam site) were brought down forcibly with the help of a sizeable contingent of SRP and officials, their goods packed in trucks and dumped at Dharampuri in pouring rain.

It is this drama of shattering the psyches of dignified, self-respecting people with means, of fragmenting and dispersing their communities, and of eventually pauperising and immiserising entire self-reliant communities that has continuously characterised the resettlement process of the Sardar Sarovar Project.

On 'Bombay'

Asghar Ali Engineer

The controversial film 'Bombay' is a curious mixture of realism and fantasy, although it does make an attempt to reduce the gulf between two communities.

TWO important points emerge in the controversy around Mani Ratnam's film on Bombay riots one is political and the other pertains to artistic freedom

In fact the film has been facing politicians' ire in almost all the states where it is slated for exhibition It ran into rough weather in Tamil Nadu, Andhra Pradesh, Karnataka and later in Bombay The first objection to it was raised by the Shiv Sena chief Bal Thackeray He wanted some of the dialogues spoken by the actor Tinnu Anand (playing Bal Thackeray in the film) deleted The dialogue in question was about wiping out a particular community which according to Anand "are a direct lift from Thackeray's speeches There is not a single dishonest statement including the full stop or a comma" Mani Ratnam, the director, however, agreed, under pressure to remove this part of the dialogue The other condition for allowing the film to be released in Maharashtra was that its title should be changed to 'Mumbai' instead of 'Bombay' as originally planned First, there was news in the papers that Ratnam has agreed to rename the film as 'Mumbai'; but later on it was made clear by the director that he was not going to change the name

Thereafter the elections in Maharashtra came in the way The Pawar government was not ready to release the film on account of its sensitivity The film was also previewed in the city by top police and home officials and the decision was left to the government of Maharashtra Pawar did not give his nod until elections were over At that time the commissioner of police, Satish Sawhney, also was of the opinion that the film was not fit for public viewing and that its exhibition involved risk, he maintained. The inspector general of intelligence bureau K K Kashyap gave a very honest assessment after viewing the film "The film is very powerful", he said "If you have had some formal education, you can take it in your stride while those deep into fundamentalism might misinterpret it Certain symbolic aspects can be misinterpreted because you cannot control sensitive minds", he said In fact what Kashyap said has proved to be prophetic All sorts of fundamentalists attacked the film subsequently The film was fiercely opposed in Andhra Pradesh too, particularly in Hyderabad, when it was to be released The Majlis Ittehad-ul-Muslimin leaders threatened to stop its exhibition if it was allowed to be shown in Hyderabad and other parts of Andhra Their objection was that a Muslim girl has been shown falling in love with a Hindu boy The commissioner of police, Hyderabad, V Appa Rao, also had to suspend its exhibition for the time being after an incident of vandalism in a theatre in Yadagiri

The film later faced the same fate in Bombay A section of Muslims began to object to its exhibition on various grounds A special screening was arranged for Muslim leaders They were local leaders representing municipal wards They raised several objections Some of them said the film shows that the Hindu boy takes a Muslim girl when she is holding a copy of the holy Quran Some one said that when the girl goes with the Hindu boy, a verse from the Quran is being recited It will injure religious feelings of Muslims Suhail Lokhandwala, a municipal corporator maintained that it would spoil the atmosphere as it would remind many Muslims of their near and dear ones who had been victims A delegation of Muslims also met the chief minister Manohar Joshi to plead with him to disallow the exhibition of the film. Subsequently the commissioner of police suspended the exhibition of the film by one week The commissioner was right in postponing its exhibition in view of the law and order situation But then he faced the ire of Bal Thackeray. Thackeray objected to this Now that Thackeray had his cuts imposed he was keen to see the film released He asked the commissioner to resign as he had submitted to the pressure of the minority community

In fact the government should not allow any pressure tactics to work once the film is passed by the Censor Board It was wrong on the part of Mani Ratnam also to agree to delete the dialogue supposedly spoken by Bal Thackeray during the riot and spoken in the film by Tinnu Anand Once you submit to such threat by the leader of one community, you will face threats from leaders of another community also Ratnam would have been morally on much stronger ground in resisting the threats of Muslim leaders Once you submit to the fundamentalists of one community you have to give in to their counterparts in other community also. This is what has happened with 'Bombay' as well.

The second issue is artistic freedom An artist draws inspiration from real life situation A film has to be true to the events in life, if it has to leave its impact on the people An artist cannot be constrained by this or that religious beliefs or dogmas though he may care for values consecrated by this or that religion. Whether a religion permits marriage beyond its own community or not cannot be his consideration if it happens in real life situation. A film cannot be rejected on that ground. And it is for the people themselves to judge whether the film is worth watching. In the case of 'Bombay' also the Muslim masses did not respond to the Muslim leaders' initiative to get the film banned or to boycott it. Realising this these so-called leaders began compromising and dropped the idea of challenging the film in the court. Instead they suggested that a committee of some eminent citizens of Bombay including Usha Mehta, Nani Palkhiwala and Tinaikar be formed to decide whether the film should be released or not. It is significant that the Muslim masses, after what they underwent in the wake of demolition of Babri masjid sobered down and are not in a mood to respond to any act of misadventure on the part of their leaders. It is precisely for this reason that the Muslim masses did not boycott the film and flocked to see it once it was released

Also, it should not be for the religious or political leaders to decide whether a particular film be released or not unless there is direct attack on any religion In such a case the Censor Board is expected to be sensitive enough to disallow such a film Certain social, religious and cultural sensibilities are taken into account by the Censor Board authorities If it is left to political or religious leaders practically every film will come under attack In fact the films glorifying sex and violence are watched with avid interest by those very people who are objecting to this film Their sensibilities are then not hurt at all These films are certainly a direct attack on our religio-cultural values They do not even object to MTV which touches the height of vulgarity because that will not pay political dividends But their religious sensibilities are hurt if love binds two souls symbolising the harmony between Hindus and Muslims.

As for the film's contents, it is more commercial than of artistic variety. The first part of the film is the usual a boy-meets-girl story. There is hardly any serious treatment of the subject in this part The later part of the film becomes somewhat serious and shows the horrors of Bombay riots which really shakes the viewer. However, one is in for disappointment if one is looking for an analysis of the causes of the riot The hero of the film, caught in the orgy of communal violence, resorts to emotional outburst and appeals for restoring harmony. The director makes no attempt to understand the deeper causes of demolition of the mosque and subsequent violence. In this respect 'Tamas' made by Govind Nihalani, is of a far superior variety That film makes a serious attempt to understand the causes of partition and the violence which followed in its wake. 'Bombay', on the other hand, is a curious mixture of realism and fantasy. But, it must be said to the credit of the film that it does make an attempt to reduce the gulf between two major communities of India, i e, Hindus and Muslims. And, to that extent, the film is welcome.

Cleaning the Ganga

Shyam Divan

Innovative procedures used by the Supreme Court in its dealing with the litigations on the issue of pollution of Ganga waters has produced extraordinary results.

SHORT of putting on their gum boots and wading into the murky waters of the Ganga to clean up the mess, a bench of the Supreme Court has been doing a whole lot and more to restore the health of the river. Justice Kuldip Singh over the past two years has cajoled, prodded and driven recalcitrant industries and public authorities in the Ganga basin to comply with pollution norms. His efforts are commendable. His techniques novel. Even in conventional litigations, Singh brings to his court an informal style rooted in common sense. A public interest litigation to clean up the Ganga has caught the judge's fancy. Each Friday a huge shoal of advocates, administrators, company executives, and public officials attentively follow the court proceedings as a range of snappy judicial directions are issued. At present the Kuldip Singh court is tackling hundreds of large polluting industries in Uttar Pradesh, Bihar, and West Bengal; a slue of small municipalities that discharge untreated sewage into the river; half a dozen municipal corporations in the three states; the Eastern Railways; giant thermal power plants; numerous small units such as tanneries and almost everyone else despoiling the river. The litigation-affected parties are several hundred. How does the court manage the show?

The traditional view of litigation frowns upon judges who embark on such massive administrative exercises. Judges are required to retain their objectivity, impartiality and aloofness. They ought not soil their judicial robes by entering the administrative arena and taking decisions which are within the province of specialist enforcement agencies. This is old hat for the Ganga court. A new wisdom guides its approach. Dismayed at the persistent flouting of parliament's mandate to clean the rivers, by polluters and pollution control boards alike, the court is unwilling to sit idly by. The Ganga court functions a bit like a village panchayat dispensing justice in the shade of a banyan tree. The rigor of formal court procedures and statutory requirements are diluted in favour of a summary, result-oriented process. The main thrust is to substitute the ineffective administrative directives issued by the pollution control boards (PCBs) under the Water Act and the Environment (Protection) Act, with judicial orders, the disobedience of which invites contempt of court action and penalties. In view of the finality of the apex court's orders, there are few for the polluters but to comply.

The court's first task is to identify the erring polluters. For this it looks to M C Mehta, the well known environmentalist and advocate, who petitioned the court in 1985 to clean up the river. Mehta was initially encouraged by a series of orders requiring tanneries in Jajmau near Kanpur to install primary effluent treatment plants or close down. In 1988, the Kanpur Mahanagarpalika was directed to treat sewage discharged into the river. The court and Mehta hoped that these stern warnings would have a salutary effect and spur the PCBs of the three riparian states to move swiftly against other defaulters. Their hopes were soon dashed. The PCBs, which Mehta describes as "100 per cent anti-people", did next to nothing. Indeed, it is in response to this callous neglect that the Supreme Court has assumed an aggressive, pro-environment role in the Ganga case.

Once the polluters are identified, the court orders each firm to meet the effluent standards within a period of three months, or else face closure. Singh hopes that the shadow of closure will stir hard-headed businessmen to treat their factory effluents. To emphasise the urgency, the orders threatening closure are issued *ex parte*, that is, without hearing the company. The court directs the PCBs to immediately serve notice on the unwary polluters, setting out the Supreme Court's deadline. Compliance must be reported to the board. At the end of the period, each board files a status report together with recommendations for future action. The willing are granted extensions to clean up their act. But for the obstinate, it's closure. On numerous occasions the court has shut down big and small firms. On December 3, 1993, 13 industries in the UP which had flouted the court's directives and failed to install effluent treatment plants (ETPs), were closed with immediate effect. Two weeks later, nine factories were sealed in West Bengal and in January, 15 more units were ordered shut. This pattern of strict enforcement has prevailed throughout 1994 and 1995. Where the discharge levels are achieved, the board is asked to inspect the working of the ETP and report to the court. Given the dismal record of the PCBs, it is no surprise that even this elementary task is at times entrusted by the court to the National Environmental Engineering Institute (NEERI), Nagpur.

More than industrial sources, however, it is the towns and cities along the Ganga which cause the most pollution. The state governments say that crores of rupees have been disbursed under the Ganga Action Plan to municipalities for installing treatment facilities. But the court is sceptical about these claims. Justice Singh and his companion judges have asked each of the three states to set up special cells in their secretariats to oversee the speedy implementation of sewage treatment schemes. Meanwhile, NEERI is assisting the court by examining treatment facilities in all the riparian municipalities.

The sprawling dimensions of the Ganga case have pressed the court to evolve new procedures. Unlike unsual litigations, affected polluters are dissuaded from filing documents in the court's registry. All affidavits must be tendered before the respective boards. In this manner, the court hopes to reduce its administrative burden. Moreover, to tailor its directions to each situation, the Ganga court issues orders piecemeal. What at the end of the day reads like the comprehensive court order, is in fact a series of directions – dictated one paragraph at a time – and punctuated by brief arguments on each issue. It is this procedure that enables the court to respond with specificity to each situation.

As a result of these innovative procedures the Ganga court has got results. Hundreds of factories have installed ETPs. Small-scale units are busy complying with minimum standards for effluent discharge. The municipalities are creeping towards compliance. Bihar's thermal power stations at Bokaro and Patratu have ordered equipment to abate pollution. Even the Eastern Railways, after much foot-dragging, has agreed to treat the waste water gushing out from Howrah station. More generally, the Supreme Court has succeeded in building up a sustained pressure on industry and municipalities, where the PCBs have failed. Throughout the Ganga basin there is heightened environmental awareness among administrators, the subordinate judiciary, police and municipal officials, all of whom are involved in implementing the Supreme Court's orders.

The activism of the Ganga court has encouraged the Gujarat High Court to launch its own crusade against pollution. A December 1994 newspaper article reporting that Gujarat was the most polluted state, spurred the court to exercise its inherent jurisdiction and register a case against the remiss PCB. In an echo of the Ganga proceedings, dozens of polluting industries were ordered shut in April 1995, whilst other firms were given short deadlines to comply with statutory norms.

Impressive as all this may seem, unless the PCBs are overhauled quickly the gains will soon dissipate. There are limits to what a gung-ho court can do in the face of an indifferent bureaucracy. The boards in the Ganga states appear resigned to doing no work except for a knee-jerk response to judicial orders. Besides, the word on the

street is that the Supreme Court's orders are misused by dishonest board officials to line their own pockets. Unless a bribe is paid, an unfavourable report is made to the court. There are other pitfalls. The massive administrative tasks assumed by the court, will sooner or later expose judges to criticism previously directed at administrators. Arbitrariness in passing closure orders without attention to special factors or hearing the affected party, are but a few of the concerns voiced by lawyers. None of this lends to the prestige of the court. Indeed, if a subordinate judge dares to assume the expansive administrative role of the Ganga court, he would probably be admonished for exceeding his jurisdiction.

If the Supreme Court's activism is to have a lasting impact, a new political will in the form of budgetary allocations at the municipal level and greater community pressure on board officials is necessary. Left to themselves, the PCBs will revert to a culture of slipshod enforcement. And for the Eastern Railways and the tanneries of Jajmau, this will mean business as usual.

Kadi: Signs of Dalit Assertion

Kiran Desai
Rasik Parmar

In response to the events in Kadi, when upper caste mobs attacked and looted dalit property and injured several, the dalits have launched a systematic agitation, which the BJP government cannot ignore.

RECENT research carried out by well known Gujarat activist Martin Macwan suggests that Gujarat stands third in terms of number of cases of dalit atrocities committed per every one lakh dalit population (146.27 crimes per one lakh). The study indicates that within four years (between 1990 and 1994) the increase in the crime-rate (against dalits) has been phenomenal 99.58 per cent. (The similar percentage for STs is as high as 251.21 per cent). Though a section of intellectuals as well as police always claim that practice of untouchability has been disappearing and crime-rate against dalits has been declining the reality is different as the above-mentioned findings suggest. The recent incidents at Kadi, in fact, shows that with the advent of BJP 'raj', the dominant higher castes have become more crude and cruel and ready to launch direct assault on dalits.

Kadi is a small town-place of Mahesana district of north Gujarat region. The town is hardly 70 to 80 km away from Ahmedabad. The population of Kadi is 42,899 according to 1991 census. The proportion of scheduled castes population are 8.7 per cent. Vankar and chamar are the two main sub-castes among the dalits. The population of higher castes of which main caste is patidar or patel is round about 30 per cent. Kadi also has sizeable population of Muslim community

The event which has evoked spurt of activities among dalits and has put Keshubhai's BJP government in embarrassing position took place on May 12, 1995. There are two versions of what actually preceded the events which culminated in the destruction and looting of dalit shops and other properties. The dalit's version is that when a young dalit boy and girl went to a shop to buy a comb, the higher caste owner tried to cheat them and on that point some altercation took place. Infuriated by the arguments the patel shop-owner called other shopkeepers, belonging mostly to the patel caste, and started beating up the two dalits. Dalit vendors and rickshawdrivers soon came to his rescue as did the mother of the boy. Meanwhile, Nitin Patel, health minister of Gujarat, who is a local MLA, also appeared on the scene. The agitated mother took Nitin Patel to task, asking what he and his fellow-patels were up to. Patel summoned BJP and Bajrang Dal workers as well as patels of surrounding villages to the site and in presence of responsible police inspectors incited them to attack dalit residential areas. The mob of say 5,000 systematically armed with lethal weapons went on a looting and arson spree for four to five hours, mainly attacking shops, workshops and activities related to dalit trade. Houses were burnt and dalits were beaten up badly. They had lethal weapons and instruments.

The patels, on the other hand, gave a different account. The dalit youth who had come to buy, in fact, simply snatched the comb from the shop, saying that he was a 'dada' and not in the habit of giving money in exchange. The patel shop-owners were fed up with this mafia-raj of dalits. Dalit vendors, it is said, stood in front of shops and persuaded the buyers by hook or crook to buy from them, obstructing the patels' businesses. If the owners opposed this practice, they simply threatened to sue them under the atrocities act. So this time they decided to retaliate: In response, dalit mobs attacked the patels.

Since then, a number of persons including political leaders of the Congress and the BJP, activists, press-reporters and other entities of public life, have visited Kadi to have an on the spot inquiry into the happenings. None of these visitors have denied that dalits were the only victims of arsoning. Even the state BJP president Kashiram Rana has demanded a judicial inquiry. In all 99 persons, all dalits, were affected. Around 40 dalits were injured. If we take a stock of the damage in economic terms, the estimate comes to Rs 32 lakh approximately. Nothing was spared. Big shops and workshops, repairing shops, cabins, carts, pan-stalls all trade and business places of dalits were attacked systematically. It seems that it was a well-planned assault to destroy dalit's economic base. It cannot be a spontaneous reaction. The presence of Nitin Patel and the method in which he got the patels of the surrounding villages together to form a 'sena' clearly indicates that the patels wanted to teach the dalits a 'lesson'.

But the dalits have also decided not to let go of this incidence as yet another incidence of dalit atrocity by remaining silent. Backed by various activist groups they have launched a systematic agitation to get justice. Their main demands include removal of Nitin Patel from the cabinet instituting cases under the atrocities act against those who were involved, withdrawal of false cases filed against dalits, the arrest of real culprits, compensation for damages, suspension of police officers who had acted in alliance with the patels, setting up of inquiry commission headed by a retired high court judge. It is almost a month since they have set up camp in Gandhinagar. A massive rally which was attended by dalits and dalit supporters was organised on May 19 in Ahmedabad. The rally had certainly showed the strength of dalits.

Keshubhai Patel, the Gujarat CM, has been put in a tight spot. On one hand, he cannot remove Nitin Patel as then it may make the patels whom Keshubhai represents in the battle royale between patels and other social groups in Gujarat polity unhappy. Patels of Kadi have written an open letter to the dalit-camp in Gandhinagar, threatening them with dire consequences if they did not leave the camp. If BJP wants to make inroads into backward social groups, they cannot simply put aside an event such as this in order to shelter a minister. Apart from the opposition Congress Party, even the rival faction of Rana (state BJP chief) and Vaghela also want some political gain out of this event.

Whatever implication this event would have for BJP or Congress, it is certain that social equality still remains a distant dream. Socially and politically higher and dominant groups simply cannot see dalits improving their social and economic status. At the same time dalits too have become aware and will fight against their oppression tooth and nail. Their response to the recent incidences of Golana, Sanbarda as well as Kadi clearly suggests that the dalit force in Gujarat may not be as strong as in Maharashtra but it has been getting stronger.

Deconstructing Literacy Primers

Anita Dighe

Literacy primers developed for illiterate adults, the target population of Total Literacy Campaigns, serve a socialising and acculturating function. Do they reflect the reality of the lives of illiterate adults, men and women? What are their ideological underpinnings and whose interests do they serve.

THE Total Literacy Campaigns (TLCs) that are specifically designed to address the problem of adult illiteracy have to be seen not only as social but as cultural phenomena. Cultural values, ideas, beliefs, are constantly transmitted both overtly and covertly in the educational process. In the school system, textbooks are the repository of formalised learning but in the case of the TLCs, the absence of materials except for literacy primers in most cases, virtually guarantees the sanctity of learning from the primer The questions that need to be asked are; 'Who is defining knowledge?' 'Whose knowledge is considered of most worth?' Such questions recognise the curriculum of TLCs as being characterised by selectivity, involving choices of what to teach, which in turn highlights the ideological nature of such choices.

The literacy primers developed for the illiterate adults pose a challenge in text probing For, they are written for those men and women who constitute the poorest and the most deprived strata of society. The Revised National Policy on Education (1992) has therefore emphasised the need to involve the participants of the literacy programme in various development programmes. The policy document has further stipulated that the National Literacy Mission (NLM) should be geared to such national goals as poverty alleviation, and focus specifically on environmental conservation, observance of small family norm, national integration and promotion of women's equality. With regard to women's education, the policy has emphasised that the education system would play a positive interventionist role in the empowerment of women.

On the basis of the above policy directives, the directorate of adult education (DAE), a subordinate office of the department of education in the ministry of human resource development (MHRD), issued a set of guide-lines to the state resource centres (SRCs) which are registered societies fully funded by the MHRD, to assist in preparing suitable literacy primers for the illiterate adults. The emphasis in these guidelines on the concept of improved pace and content of learning (IPCL). The thrust of IPCL is on pace, as the name suggests, and an emphasis on a certain core content relating to the above mentioned national goals. A thin booklet, spelling out the IPCL guidelines, was initially issued by the DAE to various SRCs. This was subsequently replaced by 'Handbook for Developing IPCL Materials' published by the DAE in September 1993. While the actual writing and publishing of the literacy primers for the TLCs is the responsibility of the SRCs, in most states of the country, the fact remains that an agency wanting to develop its own literacy materials has to strictly adhere to the IPCL guidelines Furthermore, a national level committee set up by the MHRD scrutinises the content of the literacy primers in order to ensure a cer-tain uniformity of form and content among them

Considering the fact that primers serve a socialising and acculturating function, it was thought that a systematic analysis of the content of the literacy primers would be useful. Questions such as 'from whose perspective are the primers designed?' 'Do the primers reflect the reality of the lives of the illiterate adults, particularly of the illiterate adult women?' were considered to be of particular relevance. Six literacy pri-mers in Gujarati, Marathi, Hindi and Tamil to represent the states of Gujarat, Maharashtra, Uttar Pradesh, Bihar, Madhya Pradesh and the UT of Pondicherry, were carefully analysed. The analysis revealed that there were certain patterns that were common across the various langauge primers.[1]

One of the principal concerns addressed in literacy primers are various development problems and issues. While development problems such as illiteracy, health, agriculture, population issue, environment degradation, information about certain government schemes/services are addressed in the primers, interestingly the underlying assumption in the lessons that deal with development issues is based on the modernisation theory of development. According to this understanding, it is individuals who need to bring about a change in their attitudes and behaviour so that they can improve their conditions and participate actively in the development process. Similarly, illiteracy is posed as a problem due to the attitude of the illiterate adult. It is the individual's lack of initiative and absence of motivation that is considered to be responsible for the problem of illiteracy. Illiterates are regarded as uninformed, as lacking in knowledge and literacy is regarded as a panacea for their ignorance. There is thus no attempt to understand why certain sections of the community have no access to education in the first place. The larger structural issues are not even recognised, much less addressed.

The basic thrust is 'victim blaming' and not 'system blaming'. Individuals have to be thrifty, save money and thereby better their economic condition. Individuals have to seek information about health matters through individual initiative and thereby bring about personal and family betterment. Individuals have to protect their environment and avoid environmental degradation. It is enlightened individuals who can deal with social evils of dowry, excessive drinking, belief in superstitions, etc. It is enlightened individuals who will restrict the size of their families and thereby deal with the problem of population growth. Rarely is change considered feasible through community initiative and community participation.

What is disquieting is that despite 'women's equality' being stated as a national goal, it is basically the ideology of domesticity that is promoted in the literacy primers. Thus, women's principal responsibility as depicted in the visuals and in the text, remains within the confines of the home and it is the nurturing, nursing, caring role as a mother and as a housewife that is emphasised. In these texts a woman's identity is established through her status as a married woman for rarely are women shown as widows or as independent single women. Also, the husband-wife relationship is always hierarchical. In this relationship, the husband is the authority figure and the woman is either a helpless character, often a housewife content to do all the household chores. Despite women's participation in the economy, the literacy primers not only pay insufficient attention to this aspect, they also fail to impart knowledge and skills that would improve women's productive role. In other words, there is the overall tendency to emphasise the domestic and reproductive role of women and to invisibilise the productive role they play in society. In the Marathi primer, a female character Sumitra elaborates on her daily routine. After getting up at five o'clock in the morning, she washes utensils, finishes her cooking, takes the washing to the well, collects water, then goes to the field with her husband's food and assists in the field. On her return home in the evening, she collects cowdung as well as fuelwood. When she reaches home, she feeds the cattle and milks the

buffalo, then cooks the evening meal, while her old mo-ther-in-law takes care of her younger child Sumitra would like to study but she doesn t find time But Sumitra is uncomplaining – she does not question the sex role patterns that are responsible for her doing all the household chores She is reconciled to her status as a wife, mother, daughter in law She even seems content Even when there are attempts to show women as protagonists by and large, such examples are few and far between In the Hindi primer from Bihar there is an attempt to portray a woman character (Kamala) as a village sarpanch But Kamala is one lone character who is portrayed in what would be regarded as a male preserve in the conservative Hindi belt and in that sense would immediately become an atypical character On the whole in all the six primers women and men are shown to have traditional stereotypical concerns that have characterised gender roles in society

The perspective on the issue of population problem is that of the government Poverty of the country is linked to population explosion The Bihar primer has several lessons that are directly concerned with the population issue and others that have a latent message The message clearly is that there are plentiful natural resources – enough land, adequate rains, thick forests etc However, these rich natural resources are not adequate because of the increasing population and it is the poor who are to be blamed for procreating, thus leading to over population As they throng public spaces, they leave little room for the others' who do not breed like them In the primers from Gujarat UP and Bihar, it is the simplistic family plan ning message of 'small family is a happy family that is relentlessly pushed The poor are clearly perceived as ignorant and uninformed It is assumed that once they control the size of their families, all the problems would be solved Thus no attempt is made to understand why the poor have large families in the first place Nor is there an attempt to understand the adequacy or the effectiveness of the existing health infrastructure in meeting the health needs of the poor in rural areas Women's role on population issues is clearly regarded to be supportive of the decisions taken by the husbands The health needs of the women, besides those relating to maternal health, are not even recognised

Even with regard to the issue of environmental degradation the approach is clearly to 'blame the victim' for it is the learner who is reproached for his/her ignorance about the importance of trees, the learner who is blamed for cutting down trees indiscriminately There is thus no attempt to identify the real culprits such as con-tractors, the forest officials, the local politicians who most often than not, are responsible for cutting down trees The learner is also blamed for not taking good care of environmental sanitation The assumption here is that there is sufficient water and that resources are readily available for maintaining environmental sanitation in rural areas Even the gram panchayats are presumed to have the requisite financial resources to undertake various development tasks relating to environmental sanitation

Of the core national values, national integration is also stated as one besides women s equality, propagation of small family norm and conservation of environment This proved to be the most difficult for either there is a superficial treatment in some lessons through stereotypical representation of characters with varied dress and headgear or there is no attempt to portray the minority community either visually or through the text In the case of the Marathi primer, except for one lesson on Akbar and in this lesson too, it is the legendary character of Birbal who is shown to outwit Akbar, there is no refe rence to a single character – male or female – who could be called a member of the minority community There is no attempt even to refer to any cultural event or festival or present any overt symbol that would reflect the plural character of Indian culture It is the textual silences' – or what the text omits – that highlights the ideological nature of the text The names of the characters are only Hindu and any reference to festivals is to those celebrated by those belonging to the majority community While the dress of women portrayed in the visuals does not stereotypically differentiate them, the fact that they are shown to be wearing 'bindis' and have Hindu names, confirms that certain 'exclusionary mechanisms' have been consistently used in the text Interestingly, the UP primer reflects much greater acceptance of the multilingual and multi-ethnic character of the Indian society But the emphasis throughout is on assimilation into a single monolithic identity for the sake of the country This emphasis on assimilation is cleverly disguised under the garb of patriotism The idea is to mould everyone into one 'dhara' – thus giving up personal affiliations and identities This process of assimilation translates itself into a particular monocultural identity that is very "Hindu' in its orientation It is apparent from the text that anyone who is different and wishing to preserve his/her linguistic and religious identity, would be made to feel guilty [2]

Absence of Social Conflict

A remarkable feature of the literacy primers is the total absence of any kind of social conflict. The depicted in the primers is divorced from the material and social conditions of the poor in rural areas Different caste and class groups coexist peacefully Thus, Vadgaon is portrayed as a model village in the Marathi primer in which the development activities are carried out by the gram panchayat and all the basic amenities are provided to everybody in the village This is because there is unity among all sections and there is no strife, no conflict On the other hand, another village Pimpalgaon, lacks all these amenities because of an inactive gram panchayat which it is suggested could be activated by all the villagers coming together and finding a common solution The overall image is thus of a harmonious social reality in which co operation and solidarity among all members is possible Conflicting social relations among members of different classes is absent from the society portrayed in the six literacy primers Whenever there is any dissonance, it is quickly resolved through the intervention of a character Most of the narratives have a 'fairy tale' quality about them as characters become instantly prosperous, husbands and wives live happily everafter, and the problems of the villages get instantly solved Krishna Kumar (1989) has referred to the manner in which the areas covered by a typical

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Other things being equal, candidates belonging to Scheduled Castes/Scheduled Tribes will be given preference.

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literacy curriculum follow a certain mythology according to which all the problems that the illiterate adult is faced with is due to a disorganised, unthinking, ignorant personality. What is promised to the illiterate adult therefore is better life, new knowledge and skills (including literacy), overall prosperity and general well-being. The state is perceived as a benign state that has the welfare of all the people at heart. The services provided by it are considered to be efficient and easily accessible. The role of the state and of the dominant classes in perpetuating class and gender oppression is overlooked, even bypassed. Rather, what is proposed is that inequities in society should be accepted and not be questioned.

Since adult learners are held responsible for their present state of poverty and illiteracy, the overall tenor of the lessons is to provide 'correct' information, to exhort the learners to change their negative attitudes so as to bring about a change in their behaviour. There is therefore a tendency to talk down to the learners as though the illiterate minds are 'empty vessels' waiting to be filled by the sagacious advice given in the literacy text. Freire (1985) refers to this phenomenon as the 'nutritionist view of knowledge' according to which the illiterates are considered as 'undernourished' and have to be 'fed' of 'filled' in order to know. So the illiterate adults are asked to come to study because it would be desirable for them to become literate. Adults are advised to save money and use it properly and not waste it. In most cases, the learners are perceived as a passive mass who have to be told what to do and who do not have a life or will of their own. An analysis of the tone of discourse revealed that on the whole it tends to be didactic and patronising. Humour and light banter are remarkably sparingly used.

The analysis has highlighted certain recurring patterns among literacy primers developed by the SRCs. But even in the case of the Pondicherry primer that was developed by the Bharat Gyan Vigyan Samiti (BGVS), a left-leaning autonomous NGO, the ana-lysis revealed that despite the revolutionary fervour of the lessons, the real intent is to carefully bleach away any political questioning. Thus when the lessons state 'we must find out why', 'we must change all this', 'we must question plan outlays, defence expenditure, etc,' what we are witnessing is an attempt at co-option, at generating 'false consciousness'. Under the garb of radical rhetoric, the literacy primer is really promoting the agenda of the state. The 'pseudo-Freirean' nature of such a literacy primer is made explicit.[3]

The role of the state has to be recognised in order to understand the hegemonic control that is maintained by it. By providing finances to the SRCs (as well as to autonomous organisations such as the BGVS), the state ensures that the information contained in the literacy materials is state-approved. Likewise, guidelines for preparation of literacy materials and constitution of a national level screening committee, further safeguard the state's interests. The ideological bias of the literacy primers, however, becomes evident for it is the culture of the mainly urbanised, middle class men that is invariably reproduced in them. The legitimation of the culture of this dominant class occurs in two ways; overtly, through bias, stereotype and distortion of subaltern culture, particularly that of poor women, and covertly, through omission of and silences of subaltern culture and once again, that relating to the reality of the lives of poor women.[4]

The importance of undertaking such an analysis of literacy primers lies in the fact that it tries to decipher and analyse their ideological underpinnings and thus enables us to understand whose interests this ideology represents and serves. Besides this, such an analysis is useful in order to understand why and to what extent the literacy primers facilitate or hinder adult learning. One important outcome of such work, however, is the realisation that primer writing for adults is a complex endeavour that demands a creative response so that literacy learning becomes less daunting, less alienating and certainly more relevant and closer to the reality of the lives of adult women learners.

Notes

[The observations which inform this paper come from a larger study undertaken by the National Institute of Adult Education, New Delhi. Those who collaborated in this study with me were Ila Patel, Ilina Sen, Prabha Krishnan, Sadhna Saxena and Azra Razzack. While acknowledging their individual contributions, I own responsibility for the particular analysis provided in this paper.]

1 Detailed analysis of the six primers has been attempted by the six researchers mentioned above.

2 Azra Razzack's analysis of the SRC primer from UP further showed how the four lessons that deal with the plural character of Indian society do not really get integrated into the text of the other lessons in that sense, stand apart.

3 Prabha Krishnan, in her analysis of the Pondicherry primer refers to what Ross Kidd and Krishna Kumar (1981) have described as the domesticating role of literacy programmes and termed them as 'pseudo-Freirean'. According to them, there are five steps through which education, which should have been liberating, succeeds in domesticating its object. These are–
- naming the central problem as 'poverty' rather than as 'oppression';
- identifying the cause of poverty as self-inflicted deficiency of the poor;
- proposing, as treatment, to change the behaviour of the poor through transmission of information and skills;
- converting Freire's method into a 'neutral' classroom technique without 'politics'; and
- defining 'action' as coping activity.

Krishnan's analysis showed that the central problem that characterises the illiterates is identified as poverty in the Pondicherry primer and while the literacy lessons urge learners to action, this action is not Freirean praxis but coping activity, channelling the collective energies of the learners down predetermined avenues.

4 While Timothy Scrase has not specifically focused his analysis on the issue of gender, his study on the content of English language primers and readers prescribed for use in West Bengal schools revealed that it was the culture of the mainly urbanised, middle classes that was invariably reproduced in the textbooks.

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Climbing Down the Golan Heights

Advantage to Syria

Ninan Koshy

The improved military strength of Syria after the Gulf war has put it in a better bargaining position vis-a-vis *Israel and the US who, in view of the forthcoming general elections, are under pressure to take a definite stand on the issue of the Golan Heights.*

THE fresh momentum in talks between Israel and Syria and a cautious optimism about a peace agreement between them are generally attributed to the compulsions of electoral politics in both the US and Israel. What is less recognised is that it is a significant increase in the military strength of Syria in the wake of the Gulf war, altering security and strategic perceptions in the area including those related to the Golan Heights, that has given the main impetus to the talks.

That is why contrary to the general impression, it is Israel more than Syria that is keen about an agreement. In spite of major hurdles some of which are capable of causing total disruption to the peace process, Israel can still claim an accord with the Palestinians. It can, as it sometimes does, more triumphantly hail the agreement with Jordan. But Israel knows that it cannot really claim any real success in the Middle East peace process unless there is an agreement with Syria

Crucial Factor of Elections

The most important domestic factor in this context is the general elections in Israel next year. Prime minister Rabin is on the horns of a dilemma. While a peace agreement with Syria will definitely earn him high dividends internationally, the terms of the agreement have to be such that domestic support does not dwindle but increase. This is far from easy.

Recent statements by foreign minister Peres and prime minister Rabin reflect this difficulty. It has become almost a practice for Peres and Rabin to speak differently on the same issue. While this may not always be the result of a tacit agreement between the two on each issue, the practice has often become a tool in negotiations.

During a visit to Morocco, Peres told *Yediot Aharonot*, an Israeli newspaper, that he informed king Hussan II that the Golan is 'Syrian land'. "We do not want to keep hold of Syrian land. The Golan plateau is Syrian land and we have settled on the Syrian land", the newspaper quoted Peres.

In preparing to give up the Golan plateau, Peres appeared to be climbing up the moral plateau. He said, "The decision to make a peace agreement with Syria stems from our moral values. We do not want to exercise power over another people, and that includes the Golan plateau which is not part of Eretz Israel (the land of Israel)"!

Peres went on to compare the crucial Golan issue to the 1979 Israeli-Egyptian peace treaty based on the agreement for a total withdrawal from Sinai which like the Golan Heights was captured by Israelis in the 1967 war. "The price is the price we also paid in the Egyptian matter", said Peres.

But Rabin said that Tel Aviv would not withdraw its troops from the Golan Heights before an agreement on the normalisation of relations with definite arrangements on security matters. He also said that his government would not sign a peace accord with Syria before conducting a general referendum in Israel.

The impression that Syria is now ready for negotiations owing to its sense of isolation is not necessarily correct. Syrian president Assad knows that there cannot be a full and comprehensive peace treaty in West Asia that does not bear his signature. He also realises that he can now negotiate from a position of strength.

This, however, does not negate a sense of isolation. During the time of Israel's agreement with Jordan, king Hussein said that Jordan these days is looking after its own interests and not waiting for a unified Arab position. While in the early stages of the Madrid talks, president Assad could pose as the representative of a bloc comprising of Jordan, Lebanon, Syria and the Palestinians, now only Lebanon is left with Syria.

Syria, however, can claim that it is not its fault that this has happened., Damascus continues to insist that the parties to the peace process abide by the principles laid out at the Madrid conference where Syria did lead efforts to work out a common Arab position.

Among the Arab parties to the peace process, Syria had been more outspokenly critical than the others of the Palestinian leadership for reaching a separate agreement with Israel. "It is PLO which pushed itself out of Arab co-ordination and not the Arab parties which forced PLO out", the Syrian foreign minister remarked at that time.

When Syria agreed for resumption of talks with Israel in March 1994, it made clear that the decision to return to Washington was one of principle and that Syria would attend only if there was evidence of Israeli willingness to abide by the terms of the relevant Security Council resolutions and if there was an agreed Arab position.

In October 1994, when president Clinton visited Syria, Israel had hoped that Clinton would be able to get major concessions from Assad. But Israel was disappointed. Even on the issue of terrorism nothing conclusive emerged. President Assad said that terrorism was not a separate item on the agenda and added in Clinton's presence, "we had more important matters to discuss". Israel had to accept the fact that rather than changing Assad's mind, Clinton repeated many of Assad's themes, like 'just peace' and 'land for peace', and Syria's importance in establishing regional peace. Assad affirmed, "Syria wants to establish peaceful, normal relations with Israel in return for full withdrawal from the Golan to pre-1967 border, and from South Lebanon".

For both Clinton and Rabin the decisive domestic factor is the same – elections next year. If Rabin fails to tackle the highly emotional issue of the Golan Heights and the settlements there very soon, he is unlikely to have the political space or time to do it later.

Clinton also is in a similar predicament. His administration surely needs a foreign policy victory and needs it urgently. With the dismal failure in Somalia and with the fiasco in ex-Yugoslavia, West Asia is still claimed to be the success story. With the Republicans assiduously campaigning for Jewish votes, any set-back in the Middle East will affect Clinton's electoral prospects.

There are those who still believe that Rabin intends to 'freeze' the Syrian question until after the 1996 elections. They feel that Rabin may not want to confront the Israeli public on the Golan Heights issue before the elections.

There is considerable opposition in Israel to any deal with Syria involving withdrawal from the Golan. The settlers in the Golan have been able to launch a highly successful campaign with the slogan, 'Peace with the Golan'. They have projected an image of hard-working, peaceful secular farmers in contrast to the militant 'fundamentalist' and often violent Jewish settlers on the West Bank and Gaza. This has appealed to the general public, evoking sympathy and support of a large section including some members of the parliament belonging to Rabin's Labour Party.

It is to assuage the feelings of this section that Rabin, without admitting that Israel was changing its position on which there had been hints, asserted that an initial withdrawal from the Golan would be 'marginal', followed by a three-year 'probation period' for the Syrians. This would mean that any major

withdrawal could come only three years after the elections, i e, in 1999. Syria has rejected this proposal.

Syria's Military Strength

A major factor in all the recent moves on both sides is the significant increase in Syrian military strength. Contrary to the general impression, the collapse of the Soviet Union and the end of the cold war did not lead to a military weakening of Syria. President Assad had always maintained that he would conduct negotiations with Israel only from a position of strength. This was interpreted as meaning achievement of strategic parity with Israel. According to many observers Syria is close to attaining it.

Syria was a major beneficiary of the Gulf war. Its participation in the US-led alliance against Iraq was a calculated move and involved a dramatic shift in its position. The US was obliged to a government which was high on its list of terrorist states. It was this obligation which paved the way for the strengthening of the Syrian military. The first help was from the US itself which secretly made available to the Syrians some of the best captured Iraqi tanks and self-propelled guns. Since Syria was still on its list of terrorist states, the US could not directly give any aid to Syria. But it convinced some unnamed European countries to grant Syria several hundred million dollars after the Gulf war. In addition to subsidies from Kuwait, the UAE and Qatar, Syria received a grant of $ 1.5 billion from the Saudi royal house. There is reason to believe that such grants have continued.

The Soviet Union's support for Syria virtually ceased since Gorbachev assumed power. Consistently pro-Israel in his policies, Gorbachev expected Syria to make peace with Israel even on Israeli terms. Soviet weapons sales to Syria stopped. When the Soviet Union collapsed the new government in Russia would sell weapons to Syria only for hard currency which Syria lacked. But with generous Saudi funding and tacit US support Syria has been able to acquire highly sophisticated weaponry previously unattainable from the Soviet Union. Former USSR states, including Russia, became major suppliers. There was also the expanding open bazaar of arms in the region. North Korea is mentioned among the countries which made supplies to Syria.

It was the common perception of Syria and Saudi Arabia that only a militarily strong Syria could withstand Israeli attempts to impose on Syria a peace treaty on Israeli terms. For more than two-and-a-half decades it was generally believed that the Israeli army breaking through the Golan Heights ceasefire line could reach the outskirts of Damascus in less than 24 hours. Israeli commentators admit that today Syrian armoury is capable of stopping an Israeli attack simultaneously on two fronts, in the Golan Heights and the Lebanese border. Syria is also capable of retaliating forcefully and effectively in the event of any Israeli air offensive against it. For the fist time in West Asia, a state (in this case Syria) is capable of defending itself with credible military strength against Israeli attack. The full extent of Syria's military build up was apparently not known to the Israelis for a long time. Once it was known, Israel began to evince a desire to negotiate a genuine deal with Syria.

There has been a shift in the US position too. Until 1991 the Americans, regardless of what they openly declared, did not want Israel to withdraw from the Golan Heights. It was Syrian participation in the US-led alliance against Iraq which changed the American attitudes. With its pronounced policy against both Iraq and Iran, the two other major players in the region, the US feels that it may be advisable to win over Syria.

While the Americans have repeatedly urged Syria and Israel to find agreement quickly, the two governments are aware that the chances of increasing the quantum of aid will grow as elections in the US get closer. The bonanza Israel and Egypt received after the Camp David agreement is recalled.

On June 11, the daily, *Jerusalem Post*, reported that Israel is to demand $ 2.5 billion military aid package from the US as compensation for any withdrawal from the Golan Heights. The list of demands includes surveillance and co-ordination airplanes, stationary ground early warning stations, satellite transformation and linkage stations and access to US high-resolution satellite information on the region.

Israel is well aware that in the age of supersonic planes and missiles the Golan Heights give no strategic or tactical advantage as they may have done years ago. But it is not easy to convince the Israeli public about the withdrawal, especially with the majority of voters against the removal of the settlers.

In fact, the long-term concern of Israel about the Golan is neither military advantage nor the settlements but the control of the underground water resources of the Golan. The Syrians have indicated that they may be willing to negotiate mutually advantageous sharing and supervision of water resources if and when Israel withdraws.

In the current Washington talks, rather than attempting to come to an agreement on the main issue, namely, Israeli withdrawal from the Golan, discussion centres around the possible security arrangements in the area, in case Israel withdraws from the region.



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BOMBAY BRANCH

BALANCE SHEET AS AT MARCH 31, 1995

(Rs in thousands)

	Schedule	As on March 31, 1995	As on March 31, 1994
CAPITAL AND LIABILITIES			
Capital	1	2,000	2,000
Reserves and surplus	2	173,295	129,192
Deposits	3	2,887,999	2,788,140
Borrowings	4	NIL	NIL
Other liabilities and provisions	5	266,250	216 848
TOTAL		3,329,544	3,136,180
ASSETS			
Cash and balances with Reserve Bank of India	6	532,694	807,562
Balances with Banks and money at call and short notice	7	38,830	243 685
Investments	8	1,729,435	916 320
Advances	9	779,164	1,016,070
Fixed Assets	10	21,728	18,386
Other Assets	11	227,693	134,157
TOTAL		3,329,544	3,136 180
Contingent Liabilities	12	1,620,608	903,568
Bills for collection		31,361	69 644
Notes on Accounts	17		

The Schedules referred to above form an integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995

(Rs in thousands)

	Schedule	Year Ended March 31, 1995	Year Ended March 31 1994
I. INCOME			
Interest earned	13	282,854	256,700
Other income	14	37,442	23,319
TOTAL		320,296	280,019
II. EXPENDITURE			
Interest expended	15	173 116	152,923
Operating expenses	16	30 352	26,815
Provisions and contingencies		64,018	65,014
TOTAL		267 486	244 752
III. PROFIT/(LOSS)			
Net profit for the year		52,810	35,267
Profit brought forward		65,904	37,691
TOTAL		118,714	72 958
IV. APPROPRIATIONS			
Transfer to statutory reserves		10,562	7,054
Amount remitted to Head Office		8 707	NIL
Balance carried over to Balance Sheet		99,445	65,904
TOTAL		118,714	72,958

The Schedules referred to above form an integral part of the Profit and Loss Account

Per our attached report
For DALAL DESAI & KUMANA
Chartered Accountants
Sd/-
MAHESH ASRANI
Partner

Bombay June 27 1995

ABU DHABI COMMERCIAL BANK LIMITED
Bombay Branch
Sd/-
AHMED SALEH AL BANNA
Chief Executive – India

Bombay June 27, 1995

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NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1995

(Rs. in thousands)

	As on March 31, 1995	As on March 31, 1994
Schedule 1—Capital		
(A) Capital		
Amount brought into India by way of start-up Capital	2,000	2,000
TOTAL	2,000	2,000
(B) Amount of Deposit kept with the Reserve Bank of India u/s 11 (2) of the Banking Regulation Act, 1949.	32,100	32,100
Schedule 2—Reserves and Surplus		
I. Statutory Reserves (Reserve under Sec. 11(2)(b)(ii) of Banking Regulation Act,1949)		
i) Opening Balance	21,325	14,271
ii) Additions during the year	10,562	7,054
	31,887	21,325
II. Capital Reserves		
i) Opening Balance	1,200	1,200
ii) Additions during the year	NIL	NIL
	1,200	1,200
III. Revenue and Other Reserves [See note II]		
i) Opening Balance	40,763	40,763
ii) Additions during the year	NIL	NIL
iii) Deletions during the year	NIL	NIL
	40,763	40,763
IV. Balance in Profit and Loss Account	99,445	65,904
TOTAL	173,295	129,192
Schedule 3—Deposits		
A) I. Demand Deposits		
i) From banks	27,028	8,553
ii) From others	586,945	387,651
	613,973	396,204
II. Savings Bank Deposits	319,515	218,714
III. Term Deposits		
i) From banks	NIL	76,500
ii) From others	1,954,511	2,096,722
	1,954,511	2,173,222
TOTAL	2,887,999	2,788,140
B) I. Deposits of branches in India	2,887,999	2,788,140

(Rs. in thousands)

	As on March 31, 1995	As on March 31, 1994
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	NIL	NIL
ii) Other banks	NIL	NIL
iii) Other institutions and agencies	NIL	NIL
II. Borrowings from outside India	NIL	NIL
TOTAL	NIL	NIL
III. Secured borrowings included in I and II above	NIL	NIL
Schedule 5—Other Liabilities and Provisions		
I. Bills payable	8,494	7,218
II. Inter-office adjustments (net)	16,464	13,566
III. Interest accrued	193,315	159,793
IV. Others (including provisions)	47,977	36,271
TOTAL	266,250	216,848
Schedule 6—Cash and Balances with Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	1,961	2,128
II. Balances with Reserve Bank of India		
i) in Current Account	530,733	805,434
TOTAL	532,694	807,562
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balances with banks		
a) in Current Accounts	37,948	47,271
b) in Deposit Accounts	NIL	152,000
ii) Money at call and short notice		
a) With banks	NIL	NIL
b) With other institutions	NIL	NIL
TOTAL	37,948	199,271
II. Outside India		
i) In Current Accounts	882	44,414
ii) In other Deposit Accounts	NIL	NIL
iii) Money at call and short notice	NIL	NIL
TOTAL	882	44,414
GRAND TOTAL (I + II)	38,830	243,685

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(Rs in thousands)

	As on March 31 1995	As on March 31, 1994
Schedule 8—Investments		
I Investments in India		
i) Government securities	1,152,832	768 486
ii) Other approved securities	67,239	54 739
iii) Shares	645	NIL
iv) Debentures and Bonds	385,367	93 095
v) Other Investments	123,352	NIL
TOTAL	1 729 435	916 320
Schedule 9—Advances		
A) i) Bills purchased and discounted	239,079	379 244
ii) Cash credits overdrafts and loans repayable on demand	458,113	608 440
iii) Term loans	81,972	28 386
TOTAL	779 164	1 016 070
B) i) Secured by tangible assets	452,775	458 435
ii) Covered by Bank/Government Guarantees	93,680	229 217
iii) Unsecured	232,709	328 418
TOTAL	779,164	1,016 070
C) I Advances in India		
i) Priority Sectors	204 111	181 533
ii) Public Sector	NIL	50 000
iii) Banks	93,680	229 217
iv) Others	481,373	555 320
TOTAL	779,164	1 016 070
Schedule 10—Fixed Assets		
I Premises		
i) At cost as on 31st March	12,890	12,621
ii) Additions during the year	NIL	269
iii) Deductions during the year	NIL	NIL
iv) Depreciation to date	(2,472)	(2,098)
TOTAL	10 418	10,792

(Rs in thousands)

	As on March 31, 1995	As on March 31, 1994
II Other Fixed Assets (including Furniture and Fixtures)		
i) At cost as on 31st March	18,244	17,022
ii) Additions during the year	5,857	1,485
iii) Deductions during the year	(546)	(263)
iv) Depreciation to date	(12,245)	(10,650)
TOTAL	11,310	7,594
GRAND TOTAL (I+ II)	21,728	18,386
Schedule 11—Other Assets		
I Inter-office adjustments (net)	NIL	NIL
II Interest accrued	69,104	50,396
III Tax paid in advance/tax deducted at source	52,750	27,857
IV Stationery and stamps	7	7
V Others	105,832	55,897
TOTAL	227,693	134,157
Schedule 12—Contingent Liabilities		
I Liability on account of outstanding forward exchange contracts	892,613	459,673
II Guarantees given on behalf of constituents		
a) In India	184,356	102,856
b) Outside India	222,923	134,210
III Acceptances, endorsements and other obligations	284,212	177,293
IV Other items for which the bank is contingently liable.		
a) Bills of Exchange Rediscounted	NIL	NIL
b) Income tax disputed and in appeal not provided (including the effect on pending assessments) is estimated at	36,504	29,536
TOTAL	1,620,608	903,568

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BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1995

(Rs in thousands)

	Year Ended March 31, 1995	Year Ended March 31, 1994
Schedule 13—Interest Earned		
I Interest/discount on advances/bills	102 142	128,327
II Income on investments	160 963	103 938
III Interest on balances with Reserve Bank of India and other inter bank funds	16 868	21,143
IV Others	2 881	3 292
TOTAL	282,854	256 700
Schedule 14—Other Income		
I Commission, exchange and brokerage	9 361	4 761
II Net profit on sale of investments	26,216	15 210
III Net profit on sale of land, buildings and other assets	125	18
IV Net profit on exchange transactions	1,740	3,330
TOTAL	37,442	23,319
Schedule 15—Interest Expended		
I. Interest on deposits	164,414	152,574
II. Interest on Reserve Bank of India/Inter-bank borrowings	7,032	281
III. Others	1,670	68
TOTAL	173,116	152,923

(Rs in thousands)

	Year Ended March 31, 1995	Year Ended March 31 1994
Schedule 16—Operating Expenses		
I Payments to and provisions for employees	9 856	7 749
II Rent, taxes and lighting	4,233	3,255
III Printing and stationery	1 443	1 681
IV Advertisement and publicity	577	716
V Depreciation on bank s property	2 355	2 569
VI Directors fees allowances and expenses	54	137
VII Auditors fees and expenses	120	120
VIII Law charges	22	30
IX Postages Telegrams Telephones, etc	3,386	3 037
X Repairs and maintenance	2,051	2 469
XI. Insurance	1,775	1,457
XII. Other expenditure	4,480	3,595
TOTAL	30,352	26,815

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Schedule 17—Notes on Accounts

I Principal Accounting Policies

1 General

The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country

2 Transactions Involving Foreign Exchange

i Monetary assets and liabilities have been translated at the exchange rate prevailing at the close of the year except foreign currency deposits under certain schemes which are translated at notional rates Non-monetary assets have been carried in the books at the contracted rates

ii Income and expenditure items have been translated at the exchange rates ruling on the date of the transactions

iii Outstanding forward contracts have been revalued at the forward exchange rates prevailing at the close of the year

3 Investments

i The investments in approved securities are classified into "Permanent" and "Current" investments in terms of guidelines of Reserve Bank of India.

ii Permanent investments are valued as under

– If the cost of acquisition is less than face value–at cost.

– If the cost of acquisition is higher than face value – the carrying cost is arrived at by amortizing the premium over the period of maturity

iii Current investments have been valued at lower of cost or market value For the purpose of valuation, Reserve Bank of India/Stock Exchange quotations where available have been taken as market rates, and where the rates are not available the same have been valued as per norms laid down by Reserve Bank of India as under

a. Government Securities and PSU Bonds	Valued on yield to maturities (YTM) basis
b Treasury Bills and investments under ready forward transactions	Valued at carrying cost

iv The broken period interest on purchase/sale of securities is treated as capital outlay/receipt

4 Advances

i Provision for 'Non performing assets' is made on the basis of the asset classification and provisioning requirement thereof under the prudential norms laid down by the Reserve Bank of India including those with outstanding balance of less than Rs 25,000/- per borrower Advances secured by Financial Guarantees of public sector banks are not considered "Non Performing Assets"

ii Further provision is made for doubtful advances based on Management's estimate of potential exposure

iii Provisions in respect of doubtful advances have been deducted from advances to the extent necessary and the excess has been included under Other Liabilities and Provisions"

iv In consortium advances, the accounts are classified as per the decision of the lead bank

v Advances are shown net of bills discounted with the Financial Institutions

vi Interest on non-performing advances is accounted as per the guidelines of Reserve Bank of India with reference to realisation

5 Fixed Assets

i Fixed assets are accounted for at their historical cost.

ii Depreciation is provided for on the written down value method at the rates prescribed in Schedule XIV of the Companies Act, 1956

6 Staff Benefits

The liability for Gratuity to staff has been computed and provided on actuarial basis

7 Net Profit

The net profit disclosed in the Profit and Loss Account is after

i Provision for taxes on income in accordance with statutory requirements

ii Provisions on advances

iii Provision for Head Office administration expenses

iv Other usual and necessary provisions

II Changes in Accounting Policies

1 Provision for advances with individual outstanding of less than Rs. 25,000/- has been made this year at 7.5% of the aggregate amount outstanding as per the prudential norms laid down by Reserve Bank of India as against 5% in the preceding year

2 Till the preceding year permanent investments were carried 'at cost' In accordance with guidelines issued by the Reserve Bank of India the premium over the face value has been amortized during the year

3 The impact of these changes on operational results for the year is not material

III Revenue and Other Reserves

1 Include Head Office Reserves of Rs. 33,255,656/- which represent funds remitted by Head Office/retained from repatriable profits to meet the cost of acquisition of residential premises, deposit/advance licence fee of Bank premises at Bombay, etc as per guidelines of Reserve Bank of India.

IV Other assets include share application money Rs. 10,000,000/-

V Profit on exchange transactions include Rs. 9,500,627/- arising out of refinement of basis of foreign exchange translations.

VI The previous year's figures have been regrouped/rearranged wherever necessary

Sd/-
AHMED SALEH AL BANNA
Chief Executive — India

Bombay June 27, 1995

بنك أبوظبي التجاري المحدود
Abu Dhabi Commercial Bank Limited
تأسس بمسؤولية الامارات العربية المتحدة بمسؤولية محدودة
Incorporated in the United Arab Emirates with Limited Liability.

BOMBAY BRANCH

Auditors' Report on the Accounts of the Bombay Branch of Abu Dhabi Commercial Bank Limited

We have audited the attached Balance Sheet of the Bombay Branch of Abu Dhabi Commercial Bank Limited (incorporated in the United Arab Emirates with Limited Liability), as at 31st March 1995 and the Profit and Loss Account of the Bombay Branch of the Bank for the year ended 31st March 1995 annexed thereto.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of Section 211 and Sub Section (5) of Section 227 of the Companies Act, 1956.

We report that:

(1) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit and have found them to be satisfactory;

(2) the transactions which have come to our notice have been, in our opinion, within the powers of the Bombay Branch of the Bank;

(3) in our opinion, proper books of account as required by law have been kept by the Bombay Branch of the Bank so far as appears from our examination of these books;

(4) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

(5) In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, read with notes there on, particularly Note II regarding changes in accounting policies give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and give a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31st March 1995 and of its profit for the year ended on that date.

For DALAL DESAI & KUMANA
Chartered Accountants
Sd/-
MAHESH ASRANI
Partner

Bombay: June 27, 1995

History Outside the Nation

Nira Wickramasinghe

The privileging of the narrative of nation-as-history in post-modern historiography has overshadowed how people conceive time in terms other than nation

THIS essay comes as a response and a reaction to K N Panikkar's recent essay 'In Defence of Old History' (*EPW*, October 1, 1994) where he puts forward an incisive critique, albeit from a predictably Marxist perspective of 'post-modern history'. The core of his argument is that by conceiving history as representation, without the possibility of ever knowing the truth, post-modern histories are engaged in the same historical project as colonialism which is to deny a history to the subjected. Panikkar's critique is particularly important when he points out that caste and communities that were the weapons in the colonial armoury to ensure the perpetuation of political power are invoked by neo-colonial history as the only valid categories to interrogate reality. I would add here that in post-modern histories the most important category invoked is by far the nation/modernity.

All histories are not nationalist histories and an investigation of the nation-state, its failures and its strengths is not the only way of addressing history. Today there is an uneasy alliance, sometimes even a curious complicity, between those who build nation-states through history writing and those who deconstruct their oeuvre. The terms of reference are defined by the warriors on each side. Histories which include the voices of those who before were condemned to silence in an elitist history still posit the nation-state or the nation as a reference point. Those who criticise the nation-state refer to it continuously, take position *vis-a-vis* it, while multiple histories of people lie untouched under the coating of nationalist histories.

My essay, which stemmed from reading Panikkar, aims at suggesting the idea of a 'history outside the nation' and the primacy of 'temporality' in history as a possible way-out from the impasse of uncertainties to which post-modernism has drawn history writing.

I
Time in History

The subject matter of history, what makes history, is an area of contention. History can no longer be defined as a series of events or cognitive points arranged in the order of chronology. In the last few decades, post-modern critiques of history writing have questioned, quite legitimately, the autonomy of the 'event'. Events, they argue, do not exist *per se*. Consciousness – which varies from agent to agent – acts as mediator. They have also questioned "the sequencing, the causal assumptions that underlie selecting and framing the events, the theoretical understanding that sanctions that selection and framing of events, the adoption of an appropriate vantage point and the authority that authorises that vantage point" [Crapanzano 1992]. They have taken a 'nihilistic delight' in the impossibility of any universal understanding, any incontestable truth. History, continuity, memory have been subverted as meta-narratives that legitimised science, while other totalising visions too crumbled before our eyes. Thus, one can, to a certain extent, laud the post-modern enterprise for having radically altered history by the changes in discourse that were postulated.

Today, however, this discourse forms a new sort of orthodoxy which few have the courage to contest. Instead of events we have texts representing the French Revolution, or narratives of the foundation of Islam which each and everyone will read in a different way. The Rashomon effect of the dialogically open-ended, self-questioning, multi-perspectival histories often means that anything is possible as egalitarianism prevails at the discursive level. Most post-modern thinkers come from literary or anthropological backgrounds where 'time' is not the subject of investigation. For them, just as for me, history as a sequential process ordered by time is problematic. But when Foucault and Deleuze question the validity of any possible notion of linear time and challenge in a Heideggerian vein a notion even of empirical history in which events follow one after the other as causes and effects, their concern is with societies where circular time is anathema [Faucault 1972; Deleuze 1972]. Their own conception of time where events float haphazardly in a veritable sea of contingency – a notion which is not part of the European heritage – is less ambivalent in societies such as ours which recognise that time is as malleable as the clocks in Dali's painting. The question I ask is this: Is it then necessary or indispensable that we historians studying South Asia put aside notions of 'before' and 'after' under the pretext that they suppose an order which does not exist, an overarching march of history? Is it necessary for us to deconstruct our time and history when our time is already fluid, circular? Must we like the Mad Hatter in 'Alice in Wonderland' kill time?

Time is the most important denominator in any history writing and history is, I believe, the science of the consciousness of time. Even a history of the fragments, even a history which is primarily interested in ideology must acknowledge time. Just as there is a today, there was a yesterday and there will be a tomorrow. This is what history, whether linear or circular is all about.

One can wonder whether time is a concept, a series of concepts or just a set of measurements? If one follows Leibnitz, things are quite transparent: 'time is the order of non-contemporaneous things'. More recently, anthropologists have looked at the time of cultures and focused their attention on time as a marker of social transformation. They have shown us that there are different ways of understanding ideas and experiences of temporality. Furthermore, one can speak to a certain extent of the objectivity of the historical fact, event, or of a particular period for the historian. It arises from an awareness not of the event itself but of the ruptures in time (past, present and future) which places it, at the time of its occurrence, in the present, and assigns it an associative relation with absolute time. All historical facts, with or without a specific date, possess a past and a future, both of which are independent of observation. For example, the foundation of Buddhism is an event since there is a pre-Buddhist India and a post-Buddhist India. As Chaudhuri writes, "historical events, structures or phenomena can be grouped into different classes of time which have different qualitative properties, different 'frequencies' and unequal power" [Chaudhuri 1990].

Thus, Chaudhuri and other structuralists take a different path, a path where some answers are possible, where time is the time of the historian, thus, objective and knowable. But like most structuralists, Chaudhuri fails to make a distinction

between measuring time and concepts of time. Just as Braudel, Chaudhuri writes of a time which is the time of the historians rather than of society's consciousness of itself. Both tend to posit an unconstituted objective world where time can be measured. This is a legitimate criticism. However, if like Maurice Halbachs, we agree that there are as many collective notions of time in a society as there are separate groups, and we deny that a unifying time could be imposed on all groups simultaneously, cognitive reflection is suspended [Halbachs 1947: 3-31]. Just as there is no possibility of unifying time, there is no possibility of thinking about it, as Ricoeur asserts: 'Human thought has not produced a universal system of categories capable of embodying a personal experience of time and history itself having a universal validity'.[1] The historian is thus left to think of the particular. What s/he must come to terms with is that the linear history, which as an adept of post-modernism s/he is eager to deconstruct, is in fact the history imagined along those lines by a small group of people whom s/he has chosen to privilege in his/her study. What I suggest is that it is the obsessive concern in South Asian academia for the nation and the modern that leads us to look at history through one small lens and privilege an interpretation of history (history as history of the nation) which has little bearing on the consciousness of the people.

II
History Outside the Nation?

The contention by well meaning, progressive thinkers that history always means nationalist history has led to a self-immolatory surge among historians. The nation and how it had been read, written about, vilified and adored has become the single question of the historian. This included nationalist historians, colonial historians as well as post-colonial subalterns, eager to retrieve the fragments of the nation or deconstruct the nation. In Sri Lankan academia quite clearly, nationalist historians as well as revisionist scholars, preoccupied with the pressing issue of legitimising and delegitimising the nation-state in its present form, have rarely concerned themselves with the way in which ordinary people at given time made sense of the world, how they construed the world, invested it with meaning and infused it with emotion. How they lived their relation to the past, the present and the future; in short, how they constructed their history. Many anthropologists have placed emphasis on deconstructing what makes up the canonical text of Sinhala nationalism, 'the Mahavamsa', without attempting to assess to what extent the Mahavamsa was known to common people during the pre-colonial and colonial periods. Some have suggested that before the translation of the Mahavamsa into Sinhalese in 1837, there was no concept of history as it is understood in the west. Rogers' work on 19th century Ceylon, for instance, has shown that the images of the past that developed in the British period were produced by using 19th century western historical ideas and methods [Rogers nd: 88-102]. The central idea of historiography, the rise and decline of an ancient civilisation, was almost universally accepted, both because it was plausible – it was confirmed by both the Mahavamsa and the ruined irrigation tanks and cities – and because it was consistent with the pattern of Europe historically which looked to the classical civilisation of Greece and Rome. Later, Sri Lankan writers pointed out that Sri Lanka's civilisation, although weakened, had maintained its cultural continuity. My purpose is not to contest these valuable studies but to question the centrality of 'history' borne out of canonical texts or critical appraisals of these canonical texts. The images of the past that emerge from the writings of Rogers and other deconstructors of canonical texts, portray the views of a very marginal group, i e, the literate elite of the time. It is, indeed, as most scholars have shown, a view totally in consonance with the understanding of history prevalent in the West. But it is, nevertheless, the view of a few. What historians should question is whether the rest of the people did not think of history as history of the nation, whilst they were conscious of temporality, of a past, present and future. Their world-view has not been adequately considered. Perhaps they did not have a modern concept of history but their life/time was ordered and sequential whether in a linear or a circular manner. This is apparent in Sinhalese grammar where the three tenses, past, present and future, provide a structural order. Thus, when speaking about histories of people and of their understanding of the past as a *sine qua non* for the emergence of a nation, is it not crucial to uncover their cosmology and at the centre of their cosmology the way they lived and thought 'time' at given moments? What were, for instance, the analytical categories available to the people when they wanted to measure time, quantify it and then record it in their tales, songs and sayings, thus 'writing' history?

Rather than privileging, as the post-modern critiques of history have, canonical histories, written texts composed in a linear mode as objects of analysis, it might be time to forget the nation and the nation as history and turn our inquiring mind to 'temporality' as the thread of history.

It is my contention that communities are made more by common folktales, habits, idiosyncratisms, common perceptions of time rather than by common imagined histories, common efforts to oust colonial rulers or modern ideologies of the nation and the downward seepage of ideas. A history from within would take into account the way in which time was experienced by its actors and stress the importance of an autonomous concept of time in the forging of a people's or community's history. The question which must be addressed is whether it is possible to have a people (nation) without a national history. I would venture to propose that the concepts of time and memory are central to the question. Time was present in Sinhalese folktales but, it was not the time of the Mahavamsa or of later state-building histories. It was rather the time of the peasant, linked to the stars, the moon and the opening of flowers. Superimposed on a national history, on a history of kings and queens, battles and invasions were temporal continuities which had their own measures, discourse and moments of tension and breaks and also, their own heroes, sometimes mythic figures, a people's history, autonomous, separate, oblivious to nation-building.

III
Post-modern Historians and Writing of Texts

Pannikar's essay eludes one aspect of a critique of post-modern histories. Post-modern historians have not deconstructed the mode of history writing. Like docile bodies, they abide by the rules set, and enshrine some oeuvres, just like their predecessors enshrined their own canonical historical oeuvres. Canonisation prefigures the death of history. Today's historian who has studied history at the university is expected to produce written texts which s/he then reads at seminars and international conferences, and which s/he formats and footnotes according to the Chicago manual of style before submitting them to a journal. Only texts legitimise his existence. Without them s/he is like a painter who does not paint. But the historian is still not free in his creations. The texts he produces, even today, must be based on exemplary works or models which form the canon of the discipline of history. Unlike in anthropology where the critique of the canon has been absorbed, in history the

textual canon remains strong. Will *EPW* publish an article written in surrealist verse or composed in the form of a Platonic dialogue? From Colombo to Cambridge, from Chicago to Tokyo, historians obey an unwritten code.

Post-modern historians have, however, succeeded in undermining two fundamental precepts of mainstream history writing (although Sri Lanka's historians are still oblivious to these developments). The first age-old precept is that the argument of the text has to be distilled from a complex/narrative text (mainly archival sources) and then debated, detached from and free of the text. The second precept is that only what conforms to the canon will be focused upon and included in the canonical historical body. This means in effect excluding anything produced by anthropologists or literary historians. The discipline rests on an 'esprit de corps', on a history written by historians. The work of a historian is not looked at by his guild as an oeuvre that invites various interpretations or alternative readings. Rather, what is discussed and debated are considered the arguments, the 'truths' that inform it and are distilled from it. Historical work is neither read nor written as a narrative because most working/writing historians still view history as a meaningful account of the past rather than a positioned narrative [Marcus 1992].

This is not so of anthropologists and sociologists who write histories. Nor is it the case of the subaltern studies historians who originally wanted to rectify the bias of elitist historiography and neo-colonialist historiography that credits the making of the Indian nation and the development of a national consciousness to British colonial rulers, administrators, policies, institutions and culture, and not to Indian elite personalities, activities and ideas. These new histories are, however, written in a language that only the members of an elitist guild can comprehend. The new canons, the new orthodoxy of post-modernism has shut away the very people who were condemned to silence and whom they hoped to draw out from the blind alleys.

My hope is to see one day historiography, which is neither the biography of the nation nor a critique of the modern, speaks in words a child will comprehend. At a time when we indulge in variations on the motives of the symphonies composed by Foucault, Derrida, Bourdieu and Anderson, my hope is that historians will consent to lower themselves and write a fugue.

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India as a Regional World Economy

Kanakalatha Mukund

Indian Merchants and Eurasian Trade 1600-1750 by Stephen Frederic Dale; Foundation Books, New Delhi, 1994; Rs 240, pp xiv + 162. (Cambridge Studies in Islamic Civilisation).

THIS slender volume turns its attention to what is genuinely a neglected aspect of India's mercantile history – the extensive diaspora of Indian merchants who lived and traded in Iran, Central Asia (Uzbek Turan) and Russia. Dale is the first historian after Surendra Gopal to venture into this area of history, and by highlighting the long-standing presence of Indian merchants in Iran and Turan, Dale adds to Gopal's contributions. Dale argues that the mere term 'diaspora' does not convey the extent of the trade of the Indian merchants, nor their economic significance.

"This particular diaspora reflected an asymmetrical economic relationship in which Indians marketed agricultural products, textile manufactures and their own financial expertise throughout a broad region where they enjoyed a competitive advantage in both goods and services – or, in visible and invisible exports. In brief, the diaspora manifested in the persons of these merchants the Mughul empire's stature as a regionally dominant economic power, or, in Fernand Braudel's phrase, a regional 'world economy'" (p 2).

Dale argues that the three contemporaneous Islamic empires of Mughal India, Safavid Iran and Ottomon Turkey established a fairly effective *pax Islamica* which provided the necessary precondition of political stability to facilitate trade. There was also a substantial degree of homogeneity in the commercial and linguistic environment which enabled the Indian merchants to trade in Iran and Uzbek Turan. Dale also stresses a relatively little appreciated facet of Mughal economic policy, namely, the active promotion of commerce through time-honoured measures like the development of infrastructure – roads, bridges, caravanserais, etc – as well as through the protection offered to caravans and merchants, removing internal barriers to trade and protecting the fundamental right of private property. This comes as a welcome corrective to the more prevalent notion of the extortionate and exploitative nature of the pre-modern states in India and the rapacious unaccountability of local officials. The volume and range of internal and external trade would intuitively negate this assumption, which Dale strengthens by quoting both Islamic law as well as Abul Fazl and other sources.

Mughal India was the most prosperous of the three regions in its economic resources – agriculture, manufacturing and population. The total value of its major exports of cotton cloth, indigo and sugar far outweighed the total value of imports from Iran and Central Asia, of which the most valuable were horses. The Mughal empire had a favourable net balance of trade which was paid for with exports of bullion from Iran and Turan, which was one more channel through which precious metals flowed into India till the 18th century. These advantages gave Mughal India a dominating advantage over the other two regions, and also allowed the Mughal Emperor the luxury of following what was virtually a *laissez-faire* foreign trade policy as compared to Shah Abbas of Iran who had instituted a kind of state capitalism to protect the more fragile economy of his country.

The Indian merchants trading in Iran, Turan or Russia were known generally as Multanis, but they comprised three major ethnic groups – Punjabi Khattris, Marwaris and Pushtu Afghans. Trading through family-based networks, they had penetrated into Central Asia and were, for a short time, even visible in Moscow. Though later often criticised as usurious moneylenders, Dale establishes that they were able to provide much needed financial services and credit in regions where Islamic law tended to hamper indigenous groups in engaging in such services. These merchants were quite visible and viable till well into the 19th century, and their decline came about at least partly as a result of the changing patterns of world trade, as for example when British cloth overtook Indian textiles in world markets.

Dale also contributes to some of the existing debates about the nature of merchants and mercantile organisation. He makes the interesting observation that the often repeated comment that the Indian merchant was only a 'peddler' is valid only if he is compared with the European East India Companies. This does not recognise that even in Europe these companies were exceptional, and that, by and large, European merchants, especially in the Mediterranean regions, operated as individual or family-based units.

The only criticism that I would make is in Dale's treatment of other economic historians, whom he classifies without exception as being 'Euro-centric' – almost a term of academic abuse, and one, which it is clear, a scholar ought not to be. Dale does not seem to be aware of the work of other historians, especially Dasgupta, Arasaratnam, etc, who all take exception to the 'Euro-centric' view. Dasgupta, for instance, is often criticised for expressing an extension of Dale's own viewpoint about the importance of the stable political environment created by the three major Islamic empires of the region for the expansion of trade, and that the decline of Surat as a major port was due in a large part to the degeneration of these empires. This jarring note apart, this is an interesting and scholarly work, and a good addition to our knowledge about India's pre-modern economic history. Its distinctiveness lies especially in the use of Persian and other hitherto unused Russian sources.

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Women and Environment

Dolly Arora

Environment, Development and the Gender Gap by Sandhya Venkateswaran; Sage Publications, New Delhi, 1995; pp 234, Rs 250.

RECENT years have seen the emergence of women as an important category on the agenda for social research. This is especially so in the field of environment and development studies. A large number of studies have looked into specific activities, problems and policies with reference to women as their mechanisms, victims or beneficiaries. The book under review is another addition to the range of such works.

That women play a predominant role in activities relating to natural resources and that the degradation of these resources in turn has a disproportionate effect on women is fairly well established by now. And the author admits this at the outset. It is not surprising to find the book relies so heavily on several of the existing studies in this domain. The single most important accomplishment of the book, in fact, is to introduce the reader to a wide range of existing literature in the arena.

The book attempts to outline women's role in the management of their environment and the impact of policies, or lack of ecologically sound policies, on their work roles and status (18).It also profiles some of the government and NGO responses to ecological needs and therefore related women's needs. Claiming to "look more critically at the category `women'" the author contends that the relationship between women and environment could vary considerably across women of different socio-economic groups or categories of the population. The close association between women and natural resources, she argues, is valid primarily in a rural context, and especially among women of less affluent families. And this is primarily because of their social and economic roles, which over generations have required them to provide food, water, fuel, fodder and income from the surrounding resource base. Fulfilling these roles has given them a special understanding of natural resources and led them to adopt a more sensitive attitude towards them. The consciousness of those women, who are admittedly the primary concern of the book, is different from that of men's, as also from that of rural women of affluent households who do not typically carry out these roles. Hence the argument that women's consciousness of the environment should not be considered as something inherent, arising out of their being women.

The relationship between women and environment is addressed not merely because women are perceived as victims of environmental destruction, but because despite the roles traditionally played by them in the management of natural resources, and the knowledge base they possess based on which these roles are carried out, they have now been almost completely marginalised from the processes that seek to formulate strategies for use and management of these resources. More significantly, in the process women have further lost status and power, by losing access to resources as well as control over their labour and knowledge (14).

The book attempts to discuss a wide range of issues related to croplands, common lands, forest and water resources, domestic energy, social forestry, technology, urban environment and pollution, as these affect women and as these have been addressed through government programmes and non-governmental efforts.

The chapters could certainly be better organised than they are. Thus, while 'Forests' and 'Social Forestry', are discussed in two separate chapters, 'Livestock Management', and 'Dairy Development' form part of the chapter on 'Common Lands'. 'Domestic Energy', however, is dealt with separately; and there are separate chapters on 'NGO Experiences' and 'Government Efforts' respectively, in regeneration and development of wastelands, although each chapter also incorporates both NGO initiatives and government efforts in concerned areas.

The author has indeed placed at the disposal of readers a lot of information on diverse aspects of problems affecting women both as a result of and despite development policies. But reader will need to put in considerable effort to interpret this information and arrive at some kind of an understanding about the problems and possibilities of dealing with them. The book is far from being a help in this respect. For it does not go very far in analysing the myriad problems with environment or development which have been shown to affect women most. In fact, there is little by way of an assessment of the relationship of these problems to the general orientation of economic policies. Nor does one find any critical evaluation of the solutions offered either by the government or by the NGOs in response to women's problems being addressed. The author does not even attempt to assess the relevance or insignificant import of these policies and programmes in terms of their capacity or incapacity to alter the overall context which generates and sustains such problems.

Some of the chapters are rather superficial in that they provide neither a complete picture of the issue being discussed nor any effective analysis of the problems involved or solution offered. The chapter on global perspectives, for instance, suggests that while it is true that environmental problems vary depending on the degree of development and the structure of the economy, development, and consequently the environment, are nevertheless global issues. And then it simply tries to provide evidence to the effect that issues relating to women and environment were raised at international forums too, and that these reached their peak in 1992 at the UNCED conference and the Global Forum of NGOs at Rio. The author also provides a brief outline of the Women's Action Agenda 21 adopted by around 1,500 women from across the world who gathered at Miami. This four-and-a-half page chapter above comes to an end with the information that to implement some of the decisions adopted at Rio, the government has drawn up an action plan for the country.

There is no discussion of various conflicts which have characterised the position of women from the north and south respectively; nor any critique of the programmes so adopted from the perspective of rural women who suffer various aspects of environmental degradation. One does not find any mention of the implications of the global development models being promoted by international agencies like the World Bank and IMF on the worsening state of environment and women. Nor is there any concern for actually evaluating the actual implications of programmes of action advocated at such forums for the state of women in countries like India. The contrary implications of various perspectives offered at different international fora, or even at the same fora but in the context of different policies need to be carefully looked into if at all one is to understand or respond to these so-called global perspectives. The book under review shies away from any such exercise.

While there is an admission that benefits of resources, knowledge and environmental policies in developing countries often accrue to developed countries, the author seems to believe that the technologies needed by developing countries often lie with the developed countries. It is this understanding which leads the author to suggest that environmental problems existing in some countries may be linked to the practices and

policies of others (219). The direct costs inflicted on the people of developing countries by the development policies in the developed world are simply not talked about. This silence does not go well with a concern for the real state of the marginalised, especially women victims of environmental problems.

In the chapter on 'Gender and Technology', the author states, "As a result of being extensively involved in certain tasks, over the years women have built up a vast resource of technical knowledge on aspects of agriculture, forestry, livestock, water use and various other areas of their activities. This pool of knowledge relates to optimal methods of performing tasks and to optimal use and management of resources, as it has evolved over generations of performing the same tasks" (168). And she substantiates her argument with the help of evidence generated by several field studies. Technological innovations have affected women in varied ways, but seldom worked towards improving the quality of their lives. Often new technologies have displaced women from their traditional areas of employment, while leaving the activities where women predominate untouched, as in the subsistence sector (165).

But she feels that attempts have been made to address the technological needs of women – a few projects supported by the department of science and technology have been mentioned to support this claim. These are related to such objectives as upgradation of skills in areas such as poultry and quail farming, training in conservation of soil and moisture by planting specific types of plants, or maintenance of conventional and non-conventional sources of drinking water, etc. Far from examining how these initiatives relate to or respect women's traditional knowledge, she goes on to suggest that every technical change necessarily needs to be accompanied with changes in attitude, values and beliefs of the people who are affected by such change. The community at which the technology is directed, needs to be educated and trained, so that it becomes easier for them to accept the new technology (173). These suggestions are offered when the author herself has shown chapter after chapter, with the help of existing studies the numerous negative effects of various technological innovations.

The book nevertheless puts together ample evidence to suggest that policies and programmes adopted to manage the environment have affected women quite adversely – in relation to their workload, social status, health as well as general well-being. From the problems created by the HYV technology or deforestation, to those generated by development projects or water management policies, to those resulting from various kinds of pollution, the book enlists numerous instances to present a strong case for being sensitive to women's needs.

When, however, it comes to identifying possible ways of dealing with this situation, the author stops short of questioning the model of development which has given rise to these problem-infested policies in the first place. Operating within the framework of this model, she advocates a greater integration of women into policies and programmes, and for the purpose suggests that all existing programmes should be assessed in terms of their impact on women and findings be used as an input in policy formulation. Given the fact that the very model of development and its attendant policies are inclined to throw up ever newer problems for women, one wonders how only programme-centred responses can be expected to take care of the needs and concerns of women.

Women's non-involvement in government progammes is perceived to be the major reason for the failure of programmes to fulfil their 'original purpose'. For, when women have been integrated into these programmes, apart from the fact that their direct needs of income or drudgery reduction been addressed, she asserts that they have gained in confidence, in status and in finding a voice to articulate their concerns, views and problems (224). And since there is evidence that women find a voice and strengthen through collective action, their involvement in programmes, it is suggested, should be propagated through local women's groups (225).

Collective action is thus valued for its potential to facilitate women's integration with government programmes. And NGOs are expected to play a role in this regard. For the author is content with their capacity to provide these groups with the kind of support that is required to create the necessary consciousness among women. Not only does the faith placed in the intent and 'original purpose' of government programmes appear to be more than justified by the reality of these, one is also left wondering if the hopes placed on the NGOs are not due to an oversimplistic perception of the possibilities of handling complex policy-related problems through project-based initiatives or interventions. The entire reality of policy problems emanating from power dynamics thrown up by the structures of patriarchy as much as globalisation is in effect dismissed when women's problems are finally attributed to factors like lack of consciousness, literacy, and confidence, which NGOs are expected to help generate. A number of issues have been completely ignored while the author lists her conclusions and emerging concerns. One wishes she had not been in such a hurry to conclude.

BOOKS THAT MATTER

SCIENTIFIC COMMUNITIES AND BRAIN DRAIN
A Sociological Study
SUBODH MAHANTI, V.V. KRISHNA, E. HARIBABU, VINOD K. JAIRATH, APARNA BASU (Ed.)
An exploratory study of the migration of skilled scientific and technical personnel from our country to affluent West and its manifold consequences.
1995 23 cm Rs. 200

HISTORY OF SCIENCE IN INDIA
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SHAILENDRA KUMAR
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ABN·AMRO Bank N.V.

INDIAN BRANCHES

(Incorporated in the Netherlands with Limited Liability)

BALANCE SHEET AS ON 31ST MARCH, 1995

	Schedule	As on 31.03.1995 Rs. in 000's	As on 31.03.1994 Rs. in 000's
CAPITAL AND LIABILITIES			
Capital	1	150,000	150,000
Reserves and Surplus	2	810,252	558,041
Deposits	3	8,007,783	6,921,654
Borrowings	4	3,458,678	1,642,699
Other Liabilities and Provisions	5	361,450	337,545
TOTAL		12,788,163	9,609,939
ASSETS			
Cash and Balances with the Reserve Bank of India	6	1,049,822	410,017
Balances with Banks and Money at Call and Short Notice	7	281,390	44,630
Investments	8	2,531,369	2,882,730
Advances	9	8,050,117	5,847,085
Fixed Assets	10	122,945	124,444
Other Assets	11	752,520	301,033
TOTAL		12,788,163	9,609,939
Contingent Liabilities	12	54,471,315	21,682,540
Bills for Collection		646,111	3,091,312
Notes to Accounts	17		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995

	Schedule	Year Ended 31.03.1995 Rs. in 000's	Year Ended 31.03.1994 Rs. in 000's
I. INCOME			
Interest earned	13	1,264,900	842,447
Other income	14	284,989	180,895
TOTAL		1,549,889	1,023,342
II. EXPENDITURE			
Interest expended	15	790,120	404,272
Operating expenses	16	261,081	188,903
Provisions and contingencies		272,777	280,356
TOTAL		1,323,978	873,531
III. PROFIT			
Net profit for the year		225,911	149,811
Profit brought forward from last year		328,455	216,106
TOTAL		554,366	365,917
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		45,182	29,962
Transfer to Property Investment Reserve		–	7,500
Transfer to Head Office		–	–
Balance carried forward to Balance Sheet		509,184	328,455
TOTAL		554,366	365,917
Notes to Accounts	17		

Per our report of even date attached

Sd/-
For S. R. BATLIBOI & COMPANY
Chartered Accountants

Sd/-
Per Nawshir H. Mirza
A Partner

Bombay: June 26, 1995

Sd/-
Ashok Kapur
General Manager — India

ABN·AMRO Bank N.V.

INDIAN BRANCHES

(Incorporated in the Netherlands with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1995

	As on 31.03.1995 Rs. in 000's	As on 31.03 1994 Rs. in 000's
Schedule 1—Capital		
I. Amount of Deposit kept with the Reserve Bank of India under Section 11(2)(b) of the Banking Regulation Act, 1949	163,200	107,200
II. Amount brought into India by way of start-up Capital for a new branch	150,000	150,000
Schedule 2—Reserves and Surplus		
I. Statutory Reserves (Reserves u/s 11(2)(b)(ii) of the Banking Regulation Act, 1949)		
Opening Balance	113,317	83,355
Additions during the year	45,182	29,962
	158,499	113,317
II. Capital Reserves	3,741	3,741
III Property Investment Reserve	82,749	75,249
Additions during the year	–	7,500
	82,749	82,749
IV. Head Office Charges Reserve (Refer Note no 2.1.)		
Opening Balance	29,779	16,598
Additions during the year	26,300	13,181
	56,079	29,779
V. Balance of Profit	509,184	328,455
	810,252	558,041
Schedule 3—Deposits		
A I. Demand Deposits		
i) From Banks	144,990	52,515
ii) From Others	1,070,281	689,513
II. Savings Bank Deposits	311,174	203,822
III. Term Deposits		
i) From Banks	344,774	352,399
ii) From Others	6,136,564	5,623,405
	8,007,783	6,921,654
B i) Deposits of branches in India	8,007,783	6,921,654
ii) Deposits of branches outside India	–	–
	8,007,783	6,921,654

	As on 31 03 1995 Rs in 000's	As on 31 03 1994 Rs in 000's
Schedule 4—Borrowings		
I Borrowings in India		
i) Reserve Bank of India	1,186,100	700,000
ii) Other Banks	539,770	55,495
iii) Other institutions and agencies	25,900	391,353
II Borrowings outside India	1,706,908	495,851
	3,458,678	1,642,699
Secured borrowings included in I & II above—Rs. Nil		
Schedule 5—Other Liabilities and Provisions		
I Bills payable	109,114	84,623
II Inter-office adjustments (net)	1,210	29,291
III Interest accrued	121,069	92,485
IV. Others (including provisions)	130,057	131,146
	361,450	337,545
Schedule 6—Cash and Balances with the Reserve Bank of India		
I. Cash in hand (including foreign currency notes)	20,774	12,028
II. Balances with the Reserve Bank of India		
i) In Current Accounts	1,029,048	397,989
ii) In Other Accounts	–	–
	1,049,822	410,017
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
i) Balances with Banks In Current Accounts	754	3,243
ii) Money at Call and Short Notice with Banks	–	–
	754	3,243
II. Outside India In Current Accounts	280,636	41,387
	281,390	44,630

ABN·AMRO Bank N.V.

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(Incorporated in the Netherlands with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1995

	As on 31 03 1995 Rs in 000's	As on 31 03 1994 Rs in 000's
Schedule 8—Investments		
I. Investments in India		
i) Government Securities	2,340,449	2,449,543
ii) Other Approved Securities	76,759	46,510
iii) Shares	20,000	–
iv) Debentures and Bonds	50,000	–
v) Others	44,161	386,677
	2,531,369	2,882,730
Other Investments include		
Commercial Paper	39,486	383,860
Unit Trust of India		
Initial Capital (at cost)	50	50
Unit Scheme 1964 (Repurchase price Rs 6,139, Previous year Rs 3,420)	4,625	2,767
	44,161	386,677
Schedule 9—Advances		
A i) Bills purchased and discounted	2,748,922	2,305,417
ii) Cash credits, overdrafts and loans repayable on demand	5,954,675	3,982,693
iii) Term loans	77,600	23,333
	8,781,197	6,311,443
Less Bills rediscounted	731,080	464,358
	8,050,117	5,847,085
B i) Secured by Tangible Assets	4,423,784	3,602,086
ii) Covered by Bank/ Government Guarantees	2,564,366	1,366,456
iii) Unsecured	1,793,047	1,342,901
	8,781,197	6,311,443
Less Bills rediscounted	731,080	464,358
	8,050,117	5,847,085
C I. Advances in India		
i) Priority Sector	3,377,821	2,611,245
ii) Public Sector	99,199	65,884
iii) Banks	305,734	878
iv) Others	4,998,443	3,633,436
	8,781,197	6,311,443
Less: Bills rediscounted	731,080	464,358
	8,050,117	5,847,085

	As on 31 03 1995 Rs in 000's	As on 31.03.1994 Rs. in 000's
Schedule 10—Fixed Assets		
I Premises		
i) At cost as on 31st March of the preceding year	82,089	81,885
ii) Additions during the year	16	204
iii) Deductions during the year	–	–
iv) Depreciation to date	(11,805)	(8,107)
	70,300	73,982
II Other Fixed Assets		
i) At cost as on 31st March of the preceding year	96,732	78,116
ii) Additions during the year	19,122	19,405
iii) Deductions during the year	(1,191)	(789)
iv) Depreciation to date	(62,018)	(46,270)
	52,645	50,462
	122,945	124,444
Schedule 11—Other Assets		
I Interest Accrued	180,765	131,285
II Advance Tax and Tax Deducted at Source Less Provisions	79,271	18,573
III Stationery and Stamps	5	92
IV. Others	492,479	151,083
	752,520	301,033
Schedule 12—Contingent Liabilities		
I Claims against Bank not acknowledged as Debts	12,442	35,337
II Liabilities for Partly Paid Investments	4	4
III. Liability on Account of Outstanding Forward Exchange Contracts	45,583,888	15,686,153
IV. Guarantees given on behalf of Constituents		
i) In India	2,205,036	2,896,902
ii) Outside India	496,849	821,371
V. Acceptances, Endorsements and Other Obligations	5,442,016	2,278,415
VI. Other items for which Bank is contingently liable	731,080	464,358
	54,471,315	21,682,540

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995

	Year Ended 31.03.1995 Rs. in 000's	Year Ended 31.03.1994 Rs. in 000's
Schedule 13—Interest Earned		
I. Interest/Discount on Advances/Bills	817,595	603,976
II. Income on Investments	419,979	222,129
III. Interest on balances with the Reserve Bank of India and other Inter-Bank Funds	25,472	13,383
IV. Others	1,854	2,959
	1,264,900	842,447
Schedule 14—Other Income		
I. Commission, Exchange and Brokerage	122,983	58,224
II (Loss)/Profit on Sale of Investments (Net)	(24,270)	55
III. Loss on Revaluation of Investments (Net)	(20,081)	(1,580)
IV. Profit/(Loss) on Sale of Land, Buildings and Other Assets (Net)	193	(63)
V. Profit on Exchange Transactions	199,166	116,386
VI. Miscellaneous Income	6,998	7,873
	284,989	180,895
Schedule 15—Interest Expended		
I. Interest on Deposits	390,816	300,630
II. Interest on Reserve Bank of India/Inter-Bank Borrowings	263,928	76,944
III. Others (Including SWAP costs)	135,376	26,698
	790,120	404,272

	Year Ended 31.03.1995 Rs in 000's	Year Ended 31.03.1994 Rs. in 000's
Schedule 16—Operating Expenses		
I Payments to and Provision for Employees (including allowances to expatriates for earlier years)	90,997	51,762
II Rents, Taxes and Lighting	30,220	24,127
III Printing and Stationery	5,582	6,064
IV. Advertisement and Publicity	4,241	2,973
V Depreciation on Bank's Property	20,284	30,491
VI. Directors' Fees, Allowances and Expenses	20	13
VII Auditors' Fees and Expenses	250	130
VIII. Law Charges	3,714	762
IX. Postage, Telegrams, Telephones	20,648	13,914
X Repairs and Maintenance	23,577	18,888
XI. Insurance	5,128	3,168
XII. Other Expenditure	30,120	23,430
XIII. Head Office Charges	26,300	13,181
	261,081	188,903

Schedule 17—Notes Forming Part of the Accounts for the Year Ended 31st March, 1995

1. **Principal Accounting Policies**

1.1. General

The accompanying financial statements have been prepared according to the historical cost convention and conform to the generally accepted accounting principles and to the practices prevailing within the banking industry in India

1.2. Foreign Currency Translation

a) Assets and liabilities in foreign currencies as well as outstanding forward exchange contracts are revalued at the appropriate year end rates as specified by FEDAI and the resultant gains or losses have been taken to the Profit and Loss Account

b) The balances held under the Foreign Currency Non Resident [A] deposit scheme are stated at the rates specified by the Reserve Bank of India from time to time.

c) Outstanding forward exchange contracts have been disclosed as contingent liabilities at the contracted rates.

1.3. Investments

a) The Bank's entire investment portfolio has been treated as "Current Investments" and the same has been valued at the lower of cost and market value in aggregate, categorywise, as per the guidelines issued by the Reserve Bank of India.

The market value for this purpose has been ascertained on the basis of the "Yield to Maturity" method wherever reliable Stock Exchange quotations are not available.

The cost for this purpose is the cost of acquisition and in case of Zero Coupon Bonds, includes discount accrued over the remaining tenure of the security.

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b) Commercial Paper and Treasury Bills have been stated at carrying cost i.e. cost of acquisition plus the discount which is accrued over the tenure of each such security.

1.4. Advances

Advances are stated in the Balance Sheet net of specific provisions for bad and doubtful debts, which are made based on a periodic review of advances and are to the satisfaction of the auditors.

1.5. Fixed Assets

a) Fixed Assets are stated at historical cost less accumulated depreciation. Cost for this purpose includes written down value as on March 31, 1991 for fixed assets acquired on or before March 31, 1991 and cost of acquisition for fixed assets acquired after March 31, 1991.

b) Depreciation is provided as per the written down value method on a *pro rata* basis at the rates in line with Schedule XIV of the Companies Act, 1956.

1.6. Staff Benefits

Provision for gratuity and pension benefits to staff (inclusive of provision for past service liability) has been made on the basis of actuarial valuation. Separate funds for gratuity and pension have been created and the contributions payable (inclusive of contribution for past service liability) have been paid to respective funds.

1.7. Income Recognition

Interest income is recognised on an accrual basis except in case of non-performing advances where it is taken to the Profit and Loss Account on receipt.

1.8. Provision for Taxation

Provision for taxation has been made on the "liability method" of accounting which is generally followed in India.

1.9. Net Profit

The net profit disclosed in the Profit and Loss Account is after:

a) Provision for taxes on income in accordance with statutory requirements.

b) Provision for doubtful advances.

c) Other usual and necessary provisions.

2. **Other Notes**

2.1. Head office charges reserves consist of amounts payable to Head Office for allocated charges which the Head Office intends to retain in India to meet capital adequacy requirements.

2.2. The previous year's figures have been regrouped/rearranged wherever necessary.

Sd/-
Ashok Kapur
General Manager—India

Bombay: June 26, 1995

Auditors' Report on the Accounts of the Indian Branches of ABN AMRO Bank N.V. under Section 30 of the Banking Regulation Act, 1949

We have examined the Balance Sheet of the Indian Branches of ABN AMRO Bank N.V. [Incorporated in The Netherlands with limited liability] as at 31st March, 1995 and the related Profit and Loss Account for the year ended on that date.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Sub Sections (1), (2) and (5) of Section 211 and Sub Section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with the notes thereon, are not required to be and are not drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949.

We report that read with the foregoing remark:

A. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit, and have found them to be satisfactory.

B. In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.

C. The Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account.

D. In our opinion and to the best of our information and according to the explanations given to us the said accounts read with notes thereon give the information required by the Companies Act, 1956, in the manner so required for Banking Companies, and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian Branches of the Bank as at 31st March, 1995 and Profit and Loss Account gives a true and fair view of the profit of the Indian Branches for the year ended on that date.

Sd/-
S.R. BATLIBOI & COMPANY
Chartered Accountants
Sd/-
Per NAWSHIR H. MIRZA
A Partner

Bombay: June 26, 1995

Restructuring the Tax System in India

A Reappraisal of Key Issues

K Sundaram
V Pandit
B Mukherji

In considering a switch over to value added taxation or any of its variants, what is of fundamental importance is the effect on resource allocation in the economy and resource transfer to the government. This implies that what needs to be considered is the revenue that is generated under alternative systems and the structure of absolute and relative prices associated with each.

This paper examines the central issue of revenue neutrality and relative prices under alternative tax systems and clarifies the phenomenon of cascading. In analysing the issue of cascading, the authors distinguish between a pure exchange or trade model and model of production with produced inputs subject to taxation.

THAT the system of indirect taxation in India is urgently in need of reforms is hardly disputed. Expansion of the tax base, reduction in evasion, simplification of rules to bring about transparency and efficiency should obviously be the objectives of any tax reform policy. However, the achievement of these objectives is more or less independent of the mode of tax collection or the base on which tax obligations are calculated. This is so for two reasons. First, the factors which have resulted in unending legal disputes, inefficient enforcement, large-scale evasion, etc, are not due simply to the mode of taxation. This being the case, the view that a switch over to the value added taxation (VAT) is the panacea for all aforesaid problems is clearly untenable. Secondly, expansion of tax base by bringing services within the purview of taxation, simplification of rules, efforts at bringing about greater harmonisation of tax rates across states and other similar reforms need not be and are not tied to a switch over to VAT.

What we consider to be of abiding and fundamental importance in consideration of a switch over to VAT or any of its variants is the effect it has on resource allocation in the economy and resource transfer to the government. This implies that what needs to be considered is the revenue that is generated under alternative systems and the structure of absolute and relative prices associated with each.

Another issue that has come in the way of a proper assessment of alternative tax systems is the question of cascading. This is widely identified as a major defect not only of the central excise tax regime in operation in India until recently but also of the system of sales tax currently in operation at the state level. As we shall show presently, there is considerable confusion as to what constitutes cascading and the situations under which such cascading occurs.

This paper seeks to examine carefully the central issue of revenue neutrality and relative prices under alternative tax systems and to clarify the phenomenon of cascading. In both cases, the focus will be on a clearer understanding of the issues.

In analysing the issue of cascading, we distinguish between what we call a pure exchange or trade model (Section I) and a model of production with produced inputs subject to taxation (Section II). This is followed, in Section III, by a discussion of the question of revenue neutrality and relative prices under alternative tax systems. Brief concluding observations are presented in Section IV.

I
A Pure Trade Model

Let us consider first the case where no produced inputs are used. A simple illustration of such a situation would be a chain of pure trading transactions where a person with an exclusive control of a natural spring sells the water at a profit to a wholesaler who sells it to a retailer who in turn sells it to the final consumer, with the wholesaler and the retailer, each, collecting a profit. This is, in fact, the model underlying a numerical example given in the NIPFP 1994 report, *Reform of Domestic Trade Taxes in India: Issues and Options*, subsequently referred to as the Report, to illustrate the phenomenon of cascading.[1] (Table 2.2, p 10 which is reproduced here as Appendix I, Table A 1.) Before proceeding to examine the question of cascading in such a model of pure exchange, notice that the profits collected by the owner of the spring, the wholesaler and the retailer constitute the value added. It would, of course, be possible to introduce labour costs or wages paid to the workers at each stage, without altering the essential character of a pure 'trade' model.

Let us begin with the simplest case of a first point Sales Tax (FST). It is useful to consider this case because, there is sometimes a tendency to lump this with turnover taxes (TOT) and consider both to have the same property of cascading. In Table 1 we present a simple numerical example of price build-up from the initial producer to the final consumer under a 10 per cent *ad valorem* first point sales tax. To judge the price and tax revenue outcomes in this case (and in other cases), we construct a parallel exercise under a value added tax – also levied at 10 per cent *ad valorem* (Table 2).

A comparison of Tables 1 and 2 will show that the final price to the consumer under VAT is higher than under a simple first point sales tax. This, of course, does not imply that there is any cascading under VAT. For, the difference between the price under VAT and that under a first point sales tax is fully accounted for by the change in value added (in this case, profits) and the change in tax revenue. We have:

264.275 – 247.5 = (240.25 – 237.5)
+ (24.025 – 10)

It must be stressed that the fact that profits (value added) are higher because the multiplicative mark-up is being applied on a higher, tax-inclusive, price at the preceding stage is irrelevant to an assessment of the presence or absence of cascading. It is also easily seen that the higher level of profits (and, therefore, value added) under VAT arises simply from the multiplicative form of the mark-up. If, instead, we were to assume that the mark-up is additive, in the sense that it is a fixed amount per unit, there will indeed be no difference in value added (read profits) under the two cases[2].

A comparison of Tables 1 and 2 also brings out a more valid critique of the FST In order to generate the same revenue under FST as under VAT, the tax rate under the former will need to be higher which in turn may induce greater tax evasion

It might be argued that even though FST does not cascade, TOT do In order to examine this, we construct, under the same set of initial conditions and assumptions about profit mark-up, another numerical example – this time with TOT levied at a uniform rate of 10 per cent *ad valorem* (Table 3)

A comparison of Tables 2 and 3 shows the price to the final consumer to be higher (Rs 299 475) under a TOT that under VAT (Rs 264 275) What is important to note, however, is that the difference in the prices under the two alternative tax systems is just equal to the sum of the differences in value added and in tax revenues This is, of course, an exact analogue of the difference between the price under VAT and that under FST Clearly, in this model of pure "trade', i e one in which there is no production using produced inputs which are taxed, *there is no cascading even in the case of turnover taxes*

That profits are higher under a multiplicative mark-up system based as they are on tax-inclusive unit values does not imply cascading – exactly as in the comparison between VAT and FST In the case of an additive mark up, since the profits are indentical under VAT and turnover tax the difference in the price to the final consumer arises simply from a difference in the tax revenue realised (Tables 4 and 5) The above result has an interesting corollary

> Given that under identical tax rates the tax revenue is higher under TOT than under VAT, a lower tax rate will be adequate to generate the same revenue as under VAT Consequently for the same tax revenue TOT will also generate lower incentives for tax evasion than in VAT

II
A Production Model

Let us now turn to a consideration of alternative tax systems in a model of production where produced goods subject to taxation are used as inputs in addition to labour

Here we distinguish between two variants of the value added tax In the first variant the tax base is directly the value added at a given stage of production [3] This is called VAT The second variant is the invoice based tax-credit system in which for a given commodity, the tax liability is calculated on the pre-tax sale price at the rate applicable to that commodity and then tax credit or rebate equal to the tax component in the inputs purchased is allowed This is called the rebate-adjusted tax system or RAT for short The VAT and the RAT are contrasted with a non-rebateable excise duty regime, usually described as a cascading tax system or CAT for short

To keep the discussion simple, we consider a two-sector economy with the output of one sector entering as an input in the production of the other Formal algebraic models corresponding to the three tax systems, along with the solution for the prices, are set out in Appendix II Before presenting the results of illustrative simulations for a two-sector production system, two points merit attention

First, given that, under RAT, the tax-credit is admissible at the rate of tax applicable on the commodity used as an input and the tax liability is at the rate applicable to the output, the net tax payable on the input may be negative, zero or positive, depending on whether the tax rate applicable on the input is greater than, equal to or less than the tax rate applicable on the output This has an important implication In a multi-commodity inter-dependent production economy, RAT will be equivalent to a VAT *if and only* if the tax rates applicable on all the commodities are identical

In general with different rates of tax being levied on different commodities under the invoice-based tax credit system recommended by the Chelliah Committee and the more recent NIPFP Report inputs will carry taxes (negative or positive) So that, with non uniform tax rates across sectors, a range of benefits from a switchover to VAT that are premised on the freeing of inputs from tax ation will *not* in fact materialise under RAT

Second in a model of interdependent production multiplicative mark-up may pose problems of economy wide viability arising from the break down of the Hawkins-Simons conditions [4] The system of price formation equations in an input-output system will break down if the (multiplicative) mark-up factor exceeds a critical value To put it differently in a regime of universal multiplicative mark-up, while individual agents may think that they are free to choose the mark-up factor collectively they do not have an unrestricted coice in this matter

In addition to the above, as noted in our analysis of a pure exchange or trade model, under a system of multiplicative mark up the level of profits (and hence value added) is not independent of the tax-inclusive prices underlying the costs As we saw in our comparison of results under FST and VAT, relative to the former profits are higher under VAT than under FST – precisely because a larger tax revenue is being collected under VAT This is characterised, in our judgment wrongly as cascading This feature will also be present in a model of inter-dependent production

In order to avoid possible problems with viability conditions, and to focus attention on the core issue of cascading, we present simulation results only for a model with additive mark-up

For purposes of simulation, we construct a simple two-sector model with Leontief-type fixed production coefficients. By normalisation of units, we treat the direct input-requirement of own output as zero (i e, $a_{ii} = 0$) The two Leontief coefficients a_{12} and a_{21} are taken to be, respectively, 0.10 and 0 15 The labour coefficient, a_{01} and a_{02} are set equal to 3 and 5, respectively. The wage rate, per unit of labour, is assumed to be uniform across sectors and invariant across systems

Two alternative specifications are explored In the first case, the tax rates are kept identical across the two sectors at 10 per cent In terms of the notation used in Appendix II, $t = s = k = 0\ 10$ In an alternative specification, tax rates for the two sectors are different but, for a given sector, same across tax systems More specifically, it is assumed that $t_1 = s_1 = k_1 = 0\ 10$, and, $t_2 = s_2 = k_2 = 0\ 20$ The levels of output in the two sectors is invariant across tax systems and, for concreteness, $x_1 = 200$ and $x_2 = 300$

Tables 6 and 7 present, respectively, the simulation results under a regime of uniform and differentiated tax rates A comparison of the two tables provide confirmation, if at all needed, for the result that the outcomes under VAT and RAT are identical when the tax rates are the same across the two sectors

TABLE 1 PRICE FORMULATION IN A MODEL OF TRADE WITH MULTIPLICATIVE MARK-UP WITH FIRST POINT SALES TAX (FST)

	Producer/Seller A	B	C
1 Cost of inputs/purchase	0	110	165
2 Profits = value added	100	55	82 5
3 Price before tax	100	165	247 5
4 FST	10	nil	nil
5 Selling price	110	165	247 5
6 Total value added	–	–	237 5
7 Total tax revenue	–	–	10 0

Notes FST 10 per cent *ad valorem* tax levied at first point of sale
Mark up Producer A fixed amount
Sellers B and C 50 per cent on purchase price

TABLE 2 PRICE FORMULATION IN A MODEL OF TRADE WITH MULTIPLICATIVE MARK-UP UNDER VAT

	Producer/Seller A	B	C
1 Cost of inputs/ purchases	0	110	170 50
2 Profits = value added	100	55	85 25
3 Price before tax	100	165	255 75
4 VAT	10	5 50	8 525
5 Selling price	110	170 50	264 275
6 Total value added	–	–	240 250
7 Total tax revenue	–	–	24,025

Notes VAT 10 per cent on value added.
Mark-up producer A fixed amount
Sellers B and C. 50 per cent on purchase price

but not so when the sectoral tax rates differ. Also, as expected in a regime of additive mark-ups, the value added remains invariant to the system of taxation.

In assessing the differences in prices across tax systems, note that the unit price of a commodity is equal to the sum of the value added plus the material input costs plus the tax-revenue - all expressed in per unit terms. Consequently, the difference between the unit price of a commodity under two alternative tax systems will also be equal to the algebraic sum of the differences in the three components. In other words, Δ price = Δ value added + Δ material costs = Δ tax revenue.

Now, as we have noted previously, under a regime of additive mark-up the value added per unit of output is the same across tax systems. So that, in this case, the difference in the price of a commodity under two-tax systems is the sum of only two components, namely, the difference in material input costs and that in tax revenue.

Let us compare now the prices (and costs) under CAT and RAT. It is clear that unit prices in both sectors are higher under CAT than under RAT. More significantly, from the perspective of cascading, the difference in prices (for a given sector across tax systems) is not fully accounted for by the difference in tax-revenues realised per unit output. A part of the difference in unit prices is due to the higher material input costs per unit of output under CAT (relative to that under RAT). This is the essence of the phenomenon of cascading.[5]

Having noted the presence of cascading under CAT, it is important to stress that the principal, indeed overwhelming, component of the difference in the price under CAT and that under RAT (or VAT, for that matter) is the higher tax revenue per unit realised under the former tax system.

III
Revenue Neutrality and Relative Prices

Fair comparisons of tax-revenue outcomes under alternative tax systems require that we hold invariant the structure of the economy, the implicit tax base and the level of efficiency in tax administration. In particular, the argument in the Report, that the loss of revenue arising from a switch over to VAT can be made up (or more than made up) by widening the tax base (to cover services) and better enforcement is misleading. Extra revenues through improved efficiency and extension of the tax base to cover services, etc, have to be simply viewed as additional revenues that would be available under all the alternative tax systems.[6]

Equally important in any analysis of alternative tax systems is the question of price outcomes – both absolute and relative. Thus, for example, the impact on the general price level and the rate of inflation arising from a switch over to VAT has been a major concern in many discussions on VAT [Tait 1991]. The issue of relative prices, is, of course, central to any analysis of resource-allocation and efficiency implications of a choice of a tax system.

Taking both considerations into account, the focus of our comparative analysis of alternative tax systems in this section will be on price outcomes with revenue neutrality under a given coverage and efficiency in tax administration.

To examine this issue, we need to consider an economy with a number of sectors (say,n) which are interdependent in production. For simplicity, we may assume a Leontief technology on the same lines as in the preceding section and write out price and revenue equations for a n-sector economy under alternative tax systems, analogus to those worked out for a two-sector economy as given in Appendix II. One would then have to choose a set of tax rates which yield the same revenue under all alternative systems and work out the price implications of tax rates chosen in this way.

Two approaches to revenue neutrality are possible here.

In the first instance, one may ensure that tax revenue is fixed for each sector so that in a n-sector economy there are n constraints and an exact number of choice variables (tax rates) or degrees of freedom. The problem is computationally simple in a linear system. In principle, the procedure would be similar in a non-linear system. However, in this case, a multiplicity of solutions and infeasibility of solutions could arise. To avoid this problem suitable regularity conditions are needed.

Alternatively, we may deal with the problem in a more familiar way but equating total tax revenue for the entire economy which imposes only one constraint and costs only one degree of freedom. The remaining n–1 degrees of freedom can then be used to choose tax rates so as to ensure this the n-1 relative prices have some desirable properties. For example, since VAT is generally viewed as having some desirable characteristics, one may carry out the above exercise taking the price outcomes under VAT as a reference set. Thus, one would first choose a set of tax rates for VAT and work out tax revenues and prices that go with these rates. Then one can choose corresponding tax rates for CAT (or whatever other system may be under consideration), so as to ensure overall revenue neutrality and (n-1) relative prices that would be identical with that under VAT.

A remarkably robust analytical result, corroborated by numerical exercises, turns out to be that sectoral tax rates that ensure revenue neutrality also lead to identical sectoral prices under all tax systems. The result is robust irrespective of whether (a) mark-up is additive or multiplicative; (b) revenue neutrality is sectorwise or in the aggregate with given relative prices; and, (c) some sectors are exempted or not.

In other words,

> So long as a given quantum of tax revenue is collected from each sector price outcomes are invariant to the mode of collection of taxes [Pandit, Sundaram and Mukherji 1993]

This result is indeed important, much more than what may be apparent. For, it knocks out the very basis of the widely held view

TABLE 3: PRICE FORMULATION IN A MODEL OF TRADE WITH MULTIPLICATIVE MARK-UP UNDER A TURNOVER TAX (TOT)

	Producer/Seller A	B	C
1 Cost of inputs/ purchases	0	110	181.50
2 Profits = value added	100	55	90.75
3 Price before tax	100	165	272.25
4 TOT	10	16.50	27.225
5 Selling price	110	181.50	299.475
6 Total value added	–	–	245.750
7 Total tax revenue	–	–	53.725

Notes: TOT: 10 per cent *ad valorem* on the total turnover at each stage.
Mark-up: Fixed amount per unit; producer A: Rs 100; Sellers B and C: Rs 50

TABLE 4: PRICE FORMATION IN A TRADE MODEL WITH ADDITIVE MARK-UP UNDER A VALUE ADDED TAX

	Producer/Seller A	B	C
1 Cost of inputs/purchases	0	110	165
2 Profits = value added	100	50	50
3 Price before tax	100	160	215
4 VAT	10	5	5
5 Selling price	110	165	220
6 Total value added	–	–	200
7 Total tax revenue	–	–	20

Notes. VAT : 10 per cent *ad valorem* on value added
Mark-up fixed amount per unit; producer A: Rs 100; sellers B and C Rs 50.

TABLE 5: PRICE FORMATION IN A TRADE MODEL WITH ADDITIVE MARK-UP UNDER A TURNOVER TAX (TOT)

	Producer/Seller A	B	C
1 Cost of inputs/purchases	0	110	176
2 Profits = value added	100	50	50
3 Price before tax	100	160	226
4 TOT	10	162	2.60
5 Selling price	110	176	248.60
6 Total value added	–	–	200
7 Total tax revenue	–	–	48.60

Notes: TOT: 10 per cent *ad valorem* on the total turnover at each stage.
Mark-up: Fixed amount per unit; producer A: Rs 100; sellers B and C: Rs 50 per unit.

that CAT leads to misallocation of resources. It is true that, with given tax rates, the difference between prices under CAT and those under VAT is not entirely accounted for by the additional tax revenue. But this is immaterial so long as we can choose tax rates under CAT so as to yield any "desirable" set of prices and a pre-specified quantum of revenue.[7]

Zero-rating under RAT, would, however, pose a problem. Notice that, under RAT for a zero-rated sector the revenues will be negative since the positive tax element in the inputs used in its production will need to be rebated. Since the tax rates have to be non-negative, the system of taxes under CAT cannot simulate negative revenues. Lest this is seen as a major problem, it is important to stress that if the standard of reference is the set of price and revenue outcomes under a VAT, zero-rating a sector and excepting that sector have the same effect and the results stated above become relevant. Under RAT, however, exempting a sector and zero-rating that sector are not equivalent. This, of course, raises the question whether the proposals to *exempt* under MODVAT/MANVAT, some items (and small-scale producers) is motivated by considerations of administrative convenience or, of assisting the producers by freeing them from the burden of duty on inputs. If it is the latter, exempting a sector or a class of producers will *not* achieve the stated objective.

For illustrative purposes we carry out a simulation exercise similar to the one discussed in Section II. The difference is on two counts. In the first instance we consider three rather than two sectors to permit the introduction of a zero-rated sector. Secondly, we now solve the system differently. For given VAT tax rates t_1, t_2 and t_3 we determine corresponding CAT tax rates k_1, k_2 and k_3 and RAT tax rates s_1, s_2 and s_3 such that (a) total tax revenues under CAT and RAT are the same as under VAT and, (b) the two relative prices, namely, q_2/q_1 and q_3/q_1 under CAT and, V2/V1 and V3/V1 under RAT are the same as P_2/P_1 and P_3/P_1 under VAT.

For the said exercise we assume the following parameters:

$W=100$; $x' = (9600\ 400\ 3000)$; $\pi = (10\ 8\ 6)$

$$A = \begin{bmatrix} 0 & 0.20 & 0.12 \\ 0.15 & 0 & 0.14 \\ 0.07 & 0.10 & 0 \end{bmatrix} \quad a_0 = (0.15\ 0.10\ 0.08)$$

In Table 8 we report the results of the simulation exercise regarding tax rates, sectoral revenues and prices when the CAT tax rates k_1, k_2 and k_3 and the RAT tax rates s_1, s_2 and s_3 are left free to adjust to ensure that total revenue is the same as under VAT.

A few features of these results need to be highlighted.

First, as is to be expected, tax rates are the lowest under CAT and second lowest under RAT. This, by itself, is not important except to the extent that higher tax rates may induce greater tendency for tax evasion. Second, even though we require only total tax revenue to be maintained at the VAT level it is indeed the case that the revenues are maintained as the VAT level for each sector individually. Third, the prices under the three systems are identical.

Now we repeat the foregoing exercise setting the tax rates in sector 3 to be equal to zero under all systems. With this constraint, added to the condition of total revenue neutrality, in this three-sector model we have only one degree of freedom left. This can be used to fix only one relative price equal to that under VAT. In this exercise we thus set q_2/q_1 and V_2/V_1 to be equal to P_2/P_1. The results are given in Table 9.

Four points are noteworthy. First, all sectoral prices and revenues under CAT and VAT are identical. Second sector 3 being zero rated, under RAT producers in this sector have to be subsidised to the tune of taxes they have paid on their purchases. This subsidy has to be borne by producers in the other two sectors as indicated by higher tax rates. Second, prices for sectors 1 and 2 under RAT are higher than under VAT or CAT while that for sector 3, is lower under RAT than under the other two systems. Clearly, this is because of the subsidy. Third, under RAT, only one of the two relative prices is equalised to that under VAT.

Finally, we turn to a set of exercises in the NIPFP Report seeking to demonstrate how the revenues from central excise at the level of 1991-92 actuals can be realised even while extending the MODVAT to cover, among other items, petroleum products and capital goods. We refer here to Tables A.1.1 through A.1.5 (pages 112 through 115) of the Report.

Two of the three major proposals contained in the NIPFP exercise relate to withdrawal of exemptions and the imposition of a tax on services. Together, these two proposals are expected to generate Rs 3,800 crore at 1991-92 levels of activity. These two proposals are not intrinsically tied to a switchover to VAT, or, in this case, an extension of MODVAT to petroleum products and capital goods. And, as such, the revenues generated by these two proposals would be available even in a

TABLE 6: COSTS, PRICES AND REVENUES IN A PRODUCTION MODEL WITH ADDITIVE MARK-UP: UNIFORM TAX RATES

	Tax Systems		
	VAT/RAT	CAT	CAT-VAT
	Sector 1		
1 Value added	310.00	310	0.00
2 Material input cost	91.46	92.27	0.81
3 Tax revenue	31.00	40.23	9.23
		(91.23)	
4 Unit prices	432 46	442.50	10.04
	Sector 2		
5 Value added	515.00	515.00	0.00
6 Material input cost	43.25	44.25	1.00
7 Tax revenue	51.50	55.93	4.43
		(81.58)	
8 Unit prices	609 75	615.18	5.43

Notes: 1 Uniform tax rates across sectors and tax systems: 10 per cent *ad valorem*.
2 Value added, Material input costs and tax revenues in each sector are normalised on a per unit basis.
3 Figures within brackets indicate the percentage share of the difference in the two revenues in the total difference in unit prices

TABLE 7: COSTS, PRICES AND REVENUES IN A PRODUCTION MODEL WITH ADDITIVE MARK-UP DIFFERENTIAL TAX RATES

	VAT	RAT	CAT	CAT-VAT
		Sector 1		
1 Value added	310.00	310.00	310.00	0.00
2 Material input cost	99.30	99.78	100.84	1.06
3 Tax revenue	31.00	22.68	41.08	18.40
			(94.55)	
4 Price	440.30	432.46	451.92	19.46
		Sector 2		
5 Value added	515 00	515.00	515.00	0.00
6 Material input cost	44.03	43.25	45.19	1.94
7 Tax revenue	103.00	106.93	112.04	5.11
8 Price	662.03	665.18	672.23	7.05

Notes: 1 Tax rates uniform across systems but different across sectors: t1=s1=k1=0.10; and, t2 = s2 = k2 = .20
2 Value added, material input costs and tax revenues in each sector are normalised on a per unit basis.
3 Figures in brackets indicate the percentage share of the difference in tax revenues in the total difference in the unit prices.

situation where such a switchover/extension does not take place.

The third proposal is the introduction of a special non-rebateable, non-shareable excise on nine major items, including, petroleum products, motor vehicles, rubber products, cement and plastics. This proposal to levy a non-rebateable and non-shareable (with the states) special excise is projected to yield Rs 3,524 crore at 1991-92 levels of activity. Two comments would appear to be in order.

First, the motivation. A principal motivation for this exercise in the NIPFP Report is rate rationalisation. As things stood in 1991-92, the average rate of duty in many cases exceeded 20 per cent *ad valorem*. In some cases they were as high as 40 per cent and, in one case it was 75 per cent. Even in respect of a range of petroleum products, though levied as a specific duty, the equivalent *ad valorem* rates were as high as 18 per cent for kerosene for domestic use and a little over 20 per cent in the case of motor spirits. These high rates represent an open invitation to evasion. As a part of the recommended rate rationalisation, these rates were to be reduced to 5 per cent *ad valorem* for petroleum products and to be kept within the 10 to 20 per cent range for all other commodities.

Secondly, and more importantly, the imposition of this special excise on top of the existing MODVAT set of taxes will make for a mixture of a RAT and a CAT. In the case of petroleum products, an existing CAT-type tax is being replaced by a small rebateable VAT and a large non-rebateable CAT. In the case of other products a larger RAT is being sought to be replaced by a combination of a RAT and a CAT. Such a mongrel tax system promises to be an administrative nightmare besides generating price outcomes whose relationship to the desired VAT-based prices are far from clear.

IV
Conclusion

In bringing together the results and drawing out some implications for tax reform it is necessary to reiterate that the principal focus of this paper has been on a reappraisal of key issues bearing on the choice of the tax system. This has meant that a range of issues relating to the implementation of VAT or its variants in a federal context have not been examined here. Apart from the availability of other reviews of these questions including, in particular, the NIPFP Report and an earlier study by Burgess, Howes and Stern (1993), this omission stems from our view that at least some of the key issues such as greater harmonisation of tax rates and the need to avoid unnecessary tax-competition across states need to be addressed independently of a switchover to a VAT or its variants.

Let us turn now to our principal findings and their implications for tax reform.

A key result from our analysis of cascading in a pure 'exchange' or trade model is that the two principal domestic trade taxes, namely, the first point sales tax (FST) and the turnover tax (TOT) do not cascade. Thus, as long as the inputs entering the production process are not taxed, or, on a more practical plane, lightly taxed, the choice between FST and VAT will turn on the relative ease of collection of FST to be weighed against the possibly greater incentives to evasion arising from the need to impose a higher rate of FST to collect the VAT revenue. On a parallel consideration, however, given at least comparable ease of administering a TOT and a VAT, the lower rate of TOT required to generate a given revenue under VAT implies that the evasion-incentive factor would favour TOT over VAT. Clearly, therefore, while a number of considerations may yet offer grounds for reforming domestic trade takes, cascading, properly understood, is not one of those considerations.

What about production taxes?

A key argument widely advanced in favour of a switchover to VAT is the need to free inputs from taxation so that input choices are made efficiently without being distorted by input-taxation. Our analysis with a model of interdependent production yields the result that, under an invoice-based VAT (or RAT as we have labelled it) with non-uniform tax rates across sectors, inputs are, in general, not free from taxes (positive or negative).

A particular case of non-uniform rates deserves a special consideration. This is the case of zero-rated sectors. In contrast to both CAT and an accounts-based VAT, zero-rating a sector under RAT does not imply that the net revenue from that sector is zero. In fact, with the rebating of taxes on inputs, the revenue from a zero-rated sector under RAT will be negative. This has two implications. First, the producers in the zero-rated sector will have to collect the rebate from the government. (Strictly, this situation will arise in all cases where the tax liability is less than the tax credit available on inputs). And, as anyone who has had to deal with government bureaucracy would readily testify, the costs of collecting the tax rebate are strictly positive (see Mukherji, Pandit and Sundaram 1993].

From the perspective of resource-use-efficiency, zero-rating under RAT has another disadvantage. Given that under a proper VAT – which has the advantage of freeing inputs from taxes – the tax rates can at best be zero (yielding zero revenues), the relative prices involving the zero-rated sector under RAT cannot be rendered equal to that emerging under a proper VAT.

Seen from the above perspective, CAT scores over RAT or the invoice-based version of value-added tax recommended by the Chelliah Committee (1992) and the more recent NIPFP Report. As has been illustrated in Tables 8 and 9 (and this can be rigorously proved for a general n-sector economy with additive or multiplicative mark-up), the tax rates under the so-called cascading type taxes, can be so structured as to exactly replicate the VAT prices (or any other set of "desirable" prices). Importantly, this structure of CAT-tax rates will not only replicate VAT prices but will also ensure overall (or sector-by-sector) revenue neutrality. In fact, the tax-revenues generated under VAT can be replicated by CAT with lower *ad valorem* rates than under VAT, thus providing lower incentives for tax evasion. Curiously, the very phenomenon of cascading can be, as it were, turned on its head and used to operate with lower tax rates.

This brings us to our last point. In the NIPFP Report, in an attempt to preserve revenue neutrality and yet work with VAT (or rather RAT) tax rates in the 10-20 per cent range, we have what can only be characterised as a bizarre solution: the recommendation to impose an additional non-rebateable (and non-shareable) special excise on top of a VAT. Whatever be the shape of a desirable tax regime, it cannot be this mongrel system.

TABLE 8: SIMULATION RESULTS WHEN ALL TAX RATES UNDER CAT AND RAT ADJUST

	Tax Rates			Tax Revenues	Prices
	VAT	RAT	CAT	VAT/CAT/RAT	VAT/CAT/RAT
Sector 1	0.10	0.0942	0.0812	1500	33.29
Sector 2	0.05	0.0626	0.0334	360	27.86
Sector 3	0.08	0.0794	0.0512	336	23.02

TABLE 9 : SIMULATION RESULTS WITH ONE ZERO RATED SECTOR

						Prices		Prices Relative to Sector 1	
	VAT	RAT	CAT	VAT/CAT	RAT	VAT/CAT	RAT	VAT/CAT	RAT
Sector 1	0.10	0.107	0.087	1500	1658	31.3	31.6	1	1
Sector 2	0.15	0.142	0.116	1200	1304	28.9	29.1	0.923	0.922
Sector 3	0.00	0.000	0.000	0	-262	21.8	21.0	0.70	0.66

Appendix I

TABLE A1: CASCADING IN A TRADE MODEL WITH MULTIPLICATIVE MARK-UP AND UNIFORM TAX RATE.

	Dealer			Total
	A	B	C	
Costs of inputs/purchases	0	110	181.5	
Price before tax	100	165	272.5	
Tax	10	16.5	27.2	53 7
Sales price with tax	110	181.5	299.5	
Value added	100	50	75	225

Notes: This table appears as Table 2 2 of the NIPFP report and is reproduced here for ready reference.

1 Difference between final selling price and cost = 299.5 – 225 = 74.5
2 Tax on value added only = 10 per cent on 225.
3 Cascading due to tax on inputs = 53.7 – 22 5 = 31.2
4 Additional cascading by price mark-up on tax = 74.5 – 53 7 = 20.8

Appendix II

The objective of this appendix is to highlight in algebraic terms price formation and tax revenue relations under three tax systems, namely, value added taxation (VAT), rebate adjusted taxation (RAT) and cascading type taxation (CAT). We shall also set out these relations under additive and multiplicative mark-up regimes. In all cases taxation is at *ad volarem* rates. For simplicity we shall consider only a two sector economy and without loss of generality set $a_{ii} = 0$.

We take up the additive mark-up first as follows – Under VAT we have prices given by:

$$\begin{aligned} p_1 &= a_{21}p_2 + (1 + t_1)(wa_{01} + \pi_1) \\ p_2 &= a_{12}p_1 + (1 + t_2)(wa_{02} + \pi_2) \end{aligned} \quad (1)$$

which implies

$$\begin{aligned} p_1 &= [(1 + t_1)(wa_{01} + \pi_1) \\ &\quad + a_{21}(1 + t_2)(wa_{02} + \pi_2)]/\Delta \\ p_2 &= [(1 + t_2)(wa_{02} + \pi_2) \\ &\quad + a_{12}(1 + t_1)(wa_{01} + \pi_1)]/\Delta \end{aligned} \quad (2)$$

where $\Delta = 1 - a_{12}a_{21}$

$$\begin{aligned} VR1 &= t_1(wa_{01} + \pi_1)x_1 \\ VR2 &= t_2(wa_{02} + \pi_2)x_2 \end{aligned} \quad (3)$$

It is clear that each sectoral price level depends not only on the tax rate applicable to that sector but also on the tax rate applied to the other sector. Also, the relative price p_1/p_2 is not free from the tax rates unless the two sectoral tax rates are identical.

Under the same additive mark-up set-up let us consider the rebate adjusted tax (RAT) system. In this case, the prices V_1 and V_2 and revenues are given as follows.

$$\begin{aligned} v_1 &= (1 + s_1)[wa_{01} + \pi_1 + a_{21}v_2 \\ &\quad - s_2a_{21}v_2/(1 + s_2)] \\ v_2 &= (1 + s_2)[wa_{02} + \pi_2 + a_{12}v_1 \\ &\quad - s_1a_{12}v_1/(1 + s_1)] \end{aligned} \quad (4)$$

which simplifies to

$$v_1 = (1 + s_1)(wa_{01} + \pi_1 + \frac{a_{21}v_2}{1 + s_2})$$

$$v_2 = (1 + s_2)(wa_{01} + \pi_2 + \frac{a_{12}v_1}{1 + s_1}) \quad (4')$$

This gives

$$\begin{aligned} v_1 &= (1 + s_1)[(wa_{01} + \pi_1) + a_{21}(wa_{02} + \pi_2)]\Delta \\ v_2 &= (1 + s_2)[(wa_{02} + \pi_2) + a_{12}(wa_{01} + \pi_1)]\Delta \end{aligned} \quad (5)$$

$$\Delta = 1 - a_{12}a_{21}$$

Also,

$$RR1 = [s_1(wa_{01} + \pi_1) + \frac{(s_1 - s_2)}{1 + s_2}a_{21}v_2]x_1$$

$$RR2 = [s_2(wa_{02} + \pi_2) + \frac{(s_2 - s_1)}{1 + s_1}a_{12}v_1]x_2 \quad (6)$$

Two points of considerable significance need to be underlined here. First, each sectoral price level is determined only by the tax rate applicable to that sector and independent of the tax rate applicable to the other sector. Second, price and revenue outcomes of VAT and RAT are identical only when, $t_i = s_i$ and is the same across sectors, i e, $t_1 = t_2 = s_1 = s_2 = t$. Even more significantly, the relative prices p_1/p_2 or V_1/V_2 are independent of the tax rates only if these (tax rates) are identical across sectors.

Similarly, for CAT, under an additive mark-up scheme, we have the following equations defining price formation.

$$\begin{aligned} q_1 &= (1 + k_1)(wa_{01} + \pi_1 + a_{21}q_2) \\ q_2 &= (1 + k_2)(wa_{02} + \pi_2 + a_{12}q_1) \end{aligned} \quad (7)$$

which gives us solutions for q_1 and q_2 as

$$\begin{aligned} q_1 &= (1 + k_1)(wa_{01} + \pi_1 + a_{21}(1 + k_2) \\ &\quad (wa_{02} + \pi_2)]/\Delta^* \\ q_2 &= (1 + k_2)(wa_{02} + \pi_2 + a_{12}(1 + k_1) \\ &\quad (wa_{01} + \pi_1)]/\Delta^* \end{aligned} \quad (8)$$

with $\Delta^* = 1 - a_{12}a_{21}(1 + k_1)(1 + k_2)$
and revenues are:

$$\begin{aligned} CR1 &= k_1q_1x_1/(1 + k_1) \\ CR2 &= k_2q_2x_2/(1 + k_2) \\ CR1 &= k_1x_1[(wa_{01} + \pi_1) + a_{21}(1 + k_2) \\ &\quad (wa_{02} + \pi_2)]/\Delta^* \\ CR2 &= k_2x_2[(wa_{02} + \pi_2) + a_{12}(1 + k_1) \\ &\quad (wa_{01} + \pi_1)]/\Delta^* \end{aligned} \quad (9)$$

Let us now consider the multiplicative mark-up regime. Under VAT prices are given by:

$$\begin{aligned} p_1 &= a_{21}p_2 + (1 + t_1)[(1 + \theta_1)wa_{01} + \theta_1a_{21}p_2] \\ p_2 &= a_{12}p_1 + (1 + t_2)[(1 + \theta_2)wa_{02} + \theta_2a_{12}p_1] \end{aligned} \quad (10)$$

Tax revenues would be given

$$\begin{aligned} VR1 &= t_1[(1 + \theta_1)wa_{01} + \theta_1a_{21}p_2]x_1 \\ VR2 &= t_2[(1 + \theta_2)wa_{02} + \theta_2a_{12}p_1]x_2 \end{aligned} \quad (11)$$

Under RAT the corresponding relationships are:

$$\begin{aligned} v_1 &= (1 + s_1)(1 + \theta_1)(wa_{01} + a_{21}v_2) \\ &\quad - s_2a_{21}v_2/(1 + s_2) \\ v_2 &= (1 + s_2)(1 + \theta_2)(wa_{02} + a_{12}v_1) \\ &\quad - s_1a_{12}v_1/(1 + s_1) \end{aligned} \quad (12)$$

whereas tax revenues are given by

$$\begin{aligned} RR1 &= x_1[s_1(1 + \theta_1)(wa_{01} + a_{21}v_2) \\ &\quad - s_2a_{21}v_2/(1 + s_2)] \\ RR2 &= x_2[s_2(1 + \theta_2)(wa_{02} + a_{12}v_1) \\ &\quad - s_1a_{12}v_1/(1 + s_1)] \end{aligned} \quad (13)$$

Similarly, for CAT we have prices given by

$$\begin{aligned} q_1 &= (1 + k_1)(1 + \theta_1)(wa_{01} + a_{21}q_2) \\ q_2 &= (1 + k_2)(1 + \theta_2)(wa_{02} + a_{12}q_1) \end{aligned} \quad (14)$$

and revenues by:

$$\begin{aligned} CR1 &= x_1k_1(1 + \theta_1)(wa_{01} + a_{21}q_2) \\ CR2 &= x_2k_2(1 + \theta_2)(wa_{02} + a_{12}q_1) \end{aligned} \quad (15)$$

Notation

p_i, q_i, v_i	Prices for the ith sector under VAT, CAT and RAT, respectively
t_i, k_i, s_i	Tax rates (*ad valorem*) for the ith sector under VAT, CAT and RAT, respectively
VR_i, CR_i, RR_i	Tax revenues for the ith sector under VAT, CAT and RAT, respectively
x_i	Physical output level of the ith sector
a_{ij}'s	Fixed intermediate input coefficients
a_{oi}	Fixed labour input coefficients
w	Wage rate
θ_i	Multiplicative mark-up rate
π_i	Additive mark-up margin

Notes

1 Incidentally, there would appear to be an error in the computation of value added in respect of sellers B and C as given in Table 2.2 of the Report. Since, except in the first stage where profits (or value added) is a fixed amount, profits/value added is a 50 per cent multiplicative mark-up on the purchase price, the value added should be Rs 55 and Rs 90.75 instead of Rs 50 and Rs 75 respectively for B and C.

2 Lest too much is read into this distinction between additive and multiplicative mark-up, it is worth noting that, even in the so-called multiplicative mark-up case, the profits (value added) for the owner of the natural spring is indeed a *fixed amount* per unit. This is so for the simple reason that, under the assumption of zero inputs (and, no labour cost), a multiplicative mark-up on a base of zero will yield zero profits! See also the discussion in the text on the issue.

3 An important question here is the treatment of interest payments. Analytically, a satisfactory treatment would involve the introduction of an explicit financial services sector with the interest payments from the rest of the system flowing into that sector as receipts. These receipts, in turn, will be divided into wages and profits in the financial services sector. In this perspective, in the production sectors, only wages and profits constitute the value added. This is the approach we follow.

4 As is well known, the Hawkins-Simons conditions formalise the requirement, in essence, that after allowing for both direct and indirect requirements, it takes less than 1 unit of a commodity for producing a unit of that commodity.

5 It is easily seen that, if inputs are to be purchased at the beginning of the production period, the higher unit prices of material inputs will translate into higher requirements for working capital and therefore higher interest costs under CAT (relative to either VAT or RAT).

6 This will be the case unless, for example, a higher degree of tax compliance is demonstrably linked to a particular tax system.

7 See Pandit, Sundaram and Mukherji (1993).

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STATE BANK OF MAURITIUS LTD.

BOMBAY BRANCH

BALANCE SHEET AS AT 31ST MARCH, 1995

	Schedule No.	As at March 31, 1995
CAPITAL AND LIABILITIES		
Capital	1	313600000
Reserves and Surplus	2	—
Deposits	3	171253260
Borrowings	4	—
Other Liabilities and Provisions	5	17370970
TOTAL		502224230
ASSETS		
Cash and Balances with Reserve Bank of India	6	35269675
Balances with Banks and Money at Call and Short Notice	7	115307457
Investments	8	58338053
Advances	9	131835460
Fixed Assets	10	155659144
Other Assets	11	5814441
TOTAL		502224230
Contingent Liabilities	12	2271850196
Notes to Accounts	17	

The Schedules referred to above form an integral part of the Balance Sheet.

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 1995

	Schedule No.	Period Ended March 31, 1995
I. INCOME		
Interest earned	13	9677827
Other income	14	1175928
TOTAL		10853755
II. EXPENDITURE		
Interest expended	15	715278
Operating expenses	16	13550242
Provisions and contingencies		—
TOTAL		14265520
III. PROFIT/LOSS		
Net profit/loss(–) for the period		(3411765)
TOTAL		(3411765)
IV. APPROPRIATIONS		
Transfer to statutory reserves		—
Transfer to other reserves		—
Balance carried over to balance sheet		(3411765)

The Schedules referred to above form an integral part of the Profit & Loss Account.

Per our attached report

For M. P. CHITALE & CO.
Chartered Accountants

Sd/-
U. M. CHITALE
Partner

State Bank of Mauritius Ltd.
Bombay Branch

Sd/-
N G SEESURN
Chief Executive Officer—India

Bombay: June 15, 1995

STATE BANK OF MAURITIUS LTD.

BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 1995

	As at March 31, 1995
Schedule 1—Capital	
A) Amount brought into India by way of start-up Capital (Out of this, amount deposited with RBI under Section 11(2) of the Banking Regulation Act, 1949 Rs. 2000000)	313600000
TOTAL	313600000
Schedule 2—Reserves and Surplus	
I. Statutory Reserves	
Opening Balance	—
Additions during the year	—
Deductions during the year	—
II. Capital Reserves	—
Opening Balance	—
Additions during the year	—
Deductions during the year	—
III. Share Premium	—
Opening Balance	—
Additions during the year	—
Deductions during the year	—
IV. Revenue and other Reserves	—
Opening Balance	—
Additions during the year	—
Deductions during the year	—
V. Balance in Profit and Loss Account	—
TOTAL (I, II, III, IV AND V)	NIL
Schedule 3—Deposits	
A I. Demand Deposits	
i) From Banks	448326
ii) From Others	105621122
II. Savings Bank Deposits	3167313
III. Term Deposits	
i) From Banks	—
ii) From Others	62016499
TOTAL	171253260
B i) Deposits of branches in India	171253260
ii) Deposits of branches outside India	—
TOTAL	171253260

	As at March 31, 1995
Schedule 4—Borrowings	
I. Borrowings in India	
i) Reserve Bank of India	—
ii) Other Banks	—
iii) Other institutions and agencies	—
II. Borrowings outside India	—
TOTAL	—
Schedule 5—Other Liabilities and Provisions	
I. Bills payable	1612796
II. Inter-office adjustments (net)	765501
III. Interest accrued	377486
IV. Others (including provisions)	14615187
TOTAL	17370970
Schedule 6—Cash and Balances with Reserve Bank of India	
I. Cash in hand (including foreign currency notes)	17119
II. Balances with Reserve Bank of India	
i) In Current Accounts	35252556
ii) In Other Accounts	—
TOTAL	35269675
Schedule 7—Balances with Banks and Money at Call and Short Notice	
I. In India	
i) Balances with Banks	
(a) In Current Accounts	111302259
(b) In Other Deposit Accounts	—
ii) Money at Call and Short Notice	
(a) With banks	—
(b) With other institutions	—
TOTAL (i & ii)	111302259
II. Outside India	
i) In Current Accounts	4005198
ii) In Other Deposit Accounts	—
iii) Money at call and short notice	—
TOTAL	4005198
GRAND TOTAL (I & II)	115307457

STATE BANK OF MAURITIUS LTD.

BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31, 1995

	As at March 31, 1995
Schedule 8—Investments	
I. Investments in India in	
i) Government securities	11032053
ii) Other approved securities	47306000
iii) Shares	—
iv) Debentures and Bonds	—
v) Subsidiaries and/or joint ventures	—
vi) Others (to be specified)	
TOTAL	58338053
II. Investments outside India	—
GRAND TOTAL (I & II)	58338053
Classification of Investments:	
Permanent investments	28932053
Current/Trading investments	29406000
TOTAL	58338053
Schedule 9—Advances	
A. i) Bills purchased and discounted	18701612
ii) Cash credits, overdrafts and loans repayable on demand	113133848
iii) Term loans	—
TOTAL	131835460
B. i) Secured by tangible assets	84133848
ii) Covered by Bank/ Government Guarantees	18701612
iii) Unsecured	29000000
TOTAL	131835460
C. I. Advances in India	
i) Priority sectors	50000
ii) Public sectors	—
iii) Banks	—
iv) Others	131785460
TOTAL	131835460
C. II. Advances outside India	—
TOTAL (C I & II)	131835460

	As at March 31, 1995
Schedule 10—Fixed Assets	
I. Premises	
Additions during the year	149217150
Deductions during the year	—
Depreciation to date	1243476
TOTAL	147973674
II. Other Fixed Assets (including furniture & fixtures)	
Additions during the year	8137106
Deductions during the year	—
Depreciation to date	451636
TOTAL	7685470
TOTAL (I & II)	155659144
Schedule 11—Other Assets	
I. Inter-office adjustments (net)	—
II. Interest accrued	1939991
III. Tax paid in advance/tax deducted at source	226875
IV. Stationery and stamps	—
V. Non-banking assets acquired in satisfaction of claims	—
VI. Others–Refundable Deposits	235810
Balance of loss as per Profit & Loss a/c	3411765
TOTAL	5814441
Schedule 12—Contingent Liabilities	
I. Claims against the bank not acknowledged as debts	—
II. Liability for partly paid investments	—
III. Liability on account of outstanding forward exchange contracts	2270699045
IV. Guarantees given on behalf of constituents	
a) In India	—
b) Outside India	—
V. Acceptances, endorsements and other obligations	1151151
VI. Other items for which the bank is contingently liable	—
TOTAL	2271850196

STATE BANK OF MAURITIUS LTD.

BOMBAY BRANCH

NOTES AND SCHEDULES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31st, 1995

	Period Ended March 31, 1995
Schedule 13—Interest Earned	
I Interest/discount on advances/bills	5072667
II Income on investments	1799520
III Interest on balances with Reserve Bank of India and other inter-bank funds	2805640
IV Others	—
TOTAL	9677827
Schedule 14—Other Income	
I Commission, exchange and brokerage	210295
II Profit on sale of investments	
Less Loss on sale of investments	—
III Profit on revaluation of investments	
Less Loss on revaluation of investments	—
IV Profit on sale of land, building and other assets	
Less Loss on sale of land, building and other assets	—
V. Profit on exchange transactions	
Less. Loss on Exchange transactions	896583
VI Income earned by way of Dividends, etc from companies and/or Joint Ventures abroad/in India	—
VII Miscellaneous Income	69050
TOTAL	1175928
Schedule 15—Interest Expended	
I Interest on deposits	443256
II Interest on Reserve Bank of India/inter-bank borrowings	272022
III. Others	—
TOTAL	715278

	Period Ended March 31, 1995
Schedule 16—Operating Expenses	
I Payments to and provision for employees	3006329
II. Rent, Taxes and Lighting	528926
III Printing and Stationery	152204
IV Advertisement and publicity	346105
V Depreciation on bank's property	1695112
VI Directors' fees, allowances and expenses	—
VII Auditors' fees and expenses (including branch auditors)	45000
VIII Law charges	240000
IX Postages, Telegrams, Telephones, etc	1543293
X Repairs and maintenance	3476335
XI Insurance	79757
XII Other Expenditure	2437181
TOTAL	13550242

Schedule 17—Notes on Accounts

1 **Principal Accounting Policies**

1.1 General

The financial statements have been prepared on the historical cost basis

1.2 Foreign Currency Translation

I Assets and liabilities in foreign currencies are translated on the Balance Sheet date at the rates notified by Foreign Exchange Dealers' Association of India (FEDAI) The resulting profit or loss on revaluation is included in the Profit and Loss Account

II. Income and Expenditure items are accounted for at the exchange rates ruling on the date of the transaction

III Contingent liabilities on account of outstanding forward exchange contracts have been disclosed at the contractual rates

1.3 Investments

In accordance with the Accounting Standards for Investments laid down by the Reserve Bank of India investment portfolio is classified into "Permanent" and "Current" categories

Permanent investments are stated at cost adjusted for premium or discount (if material) amortised over the period of investment

1.4. Advances

Provisions for bad and doubtful advances are made to the satisfaction of the Auditors on the basis of norms laid down by the Reserve Bank of India for identification of and provisioning for non-performing assets (No such provisions were required as at 31st March, 1995).

STATE BANK OF MAURITIUS LTD.

BOMBAY BRANCH

15 Fixed Assets

I Fixed assets are stated at historical cost less accumulated depreciation

II Depreciation is provided for on fixed assets as under at the stated rates which are equal to/higher than those prescribed under Schedule XIV to the Companies Act, 1956

Type of Assets	Rates	Method
Office Premises	2%	SLM
General Plant and equipments (including A C Plant)	10%	SLM
EDP equipments, Computers	20%	SLM
Furniture & Fixtures	10%	SLM
Motor Car	25 89%	WDV

16 Revenue Recognition

Interest on advances Income from investments and Commission and brokerage are accounted on accrual basis

2 This being first year of operations previous year s figures cannot be given

For State Bank of Mauritius Ltd.,
Bombay Branch
Sd/-
N G Seesurn
Chief Executive Officer – India

Bombay June 15 1995

Report of the Auditors

We have audited the attached Balance Sheet of the Bombay Branch of State Bank of Mauritius Ltd , as at 31st March 1995 signed by us under reference to this report and the relative Profit and Loss Account of Bombay Branch of the Bank for the period ended on that date

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with provisions of sub-sections (1), (2) and (5) of section 211 and sub section (5) of section 227 of the Companies Act, 1956 the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956 The Accounts are therefore drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949

We report that subject to and read with the foregoing remarks

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory,

b) The transactions of the Branch which have come to our notice, have been in our opinion, within the powers of the Bombay Branch of the Bank,

c) In our opinion, proper books of account as required by law, have been kept by the Branch so far as it appears from our examination of those books,

d) The Balance Sheet and Profit and Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account as adjusted, for entries passed subsequently, as of 31st March 1995,

e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the State of Affairs of the Bombay Branch of the Bank as at 31st March, 1995 and Profit and Loss Account gives a true and fair view of the Loss of the Bombay Branch for the period ended on that date

For M P CHITALE & CO
Chartered Accountants
Sd/-
U" M CHITALE
Partner

Bombay June 15, 1995

Under Globalisation

Will Nation State Hold?

Rajni Kothari

There seems to be a convergence of the views of some intellectuals on the crisis of governability and the concerns of foreign investors and international institutions regarding demands from the labouring classes. There is also growing agreement on the need to reduce the role of the state and hand things over to the market. The widespread feeling that the nation state is in trouble and will not survive the growing pressures from within and without needs to be examined.

OVER the last two decades and more, with the growing democratisation of diverse societies and the quickening pace of the rise of mass consciousness, the ruling circles round the world (both domestic and international) seem to display two divergent responses. On the one hand they think they have won the battle against communism and left wing radicalism, hence the 'end of history thesis'. On the other hand, they seem to be deeply concerned at the challenge being thrown up by the masses – the so far ostracised depressed and backward' social classes that were somehow held at bay through a combination of small crumbs and an elitist theory of democracy – and by plural societies experiencing an upsurge of consciousness all round of diverse minorities and women. They are increasingly concerned with the whole issue of governance and governability, and with that of the maintenance of public order and security of the state and transnational capital in the face of rising expectations and demands from the grass roots.

In the mid-1970s a set of leading American, European and Japanese intellectuals published a document which was presented as a report to the Trilateral Commission in which a case was made out for the need to restrain political participation in liberal democracies of the west and Japan in the face of a changed domestic and international environment. It was called 'The Crisis of Democracy. Report on the Governability of Democracies to the Trilateral Commission' (The authors were Michael J Crozier (French), Samuel P Huntington (American) and Joji Watanuki (Japanese).) The same concern is reflected among academics and others in the developing countries in recent years – perhaps more in these countries than in the west. A leading Indian political scientist settled abroad, Atul Kohli, published a book in 1990 which has been generally well received, called *Democracy and Discontent: India's Growing Crisis of Governability* (Cambridge University Press, New York). At home leading journalists and intellectuals have expressed a similar concern: how will the Indian state survive if it is to concede to all kinds of demands coming from such a wide variety of groups and regions?

Such a concern has been even more on the increase since the charter of demands set forth in the report of the Mandal Commission was endorsed by the National Front government and has since been by and large accepted by all political parties. There is, in consequence growing evidence of a rise in mass consciousness among the hitherto marginalised sections of society who have also begun to assert themselves in elections, legislative bodies and the forums of political parties. It is a concern that is being voiced in a variety of elite circles and is also reflected in the mass media, especially the press (national regional and local). The horrid violence and highly excited reaction (including self immolation) witnessed on university campuses after the acceptance by the National Front government of the recommendations of the Mandal Commission in 1990 – and generally of the whole conception of reservations for deprived and hitherto excluded strata – were only part of this phenomenon. The fact that there was at least indirect support given to this by eminent professors and leading writers, journalists and party politicians in the mainstream press was another. the divisions that this has spurred in parties like the Janata Dal and sections of both the left parties and the Congress in recent months is yet another.

Paradoxically more or less the same people who are concerned about the growing vulnerability of the state to such pressures from the grass roots seem to be quite at home with the policies of liberalisation and globalisation which too are leading to a growing erosion of the authority and power of the Indian state. For them, pressures and demands from within emanating from one's own people, are more dangerous than the pressures and demands coming from foreign corporations, institutions like the World Bank and the IMF, the emerging global trade and patents organisations following the latest round of GATT agreements and, subtly but no less clearly, various trade and other regimes in the US and western Europe who are commandeering the global economic and technological future. There is evidence of growing marginalisation of the state in the face of a variety of globalising intrusions.

In fact a growing disempowerment of the state and of the national elite both in its power to enforce national priorities and its power over subordinates whether this be the bureaucracy which is found to increasingly receive signals from external agencies or the state governments many of whom are vying with each other to get direct access to foreign corporations. All this is quite apart from the fact that the very countries from where these corporations are coming also happen to be involved (more than before the end of the cold war') in arms manufacture and arms sales, to which countries like India are made hostage both due to perceived threats from abroad and with a view to deal with social unrest and pressures from the lower classes the minorities the revolting regions and nationalities.

By now it seems clear that the concerns of some intellectuals and journalists (and politicians) with respect to growing democratic pressures and demands such as better wages and employment opportunities from the labouring and other classes and the concerns of foreign investors with respect to the same issues seem to be converging. They are also converging on the need to reduce the role of the state in the affairs of the country and hand over things to market mechanisms and to increase integration into the 'world market'. There has been a growing body of opinion in the country that thinks of liberalisation and globalisation as providing answers to not only the economic malaise that they perceive but also the political process that is demanding from the state responses and concessions to the newly aspiring and increasingly mobile and assertive social classes. They would seem to want a system of governance which would gain strength from external interventions. This is precisely what the proposed 'new world order' is supposed to be about, with its emphasis on a single unified and managed

world ensuring international security and peace' and the settlement of whatever disputes and conflicts that arise both between nations and between classes, with the help of the new custodians of human interest that have emerged on the world scene since the end of the cold war'

In reality of course the disempowerment of the state and its growing marginalisation in the agendas of nations have also been taking place as a result of both the discontent and the alienation of the masses of people who had for long relied on the state for their own empowerment These people have of late been, of the view that the state is no longer available to them for this and that they will need to devise their own strategies and institutions increasingly relying on civil society and their own community resources to deal with the problems they face today and will be facing in the years to come In their minds too then, the state is getting marginalised although, unlike with the middle class elite this is not their preference they would still like to struggle along right against structures of oppression and exploitation within civil society and to that end, as they are able to gain in these struggles try to transform the state as well Realistically the poor cannot afford to give up on the state as an institution or on the democratic political process including traditional avenues like elections and parties

It seems to me that the feeling that the nation state is in trouble and that it will not survive the growing pressures from within and without may not stand really close scrutiny At most one can say that the state is in crisis as it faces a world that is undergoing transformation which is subjecting it to diverse pressures including pressures for reducing its traditional role in human affairs The crisis is likely to deepen as it faces an increasingly restive population which is not any longer accepting the authority of the state just for the asking which is beginning to make demands that go beyond the conventional expression of varied interests and is in fact asking for a major recasting of priorities and structures including as some of them would put it system transformation

In what follows I shall in the light of the above summation deal with different facets of the crisis of the state as I see it unfolding the dilemmas that it poses for different sets of actors, and the likely possibilities that lie in store as we move further into the 1990s and beyond

Historical Overview

From the beginning (starting before we became independent) the thinking in India has been in terms of conceiving the state as a nation state On the one hand this involved the task of building a single, new identity called the nation encompassing several identities and affiliations The relationship of the new nation to pre existing identities was in part to be one of transcendence, though it was far more to be one of encompassing them and in some ways even 'representing' them all in a composite manner On the other hand this very conception of encompassing diverse identities – social and regional linguistic and cultural meant giving a key role to the state through which the composite nation was to be created In effect it was statehood that gave to the new entity at once an encompassing representative and transcendent quality International thinking and general theoretical predispositions too were in favour of the centrality of the role of state in post colonial societies it once a symbol of authority and an instrument of social change The basic ideology was integrationist though it also carried within it notions of social change and transformation It almost reminds one of the Hegelian idea of the state although the authoritarian overtones of such an integrationist ideology came much later as did the assertion of various pluralities which together produced a crisis of representativeness of the state in countries like India

For a long time the nation-building exercise was conceived to be one that simultaneously led to greater unity of the nation and greater involvement and participation for the citizen in the institutions of the state Hence the conception of an open society and the belief that democratic participation was the best way of achieving national integration The elite undertook to promote democracy through the very composition and institutional structures of the state the parliament and state legislatures cabinet government at different levels which were to promote consensus through representing diverse regions and interests, and administrative structure that were to be accountable, a federal continuum through which such governments and administrations were to operate and a judicial system that was to ensure that all these institutions operated responsibly and according to the 'rule of law' There was also a unique party system which saw to it that the relationship between the government and the social structure was a continuous one both vertically and laterally, and was mediated by a number of intermediate institutions and elites It was through the party system that the colonial 'steel frame' was conditioned by political processes and actors

The elite itself chose to relate to diverse interests in society as well as to its traditional voluntaristic infrastructure, thereby narrowing the distance between government and the people (no doubt the more organised and 'vested' among them) and reducing the mutual alienation that was inherent in the imported Westminster model Inherent in such a conception were two seemingly opposite ideas but which were meant to serve a common purpose namely, the building of a democratic nation state The first of these was to make the new state encompass diverse interests and identities, the second was to assign primacy to the state in the whole process of nation-building Inherent in the first is a decentralised conception of sharing power and carrying diverse entities in a common enterprise The second, on the other hand, left to itself could produce a centralised model of governance But the two together were meant to produce a workable balance between a strong and coherent centre and a series of vibrant sub-centres representing the large variety of structures and spaces through which a composite nation state was to take effect The nationalist ideology that had accompanied such a conception was both integrative and open to diverse interests and groupings, including dissenting ones

This model of a nation state is today in disarray On the one hand the state is ceasing to be the central mechanism of the nation, while on the other hand the 'nation' that had come into being has entered a process of acute fragmentation multiple polarisations and likely disintegration Both the retreat of the state and the erosion of the nation are going hand in hand, one being hijacked by the global 'order' and 'market' and the other facing serious challenges from within, from the large number of peripheries as well as sideways from different regions and nationalities With this the project of nation-building and, as part thereof, the central role of the state in social change is likely to suffer a setback As this happens the autonomy of civil society too will decline and with it may also go down the modern search for a democratic order The homogenising thrust that is inherent in the processes of globalisation – the market being only one of them, the globally inspired mass media spreading standardised sets of images and messages *vis-a vis* consumer preference being another – will only reinforce disintegrative tendencies that are already at work, quite the opposite of the 'macro' integrative design of the proponents of a new world order

Alongside such globalisation there has emerged what may in theory appear to be its anti-thesis, the rise of regional chauvinism and ultra-nationalism based on religious fundamentalism, which too, like

globalisation, seeks to suppress various pluralities though more along a religious direction than an economic or technological one. It will also pitch nation states against one another and internally provoke a series of sub-nationalisms representing various suppressed or latent nationalities and ethnicities.

It appears now that the early modernisers who thought of creating a modern nation state in India (as in many other countries in the third world) had an inadequate understanding of the contradictions that were inherent in such an enterprise particularly given the fact that the 'nation' was sought to be built on a social terrain that was full of not just multiple diversities but also of gross disparities which far from being reduced by the new structure of a 'state', were likely to be accentuated. As the country moves towards the 21st century, it is going to face this shift from integrative to disintegrative tendencies more sharply than was the case during a large part of the 20th century.

Growing Erosion and Retreat

We can now examine the diverse types of erosion that the nation state in India finds itself facing today.

First, there has been under way for quite some time now an erosion of the legitimacy of the state in the eyes of the people of India both in respect of its standing in the eyes of those who for long depended on it for their well-being and in respect of its credibility in the eyes of others (the middle class professionals and the media in particular). Second, there has taken place, over the years, a gradual erosion of authority, *vis-a vis* the aura and arve ('majesty'[8]) with which the state was looked up to both by the citizens at large and, in respect of the authority of the centre, by intermediate and local units and institutions the states, district and lower level bodies, community organisations, voluntary structures and other institutions of civil society. The mounting challenges to central authority by a whole array of regional movements of both autonomy and separatism have rendered the state an arena of growing conflicts and violence. Third, there has taken place an erosion of the whole conception of a distinctive and overriding role of the Indian state both *vis-a-vis* other loci of power within the country (industry, labour, religion, caste, linguistic and ethnic identities) and *vis-a-vis* external interests (dominant centres of geopolitical and strategic power, international financial institutions, transnational structures of capital and commerce), which has led to a declining emphasis on things like autonomy and self-reliance and a declining interest in international support for the same, from G-77 to the social and economic institutional structures within the UN system such as UNCTAD, ILO, UNICEF and UNRISD – their place being taken by the World Bank, the IMF and now the World Trade Organisation (WTO).

Beyond this statement on the multiple erosions facing the Indian state are several other observations. The state in India, instead of occupying centre stage in the social and economic arenas, is seen to be in retreat. This is obvious in the economic sphere from which it has been retreating over more than two decades now and of course most dramatically since 1991-92. But it is also true in the social sphere in matters such as providing opportunities to the minorities, the backward classes, tribal communities and women and children, encouraging people's initiatives and indigenous thinking in key areas such as education, environment, health and housing, and generally implementing the laws of the land for the betterment of the poorer and oppressed sections of society. It is by now abundantly clear that it is only by enhancing the capabilities of the people in terms of their levels of education, health and a non-hazardous environment and sanitation that they feel and actually become empowered to carve out an economic future for themselves. Poverty, the destitution cannot be removed for large sections of society through bureaucratic planning; they can only be removed by the poor themselves. For this to happen they have to become empowered in these social spheres. But it is precisely on these that the state is found to be retreating.

Of course, as far as the people are concerned, far from allowing the state to retreat from its social obligations, they are in fact subjecting it to increasing challenges from both ethnic and regional movements and class and caste arenas in the struggles for their democratic rights. But this is happening at a time when those in charge of the state have been, almost by design, losing their grip and lowering their thresholds of interest and concern for large parts of the social and regional terrain. Together, the two tendencies (one seeking restructuring of the state and the other its withdrawal from constitutionally assigned roles)[9] are leading to a situation in which there is a growing sense of disintegration of the polity.

Integration into 'World Order'

Pari passu with this retreat of the state domestically has been its decline as a political entity internationally. Here one finds that far from continuing to assert its identity and independence *vis-a-vis* dominant centres of power in co-operation with other countries of the south, the Indian state is being prepared by its bureaucratic, industrial and technocratic elite to become integrated into a 'world order' that is being designed in western think tanks such as the Rand Corporation and the three Bretton Woods institutions. Though it has so far been presented in terms of integration into the world market, still assuming that economic integration need not lead to political dependence or social and cultural absorption – an assumption that seems to me to be at once naive and deceptive – the general consequence of such integration is a clear loss of autonomy of the Indian state. Incidentally, in this regard it needs to be noted that the erosion of the authority of the state is by no means a precondition of the centrality of the market under a regime of liberalisation; the integration into the world market also need not be as dictated by the global actors on the scene; the state need not lose its autonomy everywhere as a necessary prerequisite of the march of globalisation. What has happened in reality in several countries – is found, for instance, in South Korea, Taiwan, Japan, more recently in Malaysia and most strikingly in China – is that the state and the market reinforce each other under the domination of an elite that both makes use of the TNCs and succeeds in undermining dissent in the political sphere and institutions of civil society in the social and cultural sphere.[10]

Those who believe that things like liberalisation and privatisation simply mean replacement of the institutions of the state by those of the market seem to be living in a make-believe world that has been promoted by the information and communications blitz let loose by global centres of corporate power intent on weakening and disempowering the state in the third world and which also comes in handy for the new emerging nexus between a set of politicians (or technocrats turned politicians), bureaucrats and businessmen. The fact that even ordinary people begin to accept such make-believe is understandable given the vacuum – both ideological and political – that has followed the virtual dissolution of the third world, both as an idea and in reality, the actual (not just virtual) dissolution of the socialist bloc and in quite a different way, the slow decline of the idea of social democracy based on the welfare state and the post-Keynesian model of western capitalism. Both the trilateral conception of an integrated capitalist attempt to meet the challenges of communism and OPEC-style third worldism, and the new model of interdependence following the collapse of the Soviet Union have been attempts to fill this vacuum (just as the decline of real democracy in plural societies

like ours has created a vacuum that is being filled in by religious and sectarian ideologies)

Future Prospects

It is with respect to this decline of the nation state as an instrument of social transformation on the one hand and as an embodiment of distinct (if not sovereign) political entities on the other and this in the larger context of a growing ideological vacuum globally that one has to assess the prospects for the future. There is on the one hand the likelihood of moving away from the conception of a world composed of distinct nation states and diverse political cultures towards one that calls for their integration into a so called world order while on the other hand the same nation state will be subjected to increasing challenges from the grass roots and diverse peripheries and regions both these tendencies eroding the autonomy of nation states like India. The integrative trend is going to be backed by organised interests and resources both financial and political while the democratic trend towards a more pluralist and decentralised structure is likely to be backed by the power of numbers and their growing consciousness of rights. The first (integrative) trend will be for creating a common future for the global middle class and will end up leaving a large part of humanity out of the historical process and out of both the institutions of the state and the transactions of the market. It is also a trend that is likely to produce an increasingly centralising and a potentially authoritarian structure of governance. Also the more the integration of the nation state and national economy with the global system the more the alienation of the ruling strata from the peoples communities and nationalities round the world.

The same will happen within the country the more centralised the state will become the more distant it will get from the grass roots and the diverse communities and nationalities. As both these trends (global and within the country) converge large sections of the people will be left with no option but to join a growing culture of revolt and rebellion strikes and dharnas and 'bandhs most of them peaceful but a number of them being forced to become part of a growing culture of violence adopting ever more angry and defiant modes of rebellion, revulsion and 'revolution'. The argument that those at higher levels tend to be more enlightened than those at local levels because they are able to take a more liberal and egalitarian view or that the proposed new structures at local levels (like panchayats) will be dominated by dominant social groups (castes) and hence should not be trusted, may be valid for some time, but not for long: once the democratic process gets going, the more numerous social classes will feel empowered and challenge the hegemony of the upper strata.

This is also the case with the argument that global institutions and elites being more enlightened than national and regional ones, there was need to transcend the nation states and other 'parochial' interests and institutions. This argument was advanced in all earnestness ever since the first world war, mainly with a view to restrain the aggressive element in human beings for creating a more peaceful and progressive world. It went from one worldism to a world federalist movement to (in recent decades) the conception of a 'world order' designed through a further extension of the United Nations framework through the availability of supra-national institutions based on a benign conception of international law known as 'world law'.[11] Today there are not many takers for this vision which has been rejected for being too romantic but also because the worldview on which it is based has been hijacked by global capitalism and its effort to colonise the whole world once again. 'world orderism' too has been hijacked by the 'new world order' of Bush and Clinton. It is also a worldview that is being advanced to contain the democratic upsurge round the world through an ideological package (liberalisation privatisation and the rest) for integrating the middle and the upper classes everywhere with the simple aim of retaining and enhancing the privileges and perquisites of these classes. There should be no mistaking the political motives behind the emerging attempt to defeat the struggles for autonomy and self determination, waged not just by third world intellectuals seeking autonomy and self reliance for their nation-states but also, and more stridently, through mass uprisings (both ethnic and economic) within individual societies.

It is in light of this growing tendency (both politico-economic and ideological) of integrating the whole world in the framework of world capitalism and western hegemony that we have to think of the likely future of the nation state in India and in similarly placed countries of the third world. Three important trends need to be taken note of. First, there is a marked rise of sub-national consciousness overtaking the earlier kind of nationalism that included diverse regional and cultural identities. There is a growing revolt against central authority as well as, in some areas, against state governments, producing a highly unstable situation. The 'centre' is increasingly unable to hold against the growing challenges to its authority, its nervous attempts to suppress this by recourse to paramilitary forces and the army (whose increasing use in one region after another is also proving an unsettling factor) only underlining its inability to hold.[12]

Second, the national elite, as it becomes more and more unable to cope, tends to turn away from the basic political challenge of nation-building and the related economic challenge of 'development'. It is increasingly losing interest in intervening against vested interests, reversing the large disparities that exist and are growing, and undertaking a model of growth that fulfils minimum needs of the people, reduces inequities and injustices, in the process taking along dissatisfied social strata and regions and minimising social tensions and violence. The new generation of elites seems to be giving up on these two challenges - nation-building and development – and turning to international and transnational agencies to bail them out. The growing accent on technology as the pathway of development has necessarily led to moving away from self-reliance and towards dependence on external forces (which is then called 'interdependence'). It has also led to moving away from political representatives of the

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people defining the conduct and direction of the state and its agencies to handing this back to the bureaucratic 'apparatchiks' of the post colonial state very much in line with the colonial legacy – now in fact becoming doubly colonised by deepening the dependence on external forces through national elites willingly submitting to their dictates in deciding upon national priorities and objectives [13]

There is third, something we referred to earlier namely, the rise of new organisational forms that are transcending states and nations, representing almost a mutation in human evolution These consist of transnational corporations possessing enormous financial and technological resources and a series of bilateral and multi lateral compacts providing for regimes of security aimed against insurgent movements from below together producing a new institutional apparatus for running the world which then is called a world order [14]

Challenges Facing State and Movements

It is against these changes in the historical context of a nation state like India especially given its multi cultural and multi national nature that its survival will depend To a large extent the future of the nation state in India depends on whether it becomes still more centralised and run from the centre' which then makes it an alien presence and also makes it an easy target for global interests or it becomes increasingly democratic internally and on the basis of that inner strength plays a democratic role externally The nation state in a highly complex world full of contradictions and tensions has to become a catalyst for voices of diverse cultures and peoples and thus give rise to a dispersed and decentralised world order preserving the integrity and the uniqueness of each and the pursuit of distinctive goals and ideologies and giving rise to a consensus that is derived from respect for such diversities Its role should be to intervene in the larger world and the various global forces at work The challenge it faces is to restore this historic role away from which it seems to have strayed for the last several years

The challenge to restore such a role to the nation state faces not just national and state level elites but also the various sub-national identities and movements There is a need for the latter to realise the real sources of exploitation and homogenisation of all nations and peoples, which happen to be increasingly global It is in the creation of a multi-cultural and plural state organised on federal lines that their goals of autonomy and self-determination can be better realised, rather than by undermining the legitimacy and authority of the state Fighting against the state as such will only reinforce the repressive tendencies in the latter, opening its doors to transnational and global enterprises and military-security compacts Once this process gets under way (it has only begun of late), there will be little scope for the success of democratic movements within the country Undermining the legitimacy of the nation state will only facilitate its surrender to global actors that are yearning to make the whole world accept their model of 'world order It is necessary that the increasingly beleaguered nation states and the increasingly oppressed social strata and ethnic and regional groups work towards a common future which will enable them both to withstand the challenge from transnational and global actors The main responsibility for this falls on the leadership of the nation states, but the movements too (especially those concerned with human rights) need to press upon the former the need to safeguard their autonomy and self-reliance in an increasingly globalising framework of development and governance [15]

But of course for this to happen – for the movements to trust the centre or even the state centres – the nation state needs to be organised differently than has been the case so far The basic task facing the national elites is one of regaining legitimacy for the state accepting for this purpose the reality of it being a plural entity restructuring internal democracy along federal (if need be confederal) lines and resisting external pressures for downgrading the state in the development process In short there is need to think of nation states like India to be elements in a large federal continuum from local (village to district) to sub regional (states sub-states) to national to supra regional, to global [16] Such a federal conception will also involve a federation of diverse social strata, many of which are still suffering from grave injustices and growing disparities Incidentally, this is also the only way of defeating fundamentalist and fascist tendencies based on religious and other sectarian appeals [17]

In moving towards such a structure of the state, as well as of the world at large, it is not only necessary to restore to the nation state its historic role based on the clear acceptance of the federal perspective on democracy it is equally necessary not to be taken in by the growing charisma of the market, the ideology of privatisation, the miasma of consumerism, and the yuppy culture In India the power of market forces and consumerism can already be seen even in the state-run Doordarshan Many institutions of planning, development and finance are also already being run at the behest of the corporate sector The domination of the private sector (increasingly corporatised and transnationalised) is already on the upswing, alongside the growing role of the mass media controlled by it and the ad agencies through which people's choices and tastes are being shaped Given a chance (now especially with the emphasis on privatisation), these forces will replace democratic politics by emphasising technological fixes

It is important for us to remember that even in the west it became necessary for the state on the one hand, and trade unions, consumer and lately, environment and women's movements, on the other, to ensure distributive justice, environmental ethics and affirmative commitments, obliging industries professional business houses, universities science and technology establishments and market-related agencies themselves to abide by the laws of the state We must also not forget that, left to itself, the market in the west had let loose oligopolies and cartels speculative share markets and trade cycles that produced the great depression from which Keynesianism proved to be the only way out It is important for us to understand the pathology of a development process based on the market before we decide to throw away the advantages of a comprehensive process of state and nation building and a corresponding political economy in which a central role is assigned to the state We must of course deal with the pathologies unleashed by the state but not fall for still worse pathologies [18]

Pathology of a Political 'Development'

The most basic of these pathologies is the one that has grown out of the very model of market-based economic growth, pursuing the goal of generating accumulation and wealth, unrestrained by the interventions of the state, oscillating between periods of expansion and contraction, producing speculation in the stock markets and moving headlong to the final crash not terribly different from the great depression of the 1930s, only now on a much more global scale than was then the case This is what is being currently offered to us (our own scam in the early 1990s being seen at the time when it occurred as proof of the success of the new and reformed economy) [19]

We need to remember given the historical experience, that such a model of economic growth (unrestrained by political will) necessarily reproduces all the major features of the aggressive and totalistic worldview underlying the western idea of progress [20] When it was first enunciated and for a long time after that, it was sweeping, full of

confidence and elan, recognising no obstacles, willing to eliminate anything that stood in its way, whether this be in the arrangements of nature or in the arrangements of society – it was neat mathematical definitive with all the questions answered and all the answers laid out in a clear-cut manner It brought about rapid changes in the composition and structure of world social reality, released great energy, led to a huge apparatus of governance and hegemony over diverse regions of the world, toppled regimes whenever it became necessary through military invasions if these were called forth put very large numbers of people and entire societies and cultures on the defensive, prompting so many of them to discard all that they had stood for and identified with for something wholly new with the accent on novelty movement and change for their own sake Following the traumas of the inter war period and after the challenges posed by the Soviet Union and later, the political rise of the post-colonial world, in particular following the Maoist revolution on the one hand and the OPEC crisis within the capitalist economy on the other its confidence was shaken and it entered a period of self-doubt and scepticism Of late the confidence has resurfaced almost with a vengeance against the very course of history (hence the new confidence of the end of history' thesis)

There are several facets of the renewed dogma of development' (the latest incarnation of the idea of progress) for rearranging human affairs which need to be borne in mind It is impersonal, dealing not with concrete human entities but with abstracted, aggregate categories and quantities It is impervious to the political process and to the need to first build civic communities, states and nations, in short it is fundamentally apolitical In consequence, it has gradually become inimical to any large scale participation of the people and decentralisation of power, has supported a high degree of centralisation verging on authoritarian governance, and in the process eroded the diversity and plurality of traditional societies a model of centralisation that is not bureaucratic in the traditional sense (which at least had a degree of institutional accountability based on certain rules and conventions and red tape) but is based wholly on technology fixes that are not accountable to any institutional arrangements Finally, as it is giving more importance to the processes of world accumulation than to distribution and dispersal of economic and technological resources across regions and classes, it has bottled up human energy and technical skills while at the same time making nation states increasingly dependent on foreign investment, 'aid', technology transfer (as well as transfer of the dominant technological model), the role of the TNCs and its techno-bureaucracy growing indebtedness, and the tying up of national security with global doctrines of security and 'defence' All these external stimuli are producing powerful internal effects in most third world societies, namely centralisation of governing structures rampant urbanisation and metropolitanisation (both vertically and horizontally) destruction of traditional resources and sources of knowledge and techniques all this together moving towards the end logic of the global development paradigm a decline in legitimacy of pressures from below and its substitution by the prestige and influence of those from above

It is this combined pathology of a dehumanised development paradigm and an increasingly centralised and alienated paradigm of an increasingly technocratic state, that we will need to deal with if we are really to come to grips with the overall crisis of governance faced by the people of these various countries as opposed to the crisis of governance as perceived by sections of the elite and the intellectuals who feel disconcerted at the growing challenge from the people and the grass roots This manner of posing the issue will take us to some of the most important issues in political theory, enabling us to disaggregate existing propositions in it which are based on the assumptions of the development paradigm and, instead, moving to a different set of propositions that are vital for the sustenance and defence of the democratic enterprise through the maintenance and strengthening of civic structures – the state, political parties, other institutions of governance of a humane and decentralised kind producing in their wake too a global setting which ensures the survival and sustenance of this enterprise. The dramatic shifts and turnarounds in recent history (which happen but once in half a century) are calling for a whole range of theoretical reconsiderations on the relationships among power, ideology and institutions that over time could well provide new thresholds of conceptual understanding, putting an end to the simplistic thinking that has long been taken for granted and instead giving rise to new and discriminating concepts and definitions Such an alternative intellectual effort will in turn demand alternative structures of the state and systems of governance, for without them the scope for alternative perspectives and knowledge systems and theories of intervention (based on new modes of consciousness) will not be easy to bring about

Paradoxes of Power

We face an almost 'necessary paradox' here powerful states and political structures become necessary for waging ideological battles on behalf of the weak and the oppressed containing the aggression of dominant centres and producing new 'checks and balances' in the global structure of power and authority The same process becomes necessary within the domestic setting, too, both within the states of federal system and between the states and centre The lessons of the last five years in the global setting of power resulting in the recent forays of aggressive posturing of the US are precisely this The Soviet Union may indeed have been internally oppressive and undemocratic but proved highly relevant externally in safeguarding the interests of the globally poor and the position of the deprived and isolated centres in the third world To be sure, the assumption that what Stalin had

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built was invincible has proved to be a grand illusion Instead, the seemingly fragile and shifting institutions of US democracy have proved more stable On the other hand, the democratic commitment of the latter has been far less available for human progress and emancipation When today we find ourselves beseeched by the pressure for carrying the US message of democracy and human rights globally we may indeed be in grave danger

For what we face is nothing short of a war being waged in the name of democracy, beginning no doubt with the inter war battle between democracy and fascism a mandate that was picked up across the Atlantic making the world safe for both peace (following Woodrow Wilson) and democracy Soon however the idealistic overtones of this were dealt a mortal blow by the so called realists of state power following the Churchillian rhetoric of fighting a cold war in defence of democracy combating communism globally and promoting the aid and trade and transfer of resources based consolidation of capitalism (a euphemism for democracy) powerfully backed in the first instance by the Marshall plan From there on to bringing democracy to the third world through development first as part of the new state system through foreign aid from the north to the south under the Truman doctrine and later as this tended to bolster the state as an instrument of change through free trade liberalisation and human rights under the Reaganite impact Following the end of the cold war and the launching of the new world order offensive the world seems to be all clear for democracy

All that remains to be done is to carry the fight for democracy to a new civilisational pitch namely fighting the Islamic and pan Islamic the Confucian and the Hindu worlds (and worldviews) basically by advising the national elites in these regions to dismantle the institutions of their respective states and replace them with the new religion of corporate capitalism It would seem that to occupy a less arrogant role in the worldwide struggle for freedom and democracy is difficult for the Americans given the character of the American psyche It cannot wear a role assigned by history in a light, indirect soft and subtle way as was the case with the less idealistic but more sophisticated Englishmen, the Dutch and even the French, it is the 'Ugly American' syndrome all the way down to even the most sensitive areas of human endeavour [71] The result could well be that human rights will continue to be a minor cousin of the American espousal of trade, aid, preferential treatment and transfers of capital, tying up countries engaging in human rights violations through opening them up to western penetration without any real improvement in the human rights situation facing the poor and the oppressed sections of these societies [72]

Future for Democracy under Globalisation

That brings us to the heart of the matter how in a world so deeply divided by the phenomenon of poverty growing injustices and inhumanities can genuine human rights and democracy be promoted without recourse to the political process, both globally and within nations? We are in the presence of a global corporate enterprise that has divided the world between regions that have been globalised and regions that have been left out of the process of globalisation Increasingly the former are impinging upon the latter through a variety of technological fixes financial speculations and scams and a growing tie up between international trade and banking and local corruption and criminalisation within the latter hijacking both economic and ecological resources large chunks of agricultural land and co opting peasant interests on the one hand and professional middle classes in the urban areas on the other all with a view to integrate the globalised world and edge out the non globalised one by disenfranchising it under various conditionalities' But at the same time the latter is not allowed to fully opt out of the globalising thrust delink from it and seek an alternative future the globalised elite can tick you off but you must accept its hegemony

In fact the project of globalisation does not permit any alternatives It is fundamentally proposing a strategy of organising the world which brooks no challenge from without (in terms of alternative power structures) or within (in terms of social movements like environment and human rights) both of which have been denuded of their capacity to join forces and align into one common macro challenge The point is that movements' by themselves do not build power structures (even if they were not as fragmented and rendered politically impotent as they are today) On the other hand the sequence of political developments starting with the 'end of the cold war followed by the Gulf war and the doctrine of a new world order , the games of political and military interventions in vulnerable regions engineered through the United Nations the political use made of conferences like UNCED held at Rio and the human rights conference at Vienna and of course the signing of the GATT agreement at Marrakas, does make for a concerted effort towards a macro design of globalised politics

The overall result is that regions and peoples – and states – that are not integrated into the globalised framework stand marginalised and excluded Globalisation and marginalisation are two counter images of the same phenomenon, marginalisation being a necessary condition of globalisation while globalisation provides an existential framework in which millions are marginalised, felt unwanted and considered dispensable [73] Incidentally, even the day dreamers of a single unified world – the one worlders world federalists as well as the more recent proponents of a peaceful and disarmed world order' for creating a 'just world – have all, lacking a social philosophy and a truly political alternative model, ended up endorsing global structures of inequity and exploitation essentially pinning their hopes on technological revolutions, such as the modern communications and information order that are supposed to 'unify' humanity but have in the end subjugated it under a technological paradigm that has only strengthened the global structure of hegemony and aggrandisement [74] Some of them were well meaning and none of them had the sophistication and chicanery of the most recent advocates of a world order, who are at once devoid of any unifying perspective or even a balance of perspectives out of which a semblance of order and 'stability' can be expected so that the 'wretched of the earth can expect some openings for their survival and hope for a better future Instead what they are in effect proposing is that the rest of the world accept a colonised status and bargain their freedom and independence for a minimum desert of survival and security in short, a new 'social contract' under a global Leviathan but unlike with Thomas Hobbes not for all individuals and indeed at the cost of millions of them Hobbes was a far more enlightened vision than is likely to be Clinton's, even if we accept that the ghosts of Reagan and Thatcher have been pushed in the background and instead we have a truly globalised and not necessarily fascist gendarme in power who believe that theirs is a different model of *realpolitik* which is meant to secure genuine stability security and peace!

In reality quite a different 'global' trend seems to be emerging – of 'nations' breaking down without getting regrouped into some macro-alternative formations There is of course the grand upsurge of ethnicity and new assertions of nationalism and sub-nationalism, of a series of civil wars and larger wars in the making posing the challenge of new political alignments that may or may not be peaceful or non-violent; of nuclear proliferations of the most dangerous kind, accentuating diplomatic warfare that is preventing de-escalation of regional violence and terrorism', all of this

being handled by new and cynical power groupings, none of which provides a pleasing spectacle and indeed throws one in moments of despair in which one may even want a 'global' solution One may still hope perhaps to produce a new vision for this, building in part on the original post-war vision of liberation, equity and peace while resuming the project of the nation state that emerged from the ruins of the war but transforming it and humanising it making it less repressive and on that basis mobilising the people for a genuine people's world order But this is a Herculean task that will face serious obstacles given the powerful forces at work for the other model of globalisation in which fragmentation becomes the basis of 'integration

The best face that that model can put on is based on two sets of claims – de-escalation of the arms race and integration of diverse economies into a global market oriented model of economy and technology Such a model has attracted many inluding leaders and intellectuals of the third world However, with the best of intentions these two claims can only work at cross purposes, the 'global economy' making all nations but a few continuously indebted, forcing them to take to either highly hazardous forms of industrialisation or to the war industry itself (the borderline between these two being very thin), including manufacture of nuclear arms (China, Iraq, Isreal Brazil India, Pakistan), in turn inviting either a regional or even a 'global' (which means great power) backlash There will be nothing global' in such an encounter in the sense of transcending national or regional interests In the famous words of Toynbee, "globalisation means integration into the dominant centre, not a multi-lateral process" Whether one likes it or not, globalisation does in the end involve globalising security concerns and, knowingly or inadvertently getting hooked into military and intelligence networks of global 'interdependence This is also the case when one thinks of the emerging nexus between national chauvinist drives and the international regime of liberalisation-cum privatisation, be it in Tibet or Kashmir or through the suppression of ethnic minorities in Iran, Iraq Indonesia and the like

Pax Americana

On all of this the principal actor in the gameplan of globalisation is the US, irrespective of its economic weakness at home and the challenge posed by other major powers like Japan and Western Europe to its hegemony For only the US has both a global vision and a global strategy Also, as things stand in all theatres of the world – US-EC, US, Japan, north-south and what remains of east-west – only the US seems to call the shots One has just to consider the freshness, youth and vitality as well as the intellectual power available to the Clinton administration as compared to Mitterrand, Kohl, Yelstin and the Japanese cabal of corrupt politicians feverishly engaged in throwing away the country's technological prowess and financial and trade positions, and one can see the contrasting images that are found to permeate the global political process Meahwhile all the major gains from the spread of liberalisation, whether in Jamaica, Argentina, Vietnam, India, China or Russia, whether diplomatic or strategic, have gone to the US Also, in terms of the new strategic and military thinking and planning, the major initiatives are again likely to come from the US whether this be in the republics of the former Soviet Union or the former Yugoslavia, the Islamic and pan-Islamic world, the Israel Palestine issue, even south Africa, and above all with respect to Chinese expansion itself And, make no mistake it is the US state in collaboration with the corporate capitalist giants that constitute the new Pax Americana

All this is gaining legitimacy in the name of democracy. And, as hinted earlier, it is not democracy in the sense of a multi-polar, multilateral, pluralist civilisation Rather, it is democracy at war, not any longer winning friends and influencing people round the world but rather co-opting power structures all round the world, utilising both the models of state power (in terms of a statist 'world order') and corporate power (of the economic and technological type buttressed by the only real 'global' institutions, not the UN but the World Bank, the IMF and the World Trade Organisation launched by GATT) We have thus a joint project of permeating diverse states by a global market and destabilising the political and administrative structures of those very states that once posed a challenge to western hegemony but are today willing to accept that hegemony except in name Whereas the market beomes the vehicle for their subjugation to a global world order, this being the latest phase of both imperialism and capitalism, the political benefits of this will percolate to the US [25]

The point is that most of these are not the states as we have known them, nor is it the 'free market' as it is being advocated It is

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a different model of a state aligned with a new model of the market. Underlying both is a mind set of global homogenisation that is out to both delegitimise and dismantle sovereign states round the world while also excluding from the global arena a whole variety of communities and cultures and literally billions of people: women and children, old people as well as the new generation of the young, the tribals, the forest dwellers, the landless and bonded labour in the rural peripheries and migrant labour in urban slums, the poor and discriminated sections everywhere. The process has been going on for long but has become particularly aggressive following the radical restructuring of the 'world order' after the collapse of the Soviet Union as a composite state, the decline in both power and self-pride of so many nation states of the third world, and the new lease on life that the old maxim of divide and rule has acquired by making clever and diabolic uses of the new expressions of social and ethnic diversity and of political and cultural pluralism inherent in it. It is a mind set that seeks to roll over the grand panorama of both natural and human diversity and community lifestyles into one mammoth overriding structure.

Decline in Resistance

Surprisingly, it is a mind set that is not only being resisted sufficiently strongly by the affected states and nationalities that have everything to lose before this sweep of globalisation, but is rather being accepted with folded hands. It is the same attitude of a new kind of fatalism that seems to be passively accepting the onset of major catastrophes and growing risks Growing desertification following a mindless model of 'growth', alongside global warming at such a fast pace, poses almost an agenda of collective suicide. Meanwhile, as I have laid out somewhat graphically in my 'Democratic Civitas',[26] the condition of children and women is fast declining and endangering their very survival with honour and dignity. The growing violence resulting from the consumerist ethic of an acquisitive society and the murderous competition that it breeds has already been referred to earlier in this paper. (The environment movement is paying less and less attention to this, perhaps because of the growing influence of money power and permissive lifestyles on environment NGOs and the 'activists' dominating them.) Much of this is known yet there seems to be a continuous seduction by the capitalist corporate mind set which is stretching all over the world – the socialist world, the third world, the welfare states of the west – including among the 'representatives of the people' (both elected and self-appointed as with the NGOs), who know that the material benefits of this model will be available only to a few, that the large masses are being deliberately excluded and left out, that this is bound to generate turbulence and animus and strife, and the result will be politically destabilising.

This will, in particular, be the case with relatively open and democratic societies where the imposition of the global juggernaut will affect the very freedoms that they have for long cherished. Their elites seem to be falling prey to the 'catching up' syndrome that is increasingly forcing its way, using coercive techniques and making entire governments subservient and servile. What is being advocated is a notion of unity and interdependence of the world. What makes it palatable, though, is that this is to be achieved through cut-throat competition and rivalry using whichever means that works Shorn of all values, it is once again (as in the 19th century) finding merit in making the world and the power structure in it a domain for the survival of the fittest

And as the fittest survive, those not considered 'fit' and 'meritorious' and 'deserving' must of necessity be considered dispensable. It is almost like some inevitable law of history being played out – a law before which all the talk of equity and justice, or the old-fashioned notions of compassion and pity, appear meaningless and, of necessity, provoke so much cynicism. This cynicism in turn lends weight and merit to the growing attitude among so many of disdain and contempt for the lowly, embarrassment at the presence of so many poor and destitute, unemployed and unemployable, found in whirlpools of debt – squalor and disease – and of crime. Such an attitude is not some bizarre or irrational psychic state. It is the net result of growing polarisation between a minority backed by massive resources, power and the capacity to mislead and condition people's psyches, and a vast majority that is economically weak, socially divided and politically pushed to the wall but as yet unable to struggle together for evolving a common strategy to deal with the challenge posed by such a polarisation.

Meanwhile, concepts and movements that had been developed for the defence of the weak have been marginalised and co-opted one after another and thrown on the defensive – the idea of the 'South' and of 'South-South', the confidence gained by the 'South' from the time of the OPEC challenge and its alignment with the non-aligned movement, the idea of a new international economic order (NIEO) and of G-77 utilising the UN as a forum for pursuing development strategies that could lead to 'collective self-reliance', the widely argued and (even accepted concept of 'alternatives' and, for this, the vehicle being the independent nation states of the third world. Erosion of the capacity and confidence of the latter has led to a still more massive and deep polarisation – between not just a prosperous and powerful north and large parts of the south that are steeped in poverty and a fragile power base, but also between a north that is able to enjoy greener pastures and regimes of peace and relative tranquillity and a south that is getting increasingly polluted, noisy, violent and crime-infested. The former has over time succeeded in exporting and 'transferring' not just hazardous technologies but also pollution, violence, drug addiction – and dung!

Co-optation

The irony of course is that global centres of hegemony are fast adopting the large variety of concepts and ideas that had emerged from the alternatives thrown up earlier by third world and the former socialist world and by the diverse movements of social change and protest. Indeed, the great bearer of these latter, the NGO, is being made an agent of the proposed integration, unity and interdependence. The state is to be sidestepped, the so-called voluntary agency and the NGO is to be promoted and the various 'movements' – peace and environment in particular but parts of the women's movement too – are to be adopted as agendas of the new world order. What had started as micro movements located in diverse communities and plural settings or had been conceptualised by some third world intellectuals belonging to the 'alternatives' school has now got hijacked by technocrats of the global NGOs. With this environment becomes 'management of natural resources' rather than struggles to retain people's rights over natural resources. Peace is to be perceived as a technology fix[27] and a result of technical interventions by the only remaining superpower. As for the women's movement, it is to be gradually co-opted through the technology of global conferencing and heavily funded projects. Also, many of those who gained legitimacy by participation in, and closeness to, grass roots struggles are to be co-opted (indeed have already been co-opted) in the global NGO framework, essentially by being invited with open hands by academic centres and international NGOs in the north, dishing out huge honoraria and per diems.[28]

Common to all of this is an undermining of the political dimension of these movements and struggles and the diverse cultural and ethnic settings in which they are to be waged. Paradoxically, the project of undermining

the state – the institutional embodiment of the polity – also becomes a project of depoliticisation of both the state and the 'movements' that are engaged in struggles against it In fact, the ongoing process of co optation may well take us back to the Reagan Thatcher legacy of downgrading the state and with it the democratic process as well

The democratic upsurge has of course its own logic which is bound to keep raising its banner even if it is unable to withstand in the short run the combined backlash from centres of imperial power and corporate capitalism The NGOs may not prove to be the best vehicle for the democratic movement and against the globalising juggernaut Perhaps the main counter to both globalisation and the erosion of independent political structures will come far more than from the grass roots movements from local and national political spaces, consisting of socially peripheral but politically ascendant groups and communities, castes and classes, and nations in the making In short micro movements occupying macro spaces across local, national and regional terrains It is through such stirrings of civil society that we may also witness new models of 'alternatives' that have been provided by either the bourgeois liberal or the Gandhian or the traditional left ideologies or the new social movements' represented by the NGOs [2]

Notes

1 Francis Fukuyama *The End of History and the Last Man* Free Press New York 1992

2 There has been a longstanding concern in western liberal thought about the dangers of mass society and mass culture and of the rise of demagogy based on a crowd psychology that may be inherent in them of the passions and temptations to which revolutions give vent and of the excesses of populist politics in our own time Burke and Tocqueville Durkheim and Freud Nietzsche and Camus among others have dwelt upon various implications of the rise of the mass society and revolutionary politics These concerns have of late been reflected in India too especially following the growth of populist politics from the 1970s onwards Building on these fears though has been the rise of the present dominant tendency both in the west and in India that is aimed against the growth of democratic politics based on class (caste) ethnic and other grass roots identities and making use of the anxieties to which all these give rise against dissent as such

3 When in the final round of negotiations on the GATT agreement some western countries pressed for acceptance of minimum labour conditions (wages ban on slave labour child labour etc) and the environment prompted no doubt by trade union and other pressures in the west for restricting trade inflows from the third world there was a hue and cry from the governments of most of the G 15 countries which suddenly, after proving so pliant and submissive on 'structural adjustment' were found to indulge in anti western (especially anti American) rhetoric Significantly, as opposed to spokesmen of western governments (led by the US vice-president Gore) western TNCs were pressing the G 15 governments to continue or adopt repressive policies vis a vis labour

4 See my 'State and Statelessness in Our Time' *Economic and Political Weekly* Annual Number Vol 26 (11 12) March 1991 and 'Rise of the dalits and the Renewed Debate on Caste' *Economic and Political Weekly* June 25, 1994 I have dealt with the whole paradox of disempowerment of the people of institutions of the state and of the state by global structures of world capitalism and hegemonic politics in several of my writings See in particular *State against Democracy In Search of Humane Governance* (Ajanta Delhi 1988) and *Growing Amnesia An Essay on Poverty and the Human Consciousness* (Viking (Penguin) New Delhi 1993) especially the chapter on 'The Political System and the Poor'

5 On the theme of creating a nation state by encompassing diverse identities instead of imposing a transcendent structure see 'Hanging by a Fragile Thread' *The Telegraph* Special Anniversary Supplement July 14 1994 On the failure to make such a conception of pluralism socially representative see my 'The crisis of Representation' *Hindu* August 31 1994

6 For the concept of intermediate aggregation and its operation through a unique party system see my earlier work *Politics in India* (Orient Longman Delhi 1970) The article 'The Congress System in India' which is how I had described this party system in 1964 has been reproduced in my *Politics and the People In Search of a Humane India* (Ajanta Delhi 1989)

7 I have argued elsewhere (*Seminar* Annual Number January 1992) that the 20th century has already come to an end Quite distinct from the statist overtones of the idealist school of philosophy in England even the classical liberals were inspired by such an aura of the state Walter Bagehot's classic *The English Constitution* laid this out in a subdued yet powerful way the majesty of the state served by a balance of institutions and procedures

8 The artificially imposed borders and boundaries within and between nation states and the equally artificially imposed centralised colonial regimes which were continued after independence are finally coming to roost in large parts of the third world as well as in parts of the western world and most strikingly in the former socialist world The growing volatility of electoral politics in countries as diverse as Japan Canada the US (the Ross Perot phenomenon) Russia (the Zhirinovsky phenomenon) Italy and Germany as well as the traumatic events that have overtaken countries carved out of former Yugoslavia Czechoslovakia and Georgia (and the near total failure of powerful countries and the UN to stem horrendous tides of murder and starvation in Somalia and Rwanda), highlight the fast spreading upsurge of ethnicity and sub-nationalism For a theoretical analysis of the theme, see my 'Ethnicity' in *Rethinking Development In Search of Humane Alternatives*, Ajanta, Delhi 1988, and Aspect, London 1990) For an interesting perspective on the rise of civic discontent and its implications for the stability of nation states in the west see Charles S Maier, 'Democracy and Its Discontents' *Foreign Affairs* July-August 1994

9 These roles – and generally the crucial importance of the social objectives of the system have received inadequate attention given the overwhelming sway of economistic thinking but they have been amply laid out in the constitution both under the directive principles of state policy and under the chapter on fundamental rights as well as in a series of articles dealing with the role of the state in the protection and welfare of the tribals the minorities and the socially deprived strata I had attempted to emphasise the social dimension as part of the country's planned efforts in the draft chapter on 'Social Policy' in the Eighth Plan document under the National Front government (with the assistance of Shekhar Sharma) It was accepted by the other members of the Planning Commission but subsequently dropped by the reconstituted commission after the fall of the V P Singh government It is now part of my *Growing Amnesia* op cit For a well documented critique of state policy from the point of view of the rights of tribals and dalits, see B D Sharma's report to the president in his capacity as commissioner of scheduled castes and tribes which has recently been republished as *Dalits Betrayed* (Har Anand New Delhi 1994) I have restated the theme in my contribution to the compilation entitled *Indian Society Today Challenges of Equality Integration and Empowerment* edited by Muchkund Dubey prepared in connection with the UN sponsored Social Summit to be held in Copenhagen in March 1995

10 There has been of late a great deal of talk about a unique Asian model credited with not only high rates of growth but also one that had enabled the east and southeast Asian countries to march ahead of the west, also bringing into play a new kind of statecraft that had been pulling even hegemonic powers like the US on the defensive (e g by Japan on the trade front on the one hand and China on the human rights and democracy issues on the other, or Malaysia on the environment front) This has also led leaders of some of the NICs, such as Mahathir bin Mohamad of Malaysia, to raise the banner of third world militancy of the right (as opposed to third world militancy of the left that was espoused by people such as Nasser, Nkrumah and Soekarno), engaged in a friendly encounter with the west following the logic of free trade and integration into the world market but at the same time asserting their right to wield the power of the state as these leaders

and the regimes (or parties) over which they preside deem best (e g, China *vis-a-vis* the rights of Tibetans or the dissent of the youth in general). In the process they have also managed to command a large array of intellectual and media support, including, interestingly, some sections of the left intelligentsia. This also comes in handy for the structural adjustment lobby, both within these countries and in the west, and the latter-day camp-followers like the Congress regime in India reeling under the Bonapartist sway of Manmohan Singh.

11 The idea of world order, which is today seen as a strategy of global dominance, was for long an offshoot of western progressivism in the form of liberal internationalism, arising from the growing disappointment with the states system following the end of the 'balance of power' phase of world politics with the first world war It got a further fillip after the experience of fascism on the one hand and communism on the other. This drew in particular upon a branch of the discipline of international law that thought of promoting "world peace through world law" as a model of both conceptualisation and research. A book of that name by Grenville Clark and Louis B Sohn (Harvard University Press, first published in 1956) had a considerable influence in the US and in world federalist circles in some countries in Europe. An institute called the World Law Fund was established in the 1960s, and leading experts in international law, Saul Mendlovitz and Richard A Falk among them, launched a research project called the World Order Models Project in which scholars from various parts of the world (Ali Mazrui, Johan Gattung, Yoshikazu Sakamoto and the present another among them) were invited to participate. This led to a series of publications which provided a variety of regional 'models' of world order This led to quite a few dissenting worldviews (as against the world federalist one) and 'models' of change and transformation in the prevailing 'world order'. Both in my *Footsteps Into The Future* and in subsequent writings in the journal *Alternatives*, which I edited for the first 10 years, I had expressed my differences with the western exponents of world order. I left the project in 1993.

2 'This Centre Cannot Hold', *Seminar*, Annual Number, January 1993,'Hanging By a Fragile Thread', *The Telegraph*, op cit.

13 For a fuller treatment of this theme, see my *Growing Amnesia*, op cit, especially the chapters called 'Overview' and 'Global Setting'.

14 For a somewhat comprehensive treatment of the role of the state under the new global corporate model of capitalism, see my 'Capitalism and the Role of the State' in Ghanshyam Shah (ed), *Capitalist Development: Critical Essays* (Felicitation Volume in honour of A R Desai, Popular Prakashan, Bombay, 1990.

15 I have dealt with various facets of these issues in my series of five books dealing with humane governance, alternative development and democratic politics, and the implications of these for a humane world order through 'transformation and survial', published in 1988-89 by Ajanta Publications, Delhi, also by Aspect Publications, London in 1990

16 In Gandhji's arresting language, "...it will be an oceanic circle whose centre will be the individual always ready to perish for the village, till at last the whole becomes one life composed of individuals, never aggressive in their arrogance, but ever humble, sharing the majesty of the oceanic circle of which they are integral units.. "

17 It is the search for simultaneous pursuit of these twin foci – regional and decentralised movements for democratic rights of various nationalities and cultural identities, and social movements for equity, participation and self-governance of diverse communities – that led to the formation of the Federal Front (now renamed Front for a Federal India), which held its founding conference on 'Federalism and Threats to Diversity' in Calcutta in 1986 and its most recent (10th) convention on the struggles of peoples and communities and regions in the north-east held in Guwahati in 1994 The Front is composed of a large network of grass roots and regional movements, left political groupings (including some M-L parties), human rights activists, and intellectuals committed to a comprehensive conception of the federal idea The author had the privilege of drafting the initiating document in Calcutta and has been associated with it along with other intellectuals ever since

18 See my 'State and Statelessness in Our Time', op cit; Growing Amnesia, op cit.

19 For a short but well-documented critique of the recent scam, see Seema Mustofa and Anuradha M Chenoy (eds), *The Scam: The Cover-Up and Compromise* (Wiley Eastern, New Delhi, 1995)

20 Much has been written on the idea of progress, the great battle cry of the European enlightenment and its enormous sweep across the globe For a theoretical-cum-historical analysis based on the literature that is available, see my *Footsteps into the Future* (Orient Longman, New Delhi and Free Press, New York, 1974). For a recent historical-cum-ideological overview, bringing the critique up to date and making it relevant for our time, see Amiya Kumar Bagchi 'Democracy and Development in Post-Soviet World', *Economic and Political Weekly*, December 31, 1994

21 Refuting Francis Fukuyama's thesis of the "end of history", the Harvard political scientist Samuel P Huntington has adopted the 'civilisational' route for carrying forward 'history', in short combating Islam, the Confucian challenge and Hindu India, treating them as the next set of frontiers (having already defeated world communism). See his paper in *Foreign Affairs*, Volume 72 (3), Summer 1993 For a sharp rebuttal from an Asian thinker, see Chandra Muzaffar, 'The Clash of Civilisations or Camouflaging Dominance?' *Just Commentary*, Volume 5, September 1993 There have been other critics too, including in the US. For Huntington's response to some of these see his 'If not Civilisations, What? Paradigms of the Post-Cold War World', *Foreign Affairs*, Volume 72, Number 5, November-December 1993.

22 That the government of India and many other governments in the third world (the Chinese being at the forefront of them all) are violating human rights cannot, of course, be gainsaid. That they are at the same time shielding their actions and policies through anti-imperial rhetoric and a new brand of G-15 diplomacy is also true. But none of this can offset the opportunism of US diplomacy on this front. See my 'Human Rights Offensive: Damage Done by US Support', *The Times of India*, April 9, 1994.

23 The theme was developed at some length in 'Of Humane Governance' in my *State against Democracy: In Search of Humane Governance*, op cit, and taken up further as part of a democratic of the state under the new critique development paradigm promoted by globalisation in *Growing Amnesia*, op cit

24 I had developed this critique first as part of the debate on world order within the idealistic camp of world orderism as found, among others, in the World Order Models Project This was first published in June 1979 in *Alternatives*, Volume 5(1), entitled 'Towards a Just World' and later as 'Justice and World Order' in *Transformation and Survival In Search of Humane World Order* (Ajanta, Delhi, 1988) As I had argued there, the new rhetoric of world order employed by the world corporatist elite "has sought to gain legitimacy from a radically different and fare more idealistic school of thinking in the US which is committed to world order", and "how, in a period of imperial retreat, new legitimisation is sought from dissident sources, how the paranoid strains in national culture converge with idealistic strains in the same culture to produce a new ideology in the defence of old interests" (emphasis added)

25 There are, of course, signs of growing divergence between the global imperial drive, located along the terrain of the states system, and the new global model of capitalism operating along a terrain that is apolitical and technological and independent of the states system. I shall be dealing with this divergence in my forthcoming book on globalisation. But there is also growing evidence that the United States is likely to improve its position in both the global terrains, of course paying serious social costs within the US (and not just worldwide).

26 Published in Ram Bapat and Pushpa Surendra (eds), *Critical Issues in Indian Society*, Earthworm Books, Madras 1994.

27 See my 'Peace as a Technology Fix' in *Transformation and Survival*, Delhi, Ajanta, 1988

28 On the overall scenario depicted in the last three sections, see my 'Yawning Vacuum: A World without Alternatives', *Economic and Political Weekly*, Volume 28 (22), May 29, 1993, and *Alternatives* Volume 18 (2), Spring 1993

29 I have developed the basic argument for such a new model of alternatives in my 'Rice of the Dalits and the Renewed Debate on Castes', op cit

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(000s omitted)

	Schedule	As on March 31, 1995 Rupees	As on March 31, 1994 Rupees
CAPITAL AND LIABILITIES			
Capital	1	2,000	2,000
Reserves and Surplus	2	2,817,337	2,273,858
Deposits	3	21,955,748	17,540,070
Borrowings	4	1,360,186	1,201,722
Other Liabilities and Provisions	5	1,688,238	1,150,418
TOTAL		27,823,510	22,168,067
ASSETS			
Cash and balances with Reserve Bank of India	6	2,498,247	1,046,845
Balances with Banks and Money at Call and Short Notice	7	53,432	168,212
Investments	8	8,130,095	10,474,453
Advances	9	14,763,625	8,103,811
Fixed Assets	10	338,297	403,956
Other Assets	11	2,039,815	1,970,792
TOTAL		27,823,510	22,168,067
Contingent Liabilities	12	150,472,628	83,666,544
Bills for Collection		191,768	1,117,563
Notes to Accounts	17		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995

(000s omitted)

	Schedule	Year Ended March 31, 1995 Rupees	Year Ended March 31, 1994 Rupees
1. INCOME			
Interest earned	13	2,870,175	2,214,583
Other income	14	545,773	784,918
TOTAL		3,415,948	2,999,501
2. EXPENDITURE			
Interest expended	15	1,487,498	1,122,388
Operating expenses	16	655,121	667,632
Provisions and contingencies		65,849	270
TOTAL		2,208,468	1,790,291
3. PROFIT BEFORE INCOME-TAX		1,207,480	1,209,211
Provision for Taxation		664,000	698,362
4. NET PROFIT FOR THE YEAR		543,480	510,849
5. APPROPRIATIONS			
Transfer to Statutory Reserves		108,696	102,170
Transfer to Revenue and Other Reserves		434,784	408,679
TOTAL		543,480	510,849
Notes to Accounts	17		

As per our report of even date

BORKAR & MUZUMDAR
CHARTERED ACCOUNTANTS

Sd/-
DILIP M. MUZUMDAR
PARTNER

Sd/-
AMBI VENKATESWARAN
CHIEF EXECUTIVE OFFICER

BOMBAY: June 29, 1995

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

SCHEDULES FORMING PART OF BALANCE SHEET AS ON MARCH 31, 1995

(000s omitted)

	As on March 31, 1995 Rupees	As on March 31, 1994 Rupees
SCHEDULE 1—CAPITAL		
1. Amount brought in as start-up capital	2,000	2,000
2. Deposit with Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949. Government Securities of the face value of Rs 640,000 included in investments (previous year Rs 510,000)	Nil	Nil
TOTAL	2,000	2,000
SCHEDULE 2—RESERVES AND SURPLUS		
1 Statutory Reserves		
Opening Balance	500,647	398,477
Add—Transfer from Profit and Loss Account	108,696	102,170
	609,343	500,647
2. Capital Reserves		
Opening Balance	879,857	568,777
Add—Transfer from Revenue Reserves	400,000	311,080
	1,279,857	879,857
3. Revenue and Other Reserves		
Opening Balance	893,354	794,885
Add—Transfer from Profit and Loss Account	434,784	408,679
	1,328,137	1,203,564
Less—Transfer to Capital Reserves	400,000	311,080
Add—Prior Period Adjustment	Nil	870
	928,137	893,354
TOTAL	2,817,337	2,273,858

(000s omitted)

	As on March 31, 1995 Rupees	As on March 31, 1994 Rupees
SCHEDULE 3—DEPOSITS		
A I Demand Deposits		
i) From Banks	28,622	133,110
ii) From Others	2,836,612	2,542,650
II Saving Bank Deposits	1,397,898	633,320
III Term Deposits		
i) From Banks	617,244	25,336
ii) From Others	17,075,373	14,205,655
TOTAL	21,955,748	17,540,070
B i) Deposits of Branches in India	21,955,748	17,540,070
ii) Deposits of Branches outside India	Nil	Nil
TOTAL	21,955,748	17,540,070
SCHEDULE 4—BORROWINGS		
A Borrowings in India		
i) Reserve Bank of India	882,541	731,253
ii) Other Banks	204,094	460,652
iii) Other Institutions and Agencies	Nil	Nil
TOTAL	1,086,635	1,191,905
B Borrowings outside India	273,551	9,817
TOTAL	1,360,186	1,201,722
Secured borrowings in A and B above—Nil		
SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS		
1. Bills Payable	646,946	263,001
2. Interest Accrued	221,750	227,084
3. Inter-Office Adjustments (net)	479,581	466,441
4. Others (including provisions)	339,961	193,891
TOTAL	1,688,238	1,150,418

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

SCHEDULES FORMING PART OF BALANCE SHEET AS ON MARCH 31, 1995

(000s omitted)

	As on March 31, 1995 Rupees	As on March 31 1994 Rupees
SCHEDULE 6—CASH AND BALANCES WITH RESERVE BANK OF INDIA		
1 Cash in hand (including foreign currency notes)	26,057	25,480
2 Balances with Reserve Bank of India		
a) In Current Accounts	2,472,190	1,021 364
b) In Other Accounts	Nil	Nil
TOTAL	2,498,247	1,046,845
SCHEDULE 7—BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I IN INDIA		
i) Balances with Banks		
a) in Current Accounts	51,372	165,580
b) in Other Deposit Accounts	Nil	Nil
ii) Money at Call and Short Notice		
a) with Banks	Nil	Nil
b) with Other Institutions	Nil	Nil
	51,372	165 580
II OUTSIDE INDIA		
i) In Current Accounts	2 060	2,632
ii) In Other Deposit Accounts	Nil	Nil
iii) Money at Call and Short Notice	Nil	Nil
	2,060	2,632
TOTAL I & II	53,432	168,212
SCHEDULE 8—INVESTMENTS		
I Investments in India		
1 Government Securities	6,033,383	5,202,843
2 Shares	600	600
3 Debentures and Bonds	1,972,306	3,266,349
4 Others	123,806	2,004,661
II Investments outside India	Nil	Nil
TOTAL	8,130,095	10,474,453

(000s omitted)

	As on March 31, 1995 Rupees	As on March 31, 1994 Rupees
SCHEDULE 9—ADVANCES		
A 1 Bills purchased and discounted	1,940,620	1,961,423
2 Cash credits, Overdrafts and Loans repayable on demand	11,748,142	6,418,024
3 Term loans	2,035,649	979,022
	15,724,411	9,358,470
4 Less Bills Rediscounted	960,786	1,254,659
TOTAL	14,763,625	8,103,811
B 1 Secured by tangible assets	9,696,593	4,779,853
2 Covered by Bank/ Government Guarantees	1,334,725	930,560
3 Unsecured	4,693,093	3,648 057
	15,724,411	9,358,470
4 Less Bills Rediscounted	960,786	1,254,659
TOTAL	14,763,625	8,103,811
C I Advances in India		
1 Priority Sector	958,607	1,018,372
2 Public Sector	345,122	833,461
3 Banks	24,388	117,243
4 Others	14,396,294	7,388,893
	15,724,411	9,358,470
Less Bills Rediscounted	960,786	1,254,659
TOTAL	14,763,625	8,103,811
II Advances outside India	Nil	Nil
TOTAL	14,763,625	8,103,811
SCHEDULE 10—FIXED ASSETS		
I Premises		
Cost as at April 1, 1994	83,715	83,715
Additions during the year	Nil	Nil
Revaluation during the year	Nil	Nil
	83,715	83,715
Deductions during the year	Nil	Nil
	83,715	83,715
Accumulated depreciation to date	11,534	7,373
	72,181	76,342
Capital works in progress	27,055	Nil
TOTAL	99,236	76,342

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

SCHEDULES FORMING PART OF BALANCE SHEET AS ON MARCH 31, 1995

(000s omitted)

	As on March 31, 1995 Rupees	As on March 31, 1994 Rupees
II Other Fixed Assets		
Cost as at April 1, 1994	531,437	458,389
Additions during the year	57,062	97,274
	588,500	555,663
Deductions during the year	48,545	24,225
	539,955	531,437
Accumulated depreciation to date	304,704	235,219
	235,251	296,218
Assets under installation	3,810	31,396
TOTAL	239,061	327,614
TOTAL I & II	338,297	403,956
SCHEDULE 11—OTHER ASSETS		
1. Interest Accrued	368,738	291,457
2. Tax paid (net of liability)	481,539	198,960
3 Stationery and stamps	2,890	3,775
4 Others	1,186,648	1,476,600
TOTAL	2,039,815	1,970,792

(000s omitted)

	As on March 31, 1995 Rupees	As on March 31, 1994 Rupees
SCHEDULE 12—CONTINGENT LIABILITIES		
1 Liability on account of outstanding forward exchange contracts	142,937,055	78,679,387
2 Guarantees given on behalf of constituents		
a) In India	1,663,956	1,417,428
b) Outside India	Nil	Nil
3 Acceptances, endorsements and other obligations	5,195,606	2,335,193
4 Other items for which the Bank is contingently liable	676,011	1,234,535
TOTAL	150,472,628	83,666,544

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995

(000s omitted)

	Year Ended March 31, 1995 Rupees	Year Ended March 31, 1994 Rupees
SCHEDULE 13—INTEREST EARNED		
1. Interest/discount on advances/bills	1,835,877	853,584
2. Income on investments	979,478	1,233,764
3. Interest on balances with Reserve Bank of India and other inter-bank funds	38,490	105,520
4. Others	16,330	21,715
TOTAL	2,870,175	2,214,583
SCHEDULE 14—OTHER INCOME		
1. Commission, exchange and brokerage	204,978	110,458
2. Profit on sale of investments	143,628	530,194
3. Profit/(Loss) on revaluation of investments	(16,978)	Nil

(000s omitted)

	Year Ended March 31, 1995 Rupees	Year Ended March 31, 1994 Rupees
4 Profit on sale of land, buildings and other assets	13,059	2,239
5. Profit on exchange transactions	188,722	139,158
6. Miscellaneous income	12,313	2,869
TOTAL	545,773	784,918
SCHEDULE 15—INTEREST EXPENDED		
1. Interest on deposits	1,062,698	915,739
2 Interest on Reserve Bank of India/inter-bank borrowings	346,547	202,486
3. Others	78,253	4,164
TOTAL	1,487,498	1,122,388

Bank of America

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995

(000s omitted)

	Year Ended March 31, 1995 Rupees	Year Ended March 31, 1994 Rupees
SCHEDULE 16—OPERATING EXPENSES		
1. Payments to and provisions for employees	190,488	287,073
2. Rent, taxes and lighting	134,456	101,401
3. Printing and stationery	20,133	14,038
4. Advertisement and publicity	18,940	18,024
5. Depreciation on bank's property	118,014	75,979
6. Directors' fees, allowances and expenses	25	16
7 Auditors' fees, and expenses (including branch auditors)	553	1,432
8. Law charges	842	4,111
9 Postages, telegrams, telephones, etc	55,484	52,531
10. Repairs and maintenance	41,001	41,818
11. Insurance	1,153	844
12. Other expenditure	74,034	70,364
TOTAL	655,121	667,632

SCHEDULE 17—NOTES TO ACCOUNTS

1. ACCOUNTING POLICIES
   a) **Accounting Conventions**
   The Financial Statements are drawn up in accordance with historical cost convention on accrual basis except in case of Commission on Guarantees & Letters of Credit and Payments under the Early Voluntary Retirement Scheme of 1988, which are accounted on cash basis
   b) **Foreign Currencies**
   Assets and Liabilities in foreign currencies, except for non resident deposits in FCNR (A) Accounts, are translated into Indian Rupees at rates current at Balance Sheet date as prescribed by FEDAI. The net exchange difference arising thereon is charged or credited to profit and loss account as prescribed by the RBI
   c) **Investments**
   Investment Securities are valued at cost plus discount, if any, accreted till date. Trading Securities are valued at lower of cost and market value as prescribed by the RBI.
   d) **Fixed Assets**
   Fixed Assets other than Premises (refer Note 2), are stated at cost less accumulated depreciation. Depreciation is charged on the straight line method, at rates higher than those prescribed in Schedule XIV of the Companies Act, 1956, as per the global policy of the Bank.
   e) **Advances**
   Provisions for doubtful advances have been made to the satisfaction of the auditors and in accordance with the norms prescribed by the RBI, based on a periodic review of advances, and after taking into account the portion of advances guaranteed by the Deposit Insurance and Credit Guarantee Corporation, the Export Credit and Guarantee Corporation and similar statutory bodies.
   f) **Staff Benefits**
   Provisions for gratuity/pension benefits to staff have been made on accrual basis except for the liability mentioned in Note 3. Separate funds for gratuity/pension have been created.
2. Premises include an amount of Rs. 78,437,153 on account of revaluation made on March 10, 1993.
3. The liability pertaining to employees who retired under the Bank's Early Voluntary Retirement Scheme of 1988 is being accounted for as and when it falls due under the Scheme. The liability under the Scheme as on March 31, 1995 as actuarially determined is Rs. 6,139,000.
4. Investments include:
   a) Bonds valued at Rs. 67.67 million (face value Rs. 71.35 million) which were misplaced in transit. Necessary action in terms of lodging FIRs with the Police and notifying the issuers of the bonds has been taken. The Bank continues to hold valid legal title to the bonds as their registered owner.

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION (INDIAN BRANCHES)

b) Bonds valued at Rs 182 72 million (face value Rs 220 million) currently registered in the name of a third party which has been notified under Section 3(1) of the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992

Claims aggregating to Rs 801.45 million have been made on the Bank by another Bank on account of securities that were allegedly not delivered The Bank has disputed these claims and has been legally advised that they are not tenable
The Custodian/Notified Person under the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992 have made claims for delivery of Units/Bonds aggregating to Rs 710 million (face value) alongwith consequential gains thereon The Bank has disputed the claims and has been legally advised that they are not tenable
Previous year figures have been regrouped and reclassified wherever necessary

As per our report of even date
BORKAR & MUZUMDAR
CHARTERED ACCOUNTANTS

Sd/
AMBI VENKATESWARAN
CHIEF EXECUTIVE OFFICER

Sd/-
DILIP M MUZUMDAR
PARTNER

BOMBAY June 29, 1995

AUDITORS' REPORT

We have audited the attached Balance Sheet of Indian branches of Bank of America NT and SA as on March 31, 1995 and also the Profit and Loss Account of the Indian branches of the Bank for the year ended on that date

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Sub Sections (1), (2) and (5) of Section 211 and Sub Section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, together with notes thereon, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act 1956 The accounts are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949

We report that

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit, and have found them to be satisfactory
(b) The transactions which have come to our notice have been in our opinion within the powers of the Bank
(c) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books
(d) The Balance Sheet and Profit and Loss Account of the Indian branches of the Bank dealt with by this report are in agreement with the books of account.
(e) Reference is invited to Notes in Schedule 17 regarding investments (Note 4), claims made by other banks on account of securities allegedly not delivered (Note 5), and claims made by Custodian/Notified Person under Special Court (Trial of Offences relating to Transactions in Securities) Act 1992 (Note 6)

Subject to the above, in our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with other notes thereon give the information required by the Companies Act, 1956, in the manner so required for Banking Companies, and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian Branches of the Bank as on March 31, 1995 and the Profit and Loss Account gives a true and fair view of the Profit of the Indian Branches for the year ended on that date

For BORKAR & MUZUMDAR
CHARTERED ACCOUNTANTS

Sd/-
DILIP M MUZUMDAR
PARTNER

BOMBAY: June 29, 1995

Dismantling Men

Crisis of Male Identity in 'Father, Son and Holy War'

Rustom Bharucha

Besides situating the theme of hegemonic masculinity within the specific political atmosphere and organisation of the Hindu right in contemporary India Anand Patwardhan's film moves out in different directions to illuminate the crisis of male identity in society at large

WITHIN the patriarchal determinisms of contemporary cultural practice in India it is rare to encounter a film like Anand Patwardhan's Father Son and Holy War' that compels one to confront the dubious privilege of being a 'man in Indian society What began as a documentary on the Hindu Right and its legacy of communal and fundamentalist violence became in Patwardhan's words, reflection on the crisis in male identity' To what extent the film succeeds in dismantling its own implications in this crisis is subject to discussion at many levels What cannot be denied, however is that it does offer a very strong exposure of patriarchy, and the beginnings of a critique against masculinity, perhaps the first of its kind in Indian cinema Indeed if one agrees with the general validity of the statement "Most men do not know they have a gender They can afford to take their sex for granted It is the norm [Middleton 1992 11] 'Father, Son, and Holy War (FSHW), I would imagine has the potential to shatter such complacency particularly among its male spectators Speaking for myself, I would acknowledge that the film does provoke reflexivity (even though it is not reflexive itself) by representing diverse ways in which masculinity has been shaped and is in the process of being constructed through patriarchal structures in contemporary India Though Patwardhan maintains a discreet silence on alternative masculinities (and male sexualities), his film nonetheless suggests, through the sheer debasement of patriarchy that it represents so relentlessly the necessity of envisioning other ways of being a man

The emphasis of my discussion is on 'masculinity' rather than 'patriarchy though it is obvious that the terms are deeply embedded in each other's discourse though their inflections are different It would be one thing to say that FSHW is against patriarchy – that would indeed, be a loaded truism given the predominance in Patwardhan's film of the systems values and beliefs created and regulated by men, for the benefit of men But to read a critique against masculinity in the film, as I choose to, is a more contradictory and provocative proposition, not least because this critique is subsumed – almost secreted – in the large representation of patriarchy

There is also the problem of prioritising terms within the existing categories of secular discourse Most Indian men in professional disciplines even those involved in feminist bashing at covert levels, would have no problems with articulating positions against patriarchy At an academic level patriarchy has become very respectable But these very men would possibly find it a little more difficult if not embarrassing to acknowledge that they are against masculinity, because the unavoidable inference in such a position would suggest an undermining of their manhood itself

Man masculinity manhood the terms are not that clear Do you become a man or are you born one? Are men necessarily masculine ? Indeed, some men may reject their masculinity on ideological and/or sexual grounds And yet there are so many false assumptions here insofar as it is often assumed that homosexuals, for example are not men' they are feminine Yet gay and homosexual cultures, however unofficial, are often marked by strong masculine codes So, does masculinity in this case become a style', a representation a role , a manner of projecting manhood? The question is deeply ambiguous At this point in time particularly in India where the relationship of male sexuality to gender is almost totally silenced (or perhaps not considered to be an issue worth discussing) – we have no choice but to accept, "The relationship of masculinity to other nouns like male man manhood, manliness and virility is far from obvious ' We can begin perhaps by regarding the essentialised category of purusatva' as applying to Indian men in general with deep suspicion

If masculinity needs to be defined, however provisionally, it would be necessary not to accept it as a 'given , a natural' attribute of men, but to see it from multiple perspectives as a social and political construction that develops in specific ways at particular points in time through patriarchal interventions Though it expresses itself through particular body-behaviour, it is not intrinsically or unconditionally a biological phenomenon Nor is it a 'fixed entity , even though it is often projected through rigid, identifiable signs Here, too, one must be prepared to accept more 'fluidity' in what would seem like an unquestionably 'hard' phenomenon

There is, as R W Connell rightly emphasises, no 'one primary determinant' for masculinity no first cause like 'original sin (though the separation of the male child from the mother is often regarded by psychoanalysts as providing the condition for a nascent masculinity shaped by the codes of an external, authoritarian, non-maternal world ruled by men) [Middleton 1992 153] ' Instead of seeking such 'causes' for a master narrative on masculinity, it would be more accurate to acknowledge a plurality of masculinities shaped by different hisotrical processes and institutions And yet interestingly, even Connell who advocates such a perspective, feels the need to inscribe the 'hierarchy' of masculinities within a hegemonic masculinity This would suggest that for all the differentiations in masculinity, there are at certain points in time – not just in the process of a man s life but at particular junctures in history – consolidations of power that produce a construction of 'what it means to be a man in very specific ways, which is then propagandised at mass levels through popular consent

It is this 'hegemonic masculinity' that is, to a large extent, the subject of FSHW within the specific political atmosphere and organisation of the Hindu Right in contemporary India, particularly in the aftermath of December 6, 1992 While the narrative of the film is contextualised within this time-frame, including certain events preceding, yet foreshadowing the crisis in Ayodhya, the discourse of FSHW concentrates on the patriarchal rhetoric of communalism and fundamentalism, while dispersing in different directions to illuminate the 'crisis of male identity', which (understandably) the film does not attempt to resolve

'Them' and 'Us'

Structured in two one-hour segments, ironically entitled 'Agnipariksha' and 'Hero Pharmacy', Patwardhan's documentary negotiates a wide range of locations and contexts, ranging from the developments following Roop Kanwar's murder at the sati

site of Deorala, Rajasthan in 1987; communal tensions in Ahmedabad, Gujarat, also in 1987, the International Puthrakameshti Yagna (the ritual for the birth of sons) in Cochin, Kerala, 1992; the aftermath of the Babri masjid crisis leading to the devastation of the Bombay riots in 1993. Indeed, the film opens with the burning embers of these riots, accompanied by the voices of men – disembodied, desultory, casually inhuman – which are punctuated with sharp demarcations of 'them' and 'us'. The terror of these dichotomies lies in their shifting uses which merely reinforce the same deadly scenario of 'othering'.

On the one hand, there is self-reassurance as a voice reveals, 'there is fear only for the Muslims' (by implications, 'we're not afraid, there's no threat to us'). In the mode of retaliation, another voice glibly asserts, 'They do it, we do it too'. In a more sinister mode, there is an admission: 'A list was prepared. They knew the names' ('They'? Unnamed leaders in complicity with the arsonists). Through all the terror, there is an almost perverse attention to detail – the 'low-caste' Hindus did the looting, while members of 'high society bought the loot. Patwardhan's camera focuses on what was not looted – burned-out bales of cloth lying in front of emptied shops owned by Muslims. The deliberate violence is undercut through the men's nonchalance. 'Remember Jagjit Singh's song – If people are afraid, why go out of the house?' Another man puts it more bluntly: 'How do I feel? I'am having fun'.

'Maja ata hain'. Patwardhan compels one to listen to what is normally sanitised or deleted as irrelevant in academic discourses on communal violence. The dehumanisation of the men is heightened through one of the most terrifying shots in the entire film (for which, I believe, Patwardhan had to fight with the Censor Board in order to justify its selection and duration): an almost surreal sight of a charred corpse lying on the street, hardened through rigor mortis, one leg streched upwards, the body corroding like a piece of metal, past which pedestrians walk, as if it were a piece of garbage. The sheer horror of the image lies not in its grotesque physicality, but in Patwardhan's ability to make us confront the banalisation of violence. His non-voyeuristic use of the camera, in this respect, is exemplary.

Apart from the opening sequence, the entire narrative of FSHW can be read around the polarities of 'them' and 'us'. It is not sufficient in this regard for the enemy to be branded within the construction of a single 'other'. That 'other' needs to be linked to several 'others'. Note, for example, the progression of the following statements, which are made spontaneously by members in a belligerent crowd: 'Let Rao and V P Singh become Muslims'; 'Let Rao wear a sari'; 'Wearing saris is a sin ('paap')'. To begin with, the [illegible] are on the 'other' side as 'secular' politicians. But it is not enough for them to be branded as secular. They also have to be 'Muslims'. Even that is not enough, so out comes the insult from a sullen teenager. 'Let him wear a sari' (and thereby, by implication, become either a woman or a 'hijra'). One way or the other, this sign of femininity is a paap. The insults can go no further.

'Woman' is consistently marked as the source of 'vice' and 'threat' in communal discourse. In the Deorala site, for instance, we encounter Rajput male resistance to the proponents of secularism: 'They are strongly against us to destroy our culture'. This critique of secular men, however, is merely a pretext to include 'their wives' – lascivious women activists who need a 'male companion for their morning walk', with at least two more companions for lunch and bedtime respectively. Having indulged in this fantasy, the voice then conveniently equates 'them' with an inscrutable 'foreign hand', which is predictably involved in the destruction of 'our' 'sanskriti'.

At times, the patriarchal biases against women in communal rhetoric can be disguised through seeming approbation. As Shambhu Maharaj, the extremist Hindu leader from Gujarat, endorses the Shiv Sena in a rally, there is at one level, a dissolving of differences between 'them' (the Marathis) and 'us' (the Gujaratis). But in the process, he reinforces the 'Muslim menace' that brings the two communities together. Shifting his focus to the women in the rally, he rhetoricises the problem by reaffirming one of the most deep-seated prejudices against Muslims: their alleged hyper-fertility. 'Their population is growing', Shambhu Maharaj warns the women, 'while ours is shrinking'. Blessing the women to have eight sons, who in turn will have eight more sons, he envisions a 'creeper-like' growth of the entire 'dynasty', contributing to the strength of the 'Hindu nation'. The bottom line of his communal spiel is specifically woman-targeted: 'I request you not to practise birth-control'.

What Patwardhan succeeds in revealing through such rhetorical outbursts is a certain quality of 'slippage', whereby patriarchal, anti-woman biases emerge at the most unexpected junctures in the most unlikely places. We could be listening, for instance, to a pudgy MBA holding forth on the validity of the Puthrakameshti Yagna, as he assures us that it is 'not just sons' that the ritual guarantees, but 'progeny of a very, very high quality'. Quite unexpectedly, and with tacit support from his wife, he launches into a totally unnecessary, yet bland, 'liberal', Hindutva critique of the Muslims as a privileged, minority community (and not just the men, but their unshibited wives as well).

From where is this prejudice emanating? It is to Patwardhan's credit that he never 'fixes' the cause of the communal problem by blaming 'the Hindus' alone for it. On the contrary, he makes us confront the other side by interviewing a Muslim leader in Ahmedabad, who for all his apparent anti-communal zeal, is derisive of the notion of equality for women. Falling back on the crudest biological argument, he asserts: 'They're not match for us in physical strength'. Immediately after this interview, we hear a Muslim woman in a meeting organised by the Lawyer's Collective stating the problem bluntly. 'The men use Islam to put us down'. The 'us' here has shifted from 'Muslim' to 'Muslim women' to 'women', a new grouping of solidarity which has emerged through oppression. Through all these juxtapositions – Hindu/Muslim, fertility/infertility, strength/weakness, equality/inequality – Patwardhan sets us thinking about the problems underlying communalism, where in the final analysis, it is the deep-seated legitimisation of violence against women by men, regardless of community or party affiliation, which lies at the root of 'holy wars'.

When women are not specifically invoked in the categorisation of 'them' and 'us', the metaphor that dominates the political discourse in the film concerns the potency of men. It is first introduced by a fanatical VHP religious leader who rails against the secular mechanisms of the Indian parliament. 'They wanted to make us impotent'. Later in the film, he refers to the politicians as hijras, thereby reversing the threat of impotency into an abuse. Extending his phallocentric discourse in an even more strident register, his colleague, Sadhvi Rithambara, titillates the predominantly male audience by playing on the patriarchal norms of 'izzat' and revenge: Targeting Mulayam Singh Yadav, she rails: 'Why do you need arms? To kill a eunuch, why waste a bullet? We're Hindu, India is ours'. It is through such rhetoric that 'impotent secularism' is set against 'potent Hinduism'.

More emphatically, in one of the most provocative cuts in the entire film, an aphrodisiac seller's sales-pitch rhapsodising the semen 'shooting like an arrow from a bow' is juxtaposed with the icon of the arrow glistening in the night sky of a Shiv Sena rally. Such is the shock of the visual that there is no need to spell out the incredible layering of sexuality, potency, and militancy in the construction of masculinity. What would seem like a throughly harmless, through obscene 'male' image, the residue of indigenous sexual folklore claiming allegiance to Hanuman, provides the counterpoint to a modernist, masculinist, fiercely Hindu communal ethos.

In contrast, there are secular contexts in FSHW where the rhetoric of 'them' and 'us' is circumvented through reflexivity. The first significant use of 'we' in the film that

is not affirmative while being derisive of 'the enemy', is voiced by Swami Agnivesh, who has the courage to implicate himself and his community within the larger construction of Hindu male supremacy. 'We are guilty', he acknowledges to a rural audience in Rajasthan, while reminding them of the sanctification of the birth of the male child, and the breaking of pots that resound when a girl child is born. Problematising Tulsidas in the most down-to-earth of colloquial idioms, he reminds his listeners that while it may not be possible to delete passages from the *Ramayana* like 'Drums, untouchables, animals, and women are fit for beating', we can ensure that 'they are no longer part of our faith'. This critically empathetic reading of the *Ramayana* (as opposed to the blatantly patriarchal opportunism of Ramanand Sagar, for whom the 'agnipariksha' became a sensational gimmick on television) opens up the question of responsibility in interpreting 'tradition'.

At another level of secular intervention towards the end of the film, we listen to a stirring speech made by a woman activist on a street who exhorts people to 'remember their neighbours' during communal riots. Her discourse cuts across the specificities of religion – indeed, it transcends the issue of religion – by calling attention to the larger context of human rights and civil initiatives, which should bind us together as citizens regardless of our differences. And yet, even in this deeply felt position, there is an unconscious reiteration of 'them' and 'us'. 'If the lower castes, Muslims, aboriginal people, the oppressed were all united, we could outnumber them'. This is not the answer, to my mind, in combating communalism. The issue is not 'number', but the possibility of reaching out to diverse sections of society (including the non-communal upper castes and Hindus), without legitimising new exclusivities and intolerances in building sectors of resistance against communalism.

Icons of Masculinity

Even within the strictures of 'them' and 'us' FSHW presents a dispersed field of colliding contexts and discourses, some of which get linked and intersected, while others function more or less autonomously, in their own space and time. There are at least two ways of viewing this dispersal of materials. At a theoretical level, Patwardhan's film would seem to reflect what Peter Middleton has interrogated in his theory of masculinity.

> Is it a discourse, a power structure, a psychic entity, a history, an ideology, an identity, a behaviour, a value system, an aesthetic? Or is it all these and also their mutual separation, the magnetic force of repulsion which keeps them apart? . .Masculinity is a centrifugal dispersal of what are maintained as discrete fields of psychic and social structure [Middleton 1992.152].

At a more grass roots political level, however, which is the context in which Patwardhan makes his films and desires them to be viewed, the dispersal of materials and contexts in FSHW does prove to be problematic insofar as the links between the contexts are sometimes either too readily assumed or diffused through an insufficiently worked out argument in the language of cinema.

By far the most riveting section in the entire film (which I would like to examine in some detail) is an extended sequence from 'Hero Pharmacy', narrativising icons of masculinity. These are at once 'dispersed', yet driven by an inner momentum and energy, not evident in the rest of the film. Here one encounters cinematic risks and provocations that challenge the norms of 'political correctness' that generally tend to inhibit Patwardhan's cinematography. Definitely, this is a sequence in which the film-maker's own masculinity is placed on trial, as the narrative reveals the most blatant sexism and repressed sexuality underlying the rhetoric of 'man talk' ('mardon wali baat'). Though Patwardhan does not acknowledge the construction of his own gender and sexuality in the process of interviewing the men in this sequence, what can be read through the masquerade of masculinities on display is a deeply entrenched malaise, which could account partially for the perversities that characterise communal and fundamentalist violence.

The context of the sequence is largely determined by the celebration of Shivaji's birth in Maharashtra. It begins fervently enough with a picture of Shivaji cutting his finger over a 'lingam' to ensure the sanctity of India as a Hindu nation. The very next image, however, comes as a jolt insofar as it focuses on a mobile statue of the actress Mandakini from Raj Kapoor's *Ram Teri Ganga Maili*, who is seen pouring water over her scantily-clad body with a 'lota'. The same gesture is repeated relentlessly in a mechanised pornographic continuum, producing a form of violent titillation – more specifically, a violence inflicted on the body of woman, through a simulacrum of the actress Mandakini, who was herself 'created' by that master of sexual objectification, Raj Kapoor. It is unfortunate that the 'origins' of the Mandakini image are not opened by Patwardhan, because he would have been compelled in that case to provide a critique not only of the Shiv Sena (in whose celebrations of Shivaji, Mandakini is being deified), but of the coercive role of cinema in producing icons that have the potential to be appropriated by communal, anti-woman organisations.

What is Mandakini doing in a celebration of Shivaji? The question is anticipated by one of the ardent male supporters in the crowd, who in his attempt to answer it goes through the most circuitous rhetoric to reveal an intensely embarrassed sexual repression, covered up with male bravado. This is the kind of verbal evidence that reveals what it does not articulate. But from the convoluted rhetoric of the man, one learns that Mandakini is there to somehow retrieve a code of honour that was abused when Shivaji's 'chachi' was abducted by the Muslims, while she was bathing in the river Godavari. This happened before Shivaji's birth, but as the man emphasises, even today, 'our wives and daughters' cannot be spared the lascivious attention of the ubiquitous enemy. At this critical point in the narrative, when one is awaiting some kind of link between history and the icon of Mandakini, the man shifts gears and makes a joke as to how the goddess Bhavani will need to provide her male followers with more than a 'talwar'. In the tradition of weapons unearthed recently during the Bombay riots, she will have to arm the men with AK-56 rifles.

The seeming triviality of this 'man talk' nonetheless reveals the almost unconscious nexus of a mythic notion of honour, the lure of modern weaponry, and the targeting of a woman's body as the imagined site of protection and unacknowledged gratification of male heterosexual desire. How the need to commemorate the besmirched honour of Shivaji's 'chachi' gets translated into the visual icon of Mandakini, is left inarticulate, precisely because of the sexual filter that the men vicariously enjoy, yet are unable to confront.

From Mandakini, the camera surveys other statues of 'a brahmin god', for instance, who mechanically doles out spoonfuls of holy water to the crowds while a sequinned mirror ball glitters in the background, the kind of decoration one associates with bars and nightclubs, the underground sites of masculinity. Following this blend of glitz and religiosity, one encounters a grisly mobile statue of Narasimha, tearing out the entrails of his victim, where once again we are confronted with the same gesture, repeated over and over again, sadistically, mono-manically, in a relentless continuum of gut-tearing.

What Patwardhan succeeds in illuminating in the next sequence, depicting an amateur body-building competition (also part of the Shivaji celebration), is an almost uncanny gestural continuity between the mobile statues represented earlier and the bodies of men. It is one of the sharpest illuminations I have ever seen of the *containment* that characterises the representation of masculinity in body-building competitions. Much has been written on the element of 'strain' in representing the accentuation of

muscle in such 'displays' of the body, with the concomitant image of bodies 'ill at ease with themselves' [Middleton 1992 32, Dyer 1992] The grimaces, postures and fixed grins of the amateur body-builders in FSHW, acquire an almost parodic dimension, insofar as it becomes very obvious that their bodies are not 'built' to conform to the international criteria of judging bodies as upheld in the competition What is chilling however about the self exhibition of the bodies is their repressive mould wherein a single posture or gesture is set up and then sustained or repeated mechanically with the body pivoting on a single axis like a frozen mobile

Within the visual congruence of 'body building and mobile statues there is a shared narrative of sexual repression that gets sublimated through the virtues of preserving semen Patwardhan uses the voice overs of the body builders to counterpoint their images where through dead pan deliveries the men reveal their differentiation from other men who are slaves of the flesh in allowing their life force essence semen to fall What is implicitly upheld in such defences of healthy masculinity is the mythology of 'virya being transmitted upwards through the spinal chord in the brain in its subtle form known as ojas [Kakar 1990 119] The illusions of brahmacharya are unconsciously perpetrated in this framework where ironically the models of masculinity are not native or traditional but embodied in internationally recognised hulks like Arnold Schwarzenegger and Sylvester Stallone It is worth reflecting therefore that in addition to the colonial residue of masculinity emblematised in khaki shorts (the dominant sign of the RSS) the more contemporary icons of he men endorsed by the Hindu Right are cast within the tradition of *Rambo* and the *Terminator*, whose fascist constructions have already entered the traditional figure of Sri Rama among other icons

Tuning closely into the subtext of what is being said (and suppressed), Patwardhan concretises the sexual undercurrents of the men's voices through a series of blatantly macho images, beginning with the Indian Rambo, Sunny Deol (of whom it is said, 'jaan hai, build hai'), lurid posters of *Aag hi Aag*, *Julia* ('an obsessive story of violent love'), *Bombay Blast* ('the most violent film against violence') Through the onslaught of these images, in which the violence of machismo is highlighted, we hear anonymous men's voices, once again wallowing in the most debased kind of 'man talk' 'When we see rape in cinema, it is fun, but in real life with partnership, it could be different (so long as we don't know the girl)' The English word 'partnership' punctuates the Hindi with an almost predatory resonance, evoking the male bonding that underlies the increasing violence of gang-rape in India, which gets legitimised through collective male complicity (with 'partnership', or otherwise) Culminating the ghastly narrative voiced by the unseen men is the subterfuge of masturbation which becomes a substitute of violence rather than a means of countering sexual repression In the cinema (during the hot scenes) one feels like climbing on the screen your hand gets to work In this man talk replete with matter-of-fact obscenity, we come closest in the entire film to a representation of men acknowledging their sexuality without being able to confront it

From this juncture in the film Patwardhan makes yet another inspired cut into a seemingly different context of masculinity determined by wrestling matches on satellite television In a conceptual leap of considerable political significance the narrative shifts from local contexts of violence inspired by international models of masculinity to global representations of violence feeding the male fantasies of the third world From shots of pistols rifles toys the figure of He man the sequence focuses on the WWF wrestling star Hit man whose violent and obviously rigged fight on television is being watched avidly by a group of spectators – boys in the process of becoming men What makes these images of wrestling so culturally aberrant is not merely their distance from the local traditions of kushti but their fabrication of a hyper masculine aggressive behaviour whose idiom can be most accurately ground in the comic book masculinity of figures like Superman and Batman (but with far less IQ than these prototypes) What is being celebrated through wrestling on television is an essentially dumb inarticulate oafish idiotic masculinity A post-modern response to these figures would advocate irony in our perception of their performance but in the absence of adequately contextualised transcultural codes of seeing these wrestling stars become models of masculinity to millions of spectators, particularly boys from 'other cultures

With devastating matter of factness, Patwardhan makes us see the consolidation of patriarchy at this early stage in the fantasies of boys In the absence of parents and sisters they assert their nascent manhood with discomforting clarity 'Only boys wrestle', 'boys are heroes', 'we don t play with girls because they wear saris (a disturbing echo of the earlier comment in the film when Narasimha Rao is advised to wear a sari) Most sullen of all comments comes from a boy, who says, 'We don't play with girls, because girls are girls and boys are boys' This is not a cute statement, but an extremely calculated opinion in which the polarities of patriarchy are set. As we see these boys pummel and hit each other, in a total absence of camaraderie, we are compelled to question whether they are enacting their inner fantasies or merely displaying their already existing knowledge of 'a world where adults kill one another' [Middleton 1992 91 92]

To what extent is the class determination of the boys depicted in FSHW a criterion in assessing violence? Patwardhan provides some rare footage of Macho Man's visit to Bombay where he is practically mobbed by rich kids in a promotion campaign sponsored by Kwality ice-cream In the next sequence of the film, we see young boys of the Shiv Sena demonstrating a different kind of rowdy behaviour on the street Though the young blood' of Bal Thackeray may have no direct access to the consumerist benefits of Macho Man s followers they are nonetheless part of the same process of globalisation, whose power lies in the fact that it can market icons (and derivations) of Macho Man (and his kin) in the most diverse ways and in the most unlikely quarters In addition to these globalising mechanisms however, the traditional and indigenous norms of being a man in India are affirmed at almost every level of social interaction from the aphrodisiac seller s promotion of virility on the street to the education of a male child at home to his eventual consolidation of patriarchy through marriage Heterosexist supremacist, and hierarchical, these norms of 'being a man in India can get reinforced through international images of virility What is perhaps, less evident are the levels of confusion inadequacy, and impotence among men, which seem to be increasing in almost direct proportion to their declining self image in an increasingly competitive world dominated by masculine icons which are at once, alluring yet unrealisable

Men s Silences

If Patwardhan does not reveal the inner crises of masculinity in India this can be directly related to the fact that it is very rare for men to acknowledge these states of a bankruptcy The failure of being a man deepens through the self imposed limits of male expressivity Men prefer to be silent about their vulnerabilities In the absence of social and political movements in India like 'men against sexism , which have themselves proved to be infuriatingly 'pietistic' and self-agonising despite (or perhaps, because of) their imagined feminist orientations,[4] men in India – cutting across, class, community and ideology – have yet to dismantle the constructions of their own gender and sexuality And in this regard, Patwardhan is no exception

What we see in his film are the manifestations of patriarchal violence, the bravado and rhetoric of men, but they remain externalities which are recorded and inserted in a secular critique of communalism with no reflexivity whatsoever on the perceiving subject By failing to acknowledge its own complicity in its critique of other men, FSHW becomes, at one level, like most representations of masculinity by men, a 'face-saving exercise' [Middleton 1992 7] One is not advocating here that 'the gesture of reflexivity' should itself be made 'the subject of preliminary inquiry' An excessive focus on reflexivity can become an indulgence especially when representing a crisis as politically diverse and complex as communalism, but a reflexive dimension in the critical inquiry of any political phenomenon can only deepen, to my mind, the perception of other people's behaviour and relationships within the construction of one's own identity Apart from confronting the particularities of its own subjectivity, a secular discourse should not be de-sexualised or assumed to transcend the limitations of gender

It is in this context that there are inner worlds to be probed, to my mind, in the seemingly devoted silence of a young Shiv Sainik listening to Bal Thackeray with reverence or a man masturbating mentally on the figure of Mandakini while endorsing male honour – inner worlds that would undeniably complicate fixed notions and identifications of male gender, sexuality, and politics To represent men talking' and not just indulging in 'man talk', one would need to catch them off-guard and not just through anonymous subterfuge (How Patwardhan actually gets men to 'talk', without acknowledging their identities or his own, would definitely be a film worth reflecting on But first, it would have to be made) Whenever Patwardhan shows men, it is invariably *en masse* in public forums, the more intimate encounters in tea shops, bus stops, bars, 'akhadas' are not part of the landscape of his interviews Not once do we see these men with their own women – mothers, wives, daughters - in their own homes

Apart from placing men in more private, less confrontationist contexts, it would be useful, I believe, to see the male votaries of the Hindu Rights in situations of vulnerability This might seem like an overly idealised gesture of compassion on my part, but what concerns me is the strengthening of one's critique of communalism through the incorporation of its fissures and uncertainties It would seem expedient in this regard not to essentialise the masculinity of the Hindu Right, but to see its configurations in relation to different pressures, tensions, capitulations, threats, to which men respond differently, despite the larger hegemonic thrust of the movement. Essentialising 'communalists' is the surest way of playing into a scenario marked by 'the enemy' What is needed is a more complex analysis as to why and how particular states of insecurity among men get transformed into hatred of an entire community or religious group

Underlying the male aggression of the Shiv Sena, for instance, as Gerard Heuze has analysed in depth, are the realities, frustrations, and humiliations of unemployment, which get manipulated through different languages of aspiration, struggle, power, and liquidation of 'the enemy' [Heuze 1992] Despite the unquestionable vileness of this construction of 'the enemy', there is also a depth of unacknowledged impotency among the Shiv Sainiks, which Heuze unearths in one of his many telling interviews 'They see themselves being "hacked up, smashed to bits, flattened, crushed, shattered, torn open, cast on the rubbish heap, eaten away, having the blood sucked out They speak of "being winded", of a "lost life of forbidden possibilities, obstructed ways, frustrations and of a lassitude without a name"'

If these vulnerabilities (cast in the language of violence) are not echoed in any way in Patwardhan s film, where the upholders of Hindu Rights are almost consistently malevolent, this needs to be viewed as a conscious silencing of the vulnerabilities underlying the construction of communal identity which is part of the larger strategy underlying the construction of 'man' in Hindutva Men's silences, I would argue, cut across party community, and religion even though they are repressed in different ways for different reasons [Rutherford 1992] While Patwardhan makes an issue out of the fact that Hindu communal men are not essentially different from their Muslim counterparts, he implicitly differentiates secular men' from 'communal men', without confronting the differences between secular men And here, one does encounter the central tension underlying his representation of a 'crisis in male identity', insofar as he is prepared to acknowledge it without implicating himself (or his secular brethren) in it

Redefining the Human

The non-reflexive limitations of Patwardhan's perspective of 'men' is evident in his mode of film-making, which is driven by political necessities rather than shaped through processes of introspection Facticity is his priority, not the sharing of an experience While facing an almost unbearable amount of suffering, Patwardhan's camera – frontal, direct, immobile – remains seemingly untouched by pain. In his scrupulous rejection of any admission of vulnerability or doubt on his part, one can only assume that Patwardhan is fully "in control' not only of his subject matter, but of his feelings as well. Like a real 'man', he controls the chaos around him through the shaping of an argument, while remaining consistently civil in allowing both the victims and the perpetrators of violence to explain their point of view, ensuring their provisional trust through the code of anonymity Through all his attempts to dismantle masculine myths and delusions in the film, Patwardhan's male identity remains intact

In this context, he fails to explore other ways of being a 'man', mediated, for example, through constructions of 'femininity' FSHW could have been enriched, to my mind, conceptually and politically, if it could have incorporated Mahatma Gandhi's radical reversal of 'the colonial culture's ordering of sexual identities, by which manliness ('purusatva') is superior to womanliness ('naritva') which in turn is superior to femininity in man ('klibatva') [Nandy 1988 7-8, 52-53] As Ashis Nandy has pointed out, Gandhi has at least two countermodels one, in which 'manliness and womanliness are equal, but the ability to transcend the man-woman dichotomy is superior to both', and another, in which, femininity is superior to masculinity, which, in turn is better than 'failure of masculinity' ('kapurusatva') While Nandy's categories are essentialised, operating at the level of principles rather than historical difference, they offer a grid for possible contentions and speculations on alternative masculinities, which Patwardhan does not address Instead of entering the profound ambivalence of concepts like 'ardhanarishwara', or the traces of femininity that are to be found in the 'irreducible tendency towards bisexuality' in men,[3] Patwardhan settles for a less gender-specific alternative in positing the 'human' as a site for re-building civil society

The 'human' is the constant counterpoint in FSHW to the violent constructions of masculinity At times, it is merely glimpsed through ordinary sights, such as a girl looking out of a balcony, smiling and laughing as she watches a secular procession on her street In a slum, we see the backs of two children going to school, connoting a strangely tender image of the routine of everyday life which continues through the violence. Amidst the debris of communal devastation, a cat washes its face nonchalantly: Patwardhan tends to gloss over these details, almost as if he were embarrassed to enter their nuances. He is more at home with cryptic, matter-of-fact images, such as an OM sticker on a policeman's vehicle, or a communal

activist smoking a cigarette on a 'ratha', or more chillingly, a computerised sign – *HAPPY JOURNEY* – which continues to gleam automatically, in an overcrowded railway station, where everything has fallen apart, not least the lives of people destroyed through riots and arbitrary violence.

It is in recording histories of pain that Patwardhan reveals his deepest commitments. In a slum destroyed in a Shiv Sena pogrom, we hear the voice of a woman questioning the legitimacy of violence with an almost excruciating simplicity: 'What wrong have we done? What crimes are we being punished for? We haven't lived here for just a day, but for 40 years. Where are we to go?' Without making an issue of it, Patwardhan follows this agonised voice with a very unobtrusive shot of Muslim men praying in an alley. The image does not attempt to make an overly didactic statement; it is simply reminding us of the critical truth that when people lose everything in life, they inevitably fall back on prayer. It may not be a solution, but it provides a temporary respite from the violence and uncertainties of everyday life.

It is to Patwardhan's credit that he is increasingly open to the enigmas of faith, including the fundamentalist variety. In this respect, he makes a genuine attempt to probe not just the mechanisms of intolerance, but the 'faith' animating the perception of such mechanisms, by which they get transfigured as divine signs in the world of believers. Such is the case with the cook Godavari whose interview in the film reveals an almost fanatical state of grace, which is also intensely human. Not only does she believe that God's rays burned Roop Kanwar, she actually sees photorgraphic evidence of this divine intervention, denying the obvious reality that the two photographs have been pasted together to create the fiction of a 'miracle'.

'How can God be photographed?' the interviewer asks her. To which she responds, with an almost trance-like serenity: 'Gods can be photographed. They live in trees. See the God in the photo and see the burning pyre... If you could not see God, how could you believe that she was burned by God's rays?' The concrete literalism of this defence is what marks fundamentalist discourse in other contexts as well, and yet, as 'believed' by Godavari, it is extremely difficult to condemn it outright. Shaped as her belief is by the patriarchal construction of the 'pativrata' (for whom a husband is God, even if he beats her), can we deny Godavari a 'quasi-autonomous' subjectivity that animates her inner world? Or is this subjectivity a patriarchal construction in its own right?[6] In what state of illusion is Godavari living, one could ask, when it is equally possible for another working-class woman interviewed in the film to see through the economic foundations and patriarchal engineering of sati, with down-to-earth, subaltern common sense? Why is Godavari different? The question compels one to unearth the different ways in which patriarchy is rejected and/or internalised (as in the case of Godavari) in a seemingly non-negotiable, yet enigmatic subjectivity.

In juxtaposing Godavari's 'faith' with the subaltern woman's struggle for self-reliance and independence, Patwardhan uses his most developed strategy as a director in delineating the larger contradictions of a situation through opposing positions. Later in the film, he complements diverse histories of pain, by interrupting the narrative of a Muslim woman (a social worker who has been raped by the communal murderers of her husband) and that of a Hindu mill worker, whose two children get killed in the cross-fire of a riot. It is not just the juxtaposition of 'Muslim' and 'Hindu' that makes the narrative effecting. Indeed, this kind of strategy in the hands of a less sensitive director than Patwardhan could easily degenerate in a specious kind of 'democracy', where a false attempt is made at objectifying the losses and atrocities on both sides. Wisely, Patwardhan does not attempt to draw 'comprehensive' lessons from the narratives. He simply allows their subjects to speak in a context of trust, thereby revealing that vital quality which has distinguished his contribution to documentary film-making in India: the capacity to elicit and record personal testaments of oppression, injustice, and violence by ordinary citizens, struggling to retain their faith in humanity.

Such a testament is provided by one Sayed Ismail Sayed Wajid, an ordinary slum-dweller who is seen with his family and community in the closing sequence of the film, re-building the destroyed home of his Hindu neighbour. This is just one of the many evidences in the entire film of what must be affirmed as grass roots secular action. More so than in his earlier films, Patwardhan counters the increasingly widespread prejudice, particularly rampant among the supporters of 'indigenism' and 'nativism' in intellectual circles, that secularism continues to be a 'western', foreign, conceptually bankrupt importation in India. In FSHW, the secular activists may not be using the official discourse of 'dharmanirapeksata', but through their gestures, choice, resistance, and coalitions, they are actively preparing the grounds for an emergent secularism in India, rooted in the realities of everyday life.

On a personal note, I was struck repeatedly throughout the film by the expressivity of the secular workers, not so much in their street performances or processions, but in the exchanges of solidarity so evident, for example, among the women of the Lawyer's Collective social action group. Just the simple action of sharing of a glass of water or singing together, while dwelling on their life-experiences, provided deep glimpses into the emotional substratum of the women's movement in India. One wishes here that Patwardhan would linger on these inner states of emotion with a more fluid sense of duration. A secular politics can only be strengthened rather than diffused through the incorporation of seemingly ordinary exchanges and sentiments in everyday life.

Such is the subtlety, however repressed, of the representations of women's interactions, that it becomes almost redundant for Patwardhan to end the film with the icon of a mother-goddess, who has been viewed earlier in the film as a nurturing, non-violent, non-hierarchical figure, preceding the ascendancy of the phallus and the emergence of patriarchy. In the absence of an experiential context in relation to this figure, however, the icon merely rotates in a void, perhaps resonant to those feminists familiar with her context, but somewhat abstracted and unreal to viewers at large. It would have been more appropriate, to my mind, if the film had ended on the image of water flowing in the neighbourhood where Sayed Ismail Sayed Wajid is building his neighbour's home. This is not because the sequence radiates the obvious message of 'communal harmony', but because the speaker himself exudes an altogether rare male sensitivity, which is almost overwhelming in its gentle, understated, human dignity.

If we have to seek alternatives in order to 'break the cycle of violence', we can find them in such living examples of civil initiatives among citizens. It is by reaching out to each other in a re-invented context of trust and love that humanity can be redefined. The mother-goddess in FSHW is merely a utopian point of reference, a politically correct insertion, but it is not part of a lived or imagined relationship. To 'imagine the future', as Patwardhan urges us, we need to begin not with the exhumed symbols of the past nor with the globalised icons of the present, but with emergent, human relationships, cutting across class, community, and religion. For this to materialise, however, 'men' will have to begin the struggle of dismantling their masculinities, by questioning their power in relation to the instabilities of gender and sexuality.

Notes

1 I wish to acknowledge the many insights I have received from Middleton's reflexive study of masculinity. In a spirit of

reciprocity, I trust that this essay responds to the need for different histories of masculinity 'Other men other cultures, will have other things to say to which we need to listen Our ability to hear those men will be much greater if we understand our own masculinity more clearly'(p 12)

2 For a detailed analysis of the separation of the male child from the mother in the Indian context read Kakar (1982), particularly the section entitled 'The Second Birth

3 For a brilliant analysis of Sadhvi Rithambara's persona, read Kumkum Sangari (1993) While Rithambara may not name herself as a woman but as a *sadhvi* (literally a chaste woman) her very 'self abnegation and desirelessness enable her to play with the discourse of desire and male impotency/sexuality which according to Sangari, 'sexualises both the Hindu rashtra and communal violence achieving an effect quite different from the male use of similar discourse (p 878) The question still remains whether Rithambara is not operating exclusively within a masculinist frame of rhetoric which she is merely extending rather that subverting through her neutered female presence

4 Read for example Jennifer Somerville's The Sexuality of Men and the Sociology of Gender *The Sociological Review* 37/2 pp 277 307 quoted by Peter Middleton in his critical section on 'Men's Movement Theories of Emotion and Experience' *The Inward Gaze* pp 118 30

5 For a provocative examination of both the beneficent and negative aspects of 'Ardhanarishwara the yearning for wholeness and the tensions and disequilibriums between female and male read Wendy Doniger O Flaherty (1980) O'Flaherty emphasises the primary maleness of the androgyne in Indian mythology so that 'Ardhanarishwara as she reminds us is always regarded as a form of Shiva not a form of Shiva and Parvati, the literal meaning of his name is The Lord (ishwara) who is half (ardha) a woman (nari')' (p 315)

On bisexuality read, in particular, Sudhir Kakar's deeply pertinent comments in the Indian context on the 'mergence of the boy child with his mother Kakar (1982) elaborates on the early, 'symbiotic period of human development, when the boy has yet to distinguish his body and psyche from the female body and feminine psyche of his mother, he still has to separate himself from her before he can begin the process of becoming masculine' (p 161) It is through these traces of the early merger with the mother' that an 'irreducible tendency towards the bisexual can be discerned in 'every man (p 163)

6 From the deeply researched study of Sudesh Vaid and Kumkum Sangari (1991) it would seem that 'it is not only explanations of belief in widow immolation as "sati" which are ideological *but the belief itself* (my italics) Categorically denying the 'autonomous orgin' of belief, which is inextricable from 'the social processes which generate it , the authors nonetheless qualify that 'once articulated in rituals and institutions belief acquires a relative autonomy of the sort that other ideological formations have It is this 'relative autonomy I believe that needs to be opened through the trajectories of subjectivity and desire

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Sangari Kumkum (1993) 'Consent, Agency and Rhetoric of Incitement' *Economic and Political Weekly* May 1

Vaid, Sudesh and Kumkum Sangari (1991) 'Institutions, Belief, Ideologies Widow Immolation in Contemporary Rajasthan', *Economic and Political Weekly*, April 27

FORD FOUNDATION POST-DOCTORAL RESEARCH FELLOWSHIPS IN ECONOMICS

Applications are invited for overseas post-doctoral research fellowships in economics (maximum non-extendable duration of 12 months) for **the 8th round** of selection of scholars These fellowships are tenable at prominent foreign universities or economics research institutions and are intended to strengthen research and teaching capabilities in India in **Macroeconomics, International Economics, Public Economics** and provide opportunities for Indian scholars to improve their skills in these areas through course work Proposals of both empirical and theoretical research **in these and also other worthwhile areas such as environmental economics and economics of finance will be considered** Scholars who are awarded fellowships may be given, on their return home, financial assistance to follow up research which they would be taking up during the tenure of their fellowships

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Only persons holding permanent positions are eligible to apply The fellowships will be administered in India by the National Institute of Public Finance and Policy For an application form, please write to the Associate, (Admin & Fin) National Institute of Public Finance and Policy at the address below giving date of birth, field of primary specialisation in economics; present position; Ph D thesis title, name of Ph.D supervisor, thesis abstract, university and date of Ph D award, with a stamped (Rs 4.00) self-addressed envelop of size 23 cm x 10 cm.

*** LAST DATES**

For requesting for application forms	August 7, 1995
For receipt by NIPFP of completed applications	September 11, 1995

NATIONAL INSTITUTE OF PUBLIC FINANCE AND POLICY
18/2 Satsang Vihar Marg
Special Institutional Area
New Delhi-110 067.

Feminification of Theory

Veena Ravi Poonacha

CONSTRUCTIVE criticism of a political philosophy which has radically changed our understanding of social reality is welcome. But Dipankar Gupta's critic of feminist theory and its affinity to post modernism (March 25) smacks of male prejudice behind a thin veneer of sophistry. The article is smattered with stereotypes of women and men who attempt to transcend the limits of gender subjectivity. One marvels at the intellectual arrogance which dismisses an entire system of thought and a widespread movement validated by women's lived experience with only a cursory examination of a segment of its theories.

The basic flaw in his argument despite his obvious marxist leanings is his ahistorical construct of the history of women's resistance to male domination. Furthermore, failing to appreciate the differences in the various strands of feminist thought he arbitrarily subsumes them under post modernism which has never been influential beyond the academia. Feminism cannot be simplistically understood as a single theory; the range and scope of its inquiry goes beyond body politics to question the rendering of power relationship in all areas of human life.

Representative of attempts made by women to make sense of their lives, feminism cannot be construed as a finished theory but should rather as a set of open-ended questions about society. The seeming contradictions and complexities within its ideologies and political strategies which seem to confuse this writer stem from their theoretical underpinnings. The varying assumptions made about the consciousness of the gendered self as either the product of socio historical conditioning or as biologically innate informs their perception about the primary site of women's oppression. It in turn influences the conceptualisation of human nature and the relationship of the individual with society and state, creating the visible differences in feminist ideologies and agenda for action.

Feminism indubitably, as pointed out by the writer perceives sexuality and the construction of gender identity as intrinsic to consciousness. It presumes that all social relationships and responses devolve from the biological accident of one's birth to influence societal notions of individual 'entitlements' to the resources of the society. Gender identity, therefore, creates marked disparities in people's access to resources, avenues to attain social prestige and freedom to choose lifestyles.

But the centrality accorded to gender and sexuality in feminism does not preclude a concern for issues that affects the entire society. In effect feminism addresses a wide range of issues; their critique of the present socio political organisation, built on what may be termed masculist ideology of domination and aggression, from the vantage point of women is an extremely valuable counterpoint to examine the destinies of nations and the world.

The paradox of post-modernism has been fully realised within feminism. For on the one hand by acceding to the contention of cultural relativism it denies the political possibility of a universal category of 'woman' required to bring about a change in the existing gender relationship, on the other, by legitimating the cultural identities it forces women into stereotypical mould of womanhood that are culturally defined within a given society. Despite these limitations and the threat it poses to the existing disciplinary grids, which seems to worry the writer, one cannot deny the radical contribution made by post-modernism to our understanding of the nature of truth. Truth is undeniably notional, multi dimensional and relative to the power relationships in society.

Politics of Choice in Popular Policies

K Ravi Srinivas

THIS is with reference to the note on Politics of Population and Development (*EPW* September 17, 1994). There is much evidence to suggest that population control figures as a major item in the agenda of governments and international agencies. Initiatives taken prior to Rio 92 at the Rio 92 conference and elsewhere indicate that the population question is emerging as a major question. In national reports prepared for UNCED, population dynamics was listed as one of the three major problems by more than 90 per cent of developing countries with reference to planning for sustainable development. As usual they needed more funding and technical assistance to meet the increasing demands of population programmes and family planning services. Population was identified as a cross sectoral issue thanks to lobbying by UNFPA and various NGOs. The final prepcom documents on population did not include targets and timetables but called for more research on demographic trends, linkages between population and environment etc. Section 4 of Agenda 21 states with reference to earlier international population agreements that governments should "implement as a matter of urgency, measures to ensure that women and men without bias of gender have the right to decide freely and responsibly on number and spacing of their children, to have access to the information, education and means, as appropriate to enable them to exercise this right in keeping with their freedom, dignity and personally held values". The conference would have succeeded in pushing population as a major issue and would have ensured that UNCED adopts a stand that views population growth as a major issue and hence deserves more funding and commitment from governments, but interventions from feminist groups, the Holy See and the US delegation, besides opposition from G77 at various stages, ensured that this did not happen. But the battle is far from over.

Two years ago, the then minister for health M I Fotedar asserted "For us the limited family norm is not a distant theoretical idea but the very basis of our economic and social upliftment endeavour is dependent on speedy translation of concept into actual reality".[1]

In fact a committee headed by a chief minister and including a few chief ministers and a member of the Planning Commission had recommended the following: (1) People with more than two children would be excluded from PDS. (2) Introduction of disincentives for those who do not conform to the two child norm. (3) Government employees who conform to this norm would be given priority in allotment of government accommodation. (4) Debarring from promotions for five years for employees who violate the two child norm. (5) Dismissal from service on the birth of the fourth child. (6) Low interest loans for housing and vehicles should be given only to those who follow the norm. (7) Medical facilities and leave travel concessions to first two children only. (8) Those who have

violated the two child norm should be debarred from being recruited to jobs in government departments/autonomous bodies/ public sector units

Although these suggestions have not been implemented way back in 1976 the Maharashtra assembly did pass a bill providing for some incentives and disincentives similar to the above suggestions The committee has suggested that the disincentives can be withdrawn if one member of the couple undergoes sterilisation The fact that such suggestions which if implemented would violate the fundamental rights of citizens and would unduly punish children for no fault of their own were being articulated indicates that population control by coercion was acceptable to the powers that be Thus while the suggestions of the committee headed by M S Swaminathan are controversial similar suggestions have been made even earlier Yet most of the opposition parties have not publicly condemned such suggestions There seems to be a consensus that India's increasing population is a stumbling block in the development of the nation This accepted wisdom should be questioned

Of course these days much lip service is also being paid to women's literacy improvement of women's status etc in the context of women's development But the population establishment is using this rhetoric to hide the ugly face of population control and as a cover to deny the reproductive rights of women This is also being used to co opt feminists NGOs and others to further the objectives of population establishment

Similarly the word choice is used to promote solutions to the problem of overpopulation It is stated in an article published by the pharmaceutical MNC Organon Scientists around the world are convinced that finding a universally acceptable contraceptive vaccination is the key to controlling population growth in the developing world

When the motives behind the development of such contraceptive methods are so clear the population establishment wants women's groups to participate in clinical trials and evaluation projects But barrier methods are not given much importance and technocratic solutions are promoted as safe solutions and options, all in the name of participation decentralisation and widening the choice available to women

It is well known that the new economic policies are being implemented with support from the World Bank and the IMF Right from the days of Robert McNamara, the World Bank is an advocate of controlling the population explosion' and has funded projects related to population control In addition, the World Bank at times incorporates analysis of population growth and its role in economic development In some countries (e g Jordan, Turkey) the Bank succeeded in raising population as an issue in discussions with high level officials In the case of Indonesia, the bank's role was much wider Its population sector work was instrumental in helping the Indonesian government to develop its population programme In Africa the population issue figured in many of the reports prepared by the bank in 1987 88

In Senegal preparation of a Population Policy Statement and Action Plan became an agreed condition of the release of third tranche of SAL The action plan was to include explicit targets also In Nigeria the bank played a major role in policy formation and approval of policy Another important feature of the bank's work on population is the use of dialogue to persuade governments and particularly those in top positions The bank's success in policy dialogue is due largely to its access to the highest levels of government and its links with a wide range of ministries Fred Sai cites instances of changes in policies brought about due to dialogues held with presidents and heads of state The bank's senior population adviser is also involved in policy dialogues Besides this, the bank promotes dialogues through seminars, training programmes, etc But as indicated, the bank's work extends to persuading governments to accept conditions also According to Fred Sai, the "bank was instrumental in persuading Bangladesh to offer voluntary sterilisation in their family planning programmes as part of negotiations surrounding the third population project" Besides these, the bank also conducts research on population which includes *inter alia*, incentives for small family size The bank also works in collaboration with other agencies such as USAID and UNFPA India figures in the list of key countries' which are considered to have serious population problems Thus the role of the World Bank in promoting population control is obvious and since the World Bank plays a major role in deciding on further assistance to the country we need not be surprised if population stabilisation or population control becomes a conditionality in future

REVIEW OF WOMEN STUDIES

April 29, 1995

Gender Issues in Theory and Practice

Theory and Practice of Women's Movement in India A Discourse Analysis
– Supriya Akerkar

Marathi Literature as a Source for Contemporary Feminism
Vidyut Bhagwat

Search for Women's Voices Reflections on Fieldwork 1968 93
Malavika Karlekar

Gender in Field Research Experiences in India
L C Schenk Sandbergen

Gender in Neoclassical Economics Conceptual Overview
–Ritu Dewan

The **Review of Women Studies** appears twice yearly as a supplement to the last issues of April and October Earlier issues have focused on Women's Movement in Third World (October 1994) Gender and Structural Adjustment (April 1994), Women and Public Space (October 1993), Community State and Women's Agency (April 1993), Gender and Kinship (October 1992) Women Rights and Laws (April 1992) Women and the Media (October 1991)

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Bombay 400 001

The possibility of the World Bank's intervention through SALs cannot be ruled out [1]

Similarly, the impact of structural adjustment programmes (SAPs) advocated by the World Bank - IMF on women's health and well being have been highlighted by women's groups and concerned scholars A report from the US could serve as a warning signal to us in India about the implications of SAPs Although the report is about the impact of Reaganomics, it is relevant as Reaganomics and SAPs have many common features Both are based on the same ideological principles and were touted as miracle cures But the miracle has brought little cheer to women It has helped the rich to become richer and in the process the US is competing with developing nations in its performance in decline of social services infant mortality etc

Reaganomics and Women Structural Adjustment US Style 1980 92 A Case Study of Women And Poverty In the US has been published by Alt WID (Alternative Women in Development) a coalition of women researchers and policy advocates based in Washington DC They focus on alternative policy directions to empower women particularly women in poverty both within the US and in so called Third World countries The report cites a study which has shown that the average rating of US social health has declined from 69 points on a scale of 100 during the Nixon Ford regime to 61 points during the Carter regime and declined further to 38 points during Reagan era This index was devised by Fordham University Institute For Innovation in Social Policy and takes into account 17 indicators such as unemployment infant mortality food stamp coverage children in poverty, etc The 1990 index focused on the social health of women looking at poverty, violence health coverage and income gap between women and men from 1974 88 Women's social health index declined from 78 points in 1974 to 38 points in 1988 Although women have borne the brunt of declining social health, the worst hit were African American women and Latinos who have higher rates of unemployment are disadvantaged in the labour market and earn lower wages than European American women About one fourth of all African-American and Latino children lived in families having incomes below the poverty line

In access to health care, the trend towards privatisation of health care delivery, increase in the number of for profit hospitals, and reduced federal funding for health care of the poor accentuated the situation This report points out that according to the National Research Council, "For people of the lowest economic status overall morality was 80 per cent greater than those at the highest socio-economic level" Although the number of poor has increased, funds for the Medicaid programme, designed to provide health care for the poor, have not increased in real terms In 1976, 65 per cent of the poor were covered by Medicaid by 1984 this number had declined to 38 per cent According to the report, 'because of discrimination women, particularly low income and minority' women suffer disproportionately in terms of access to health care'

According to Peggy Antrobus The problem with structural adjustment policies is not that they assume women are outside of development and need to be brought in (via accompanying compensatory programmes) but that they are actually grounded in gender ideology which is deeply and fundamentally exploitative of women's time/work and sexuality

Since undue attention is given to population control other issues relating to women's health do not get the attention they deserve Nor is there a positive correlation between high rates of contraceptive prevalence and reproductive health Jodi I Jacobson points out that in Brazil which is considered a family planning success story high contraceptive prevalence rates exist against a backdrop of declining reproductive health A World Bank study also pointed out that reproductive health needs are poorly met Due to lack of alternative methods women had little choice except sterilisation As a result 41 per cent of women users had undergone sterilisation [4] Policies that explicitly or implicitly promote sterilisation thus end up denying the reproductive rights of women Indonesia is often cited as a success story in family planning, particularly its achievements in involving religious leaders and the community in achieving the goals of family planning However, what have Indonesian women gained in the process and whether it is a success story for women are some of the questions that cannot be ignored Ines Smyth has critically examined this case in the light of such questions [5]

The much cited Indonesian model ensures that women's reproductive rights are effectively controlled by the state But in terms of indicators of women's health and welfare, one has to re-examine the whole notion of success in family planning Closer to home it has been pointed out that Tamil Nadu, which is considered a success story in family planning, cannot be considered so in terms of indicators of women's health Sundari Ravindran points out "At the same time perinatal mortality rates and stillbirth rates, indicators of women's health during childbearing years, showed an increasing trend and remained above national averages" [6]

Blindly encouraging schemes to offer incentives for those practising the two child norm and disincentives and punishments for those who do not follow the norm would boomerang on women The experiences of women in China indicate that such coercive policies result in abuse of women Women do not have full control over their fertility, and in a society which places a premium on a male child, such policies are biased against girls particularly those who were born later Regarding the case of millions of Chinese missing girls Terence Hull concludes "If children are being hidden from surveys and registration forms, it is likely that they are also being deprived of the various benefits of child care schooling and protection from exploitation to which they are entitled If they are being illegally aborted put to death or mistreated so as to cause premature death because of their gender, they represent a class of innocent victims whom the state is committed to protect To the extent that this anti social behaviour is a reaction to official family planning policy it is important for the government to develop responses adequate to the challenge" [7] Mary and Laurie also point out that the one child norm was implemented when China was dismantling rural agricultural collectives which was causing much hardship to families and women [8] In India where there is no positive discrimination in policy for girl children the implications of incentives and disincentives for a two child per family norm would endanger the lives of girls and could indirectly induce female infanticide and neglect of girls

[The views expressed here are in my personal capacity]

Notes

1 *The Hindu* October 22 1992
2 Cited in *Immunological Contraceptives – Designed for Populations not People* HAI and Women's Health Foundation
3 Fred Sai and Lauren A Chester The Role of World Bank in Shaping Third World Population Policy in *Population Policy Contemporary Issues* Godfrey Roberts Prager (ed) New York 1990
4 Judi L Jacobson Women's Reproductive Health A Silent Emergency World Watch Paper No 102, June 1991
5 Ines Smyth Indonesian Family Planning Programme A Success Story For Women' *Development and Change* Vol 22 No 4 1991
6 T K Sundari Ravindran The Politics of Women, Population and Development in India' *Reproductive Health Matters* No 1 May 1993
7 Quoted in Mary Dalsimer and Laurie Nisonoff, Collision Course *Cultural Survival Quarterly* Winter 1992
8 Ibid

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

BALANCE SHEET AS AT 31ST MARCH, 1995

	Schedule	31st March, 1995 Rs in 000 s	31st March, 1994 Rs in 000 s
CAPITAL AND LIABILITIES			
Capital	1	206,000	150,000
Reserves and Surplus	2	116,695	86,594
Deposits	3	981 948	832,193
Borrowings	4	1 539 472	957,627
Other liabilities and provisions	5	239,672	193,406
TOTAL		3,083 787	2 219,820
ASSETS			
Cash and balances with Reserve Bank of India	6	89,872	23,369
Balances with Banks and money at call and short notice	7	22,095	24,720
Investments	8	592,313	456,815
Advances	9	1,967,918	1,550,886
Fixed Assets	10	142,151	27,510
Other Assets	11	269,438	136,520
TOTAL		3,083,787	2,219,820
Contingent Liabilities	12	10,046,237	5,504,596
Bills for Collection		134,960	187 914

Notes on Accounts 17

The schedules referred to herein form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our Report of even date

For Sharp & Tannan
Chartered Accountants
By the hand of

Sd/-
M P Narsang
Partner

Bombay
Dated 28th June, 1995

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995

	Schedule	Year ended 31st March, 1995 Rs in 000's	Year ended 31st March, 1994 Rs in 000's
I. INCOME			
Interest earned	13	486,050	442,691
Other income	14	50,793	47,162
TOTAL		536,843	489,853
II. EXPENDITURE			
Interest expended	15	337,208	285,569
Operating expenses	16	79,066	35,847
Provisions and contingencies		90,468	115,937
TOTAL		506,742	437,353
III. PROFIT/LOSS			
Net profit/loss(–) for the year		30,101	52,500
Profit/loss(–) brought forward		67,627	25,655
TOTAL		97,728	78,155
IV. APPROPRIATIONS			
Transfer to statutory reserves		6,100	10,528
Balance carried over to Balance Sheet		91,628	67,627
TOTAL		97,728	78,155

Notes on Accounts 17

The schedules referred to herein form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our Report of even date

For Barclays Bank PLC, Indian Branches

Sd/-	Sd/-	Sd/-
Peter Harlock	Peter Douds	Vikas Kulkarni
Chief Executive – India	Manager – Operations	Financial Controller

BARCLAYS BANK PLC

INDIAN BRANCHES

(Incorporated in the United Kingdom with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1995

	31st March, 1995 Rs in 000's	31st March 1994 Rs in 000's
Schedule 1—Capital		
Start up Capital as prescribed by Reserve Bank of India (Of this Rs 23,530 (previous year Rs 13,000) is deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949)	206,000	150,000
TOTAL	206,000	150 000
Schedule 2—Reserves and Surplus		
I Statutory Reserves		
i) Opening Balance	18,967	8,439
ii) Additions during the year	6,100	10 528
	25,067	18,967
II Balance in Profit and Loss Account	91,628	67,627
TOTAL	116,695	86 594
Schedule 3—Deposits		
I Demand Deposits		
From Others	108,715	59,820
II Savings Bank Deposits	15,127	8,296
III. Term Deposits from Others	858,106	764,077
TOTAL	981,948	832,193
Deposits of Branches in India	981,948	832,193

	31st March 1995 Rs in 000 s	31st March, 1994 Rs in 000's
Schedule 4—Borrowings		
I Borrowings in India		
i) Reserve Bank of India	168,700	0
ii) Other Banks	1,370,772	957,627
TOTAL	1 539 472	957,627
Secured borrowings included above NIL		
Schedule 5—Other Liabilities and Provisions		
I Bills Payable	55,220	11,126
II Inter - Office adjustments (net)	25,149	0
III Interest accrued	79,495	115,643
IV Others (including provisions)	79,808	66,637
TOTAL	239,672	193,406
Schedule 6—Cash and Balances with Reserve Bank of India		
I Cash in hand (including foreign currency notes)	470	201
II Balances with Reserve Bank of India in Current Account	89,402	23,168
TOTAL	89,872	23,369

BARCLAYS BANK PLC

INDIAN BRANCHES

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SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 1995

	31st March, 1995 Rs in 000's	31st March, 1994 Rs in 000's
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I In India		
Balances with Banks in Current Account	21 176	24 720
II Outside India		
In Current Accounts	919	0
TOTAL	22 095	24 720
Schedule 8—Investments		
I Investments in India in		
i) Government securities	564,813	429,315
ii) Other approved securities	27,500	27 500
TOTAL	592,313	456,815
Schedule 9—Advances		
A i) Bills purchased and discounted	375,216	770,222
ii) Cash credits, overdrafts and loans repayable on demand	1,319,869	462,142
iii) Term loans	272,833	318,522
TOTAL	1,967,918	1,550,886
B i) Secured by tangible assets	585,838	673,130
ii) Unsecured	1,382,080	877,756
TOTAL	1,967,918	1,550,886
C. Advances in India		
i) Priority sectors	684,064	289,974
ii) Others	1,283,854	1 260,912
TOTAL	1,967,918	1,550,886

	31st March, 1995 Rs in 000's	31st March, 1994 Rs in 000's
Schedule 10—Fixed Assets		
I Premises		
At cost as at the beginning of the year	16,819	16,819
Additions during the year	106,338	0
Depreciation to date	(1,890)	(884)
TOTAL	121,267	15,935
II Other fixed assets (including furniture and fixtures)		
At cost as at the beginning of the year	20,352	12,754
Additions during the year	16,284	7,628
Deductions during the year	(1,790)	(30)
Depreciation to date	(13,962)	(8,777)
	20,884	11,575
TOTAL	142,151	27,510
Schedule 11—Other Assets		
I Inter Office Adjustments(net)	0	14,286
II Interest Accrued	52,222	44,905
III Stationery & stamps	12	6
IV Others	217,204	77,323
TOTAL	269,438	136,520
Schedule 12—Contingent Liabilities		
I Liability on account of outstanding forward exchange contracts	6,435,385	3,339,718
II Guarantees given on behalf of constituents in India	853,071	502,831
III Acceptances, endorsements and other obligations	1,201,990	696,047
IV Liability on account of bills of exchange rediscounted	1,555,500	966,000
V Other items for which the bank is contingently liable	291	0
TOTAL	10,046,237	5,504,596

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995

	Year ended 31st March, 1995 Rs in 000's	Year ended 31st March, 1994 Rs in 000's
Schedule 13—Interest Earned		
I Interest/discount on advances/bills	413,241	357,851
II. Income on Investments	61,506	27,498
III. Interest on balances with Reserve Bank of India and other inter-bank funds	11,250	57,141
IV Others	53	201
TOTAL	486,050	442,691
Schedule 14—Other Income		
I. Commission, Exchange and Brokerage	29,331	15,057
II. Profit on sale of investments (net)	2,308	194
III. Profit on sale of assets	201	7
IV. Profit on exchange transactions (net)	18,600	31,893
V. Miscellaneous income	353	11
TOTAL	50,793	47,162
Schedule 15—Interest Expended		
I. Interest on Deposits	73,746	69,627
II. Interest on Reserve bank of India/Inter-bank borrowings	208,458	136,637
III. Others	55,004	79,305
TOTAL	337,208	285,569

	Year ended 31st March, 1995 Rs in 000's	Year ended 31st March, 1994 Rs. in 000's
Schedule 16—Operating Expenses		
I Payments to and provisions for employees	32,498	10,774
II Rent, taxes and lighting	10,693	3,257
III Printing and stationery	888	457
IV Advertisement and publicity	799	433
V Depreciation on Bank's property	6,939	3,829
VI Director's and Local Advisory Board Members' fees and expenses	48	37
VII. Auditor's fees and expenses	108	63
VIII Postage, Telegrams, Telephones	9,649	6,256
IX Repairs and maintenance	2,071	1,179
X. Insurance	996	807
XI. Other expenditure	14,377	8,755
TOTAL	79,066	35,847

BARCLAYS BANK PLC

INDIAN BRANCHES

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Schedule 17—Notes Forming Part of the Accounts for the Year Ended 31st March, 1995

1 Principal Accounting Policies

(a) General

The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country

(b) Transactions involving foreign exchange

(i) Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year Non monetary assets have been carried in the books at the contracted rates

(ii) Income and expenditure items have been translated at the exchange rates ruling on the date of the transaction

(iii) Outstanding forward foreign exchange contracts have been revalued at the exchange rates prevailing at the close of the year and the resultant profit/loss is transferred to revenue in accordance with FEDAI guidelines

(c) Investments

(i) Investments categorised as 'permanent" are valued at cost The excess of acquisition cost over face value is being amortised over the residual maturity and the discount over face value, being unrealised gain is ignored

(ii) Investments categorised as "current ' are valued as follows

- Where quotations are available, on cost or market value, whichever is lower
- Where quotations are not available, on a yield to maturity basis as prescribed by Reserve Bank of India

(d) Fixed Assets

(i) Premises and other fixed assets have been accounted for at their historical cost

(ii) Depreciation has been provided on the straight line method at the rates specified by Barclays Bank PLC In respect of additions during the year, depreciation is provided with effect from the calendar quarter in which the addition is made In respect of sale/disposals, no depreciation is provided in the calendar quarter in which the asset is disposed off

(e) Staff benefits

Contributions to the Gratuity Fund have been made as per actuarial valuation

(f) Net profit

The net profit disclosed in the profit and loss account is after

(i) Provisions for taxes on income in accordance with statutory requirements

(ii) Other usual or necessary provisions

2 An income-tax demand raised in relation to prior year's assessment amounting to Rs 2,598,557 which is, as advised, considered unsustainable in appeal, and hence has not been provided for

3 Current year's figures are not comparable with those of the previous year since they include figures for the New Delhi branch which commenced operations from 6th April, 1995

4 Prior year's figures have been regrouped wherever necessary, to conform to the current year s classification

Auditors' Report on the Indian Branches of Barclays Bank PLC

We have audited the attached Balance Sheet of the Indian Branches of Barclays Bank Plc as at 31st March, 1995 and also the annexed Profit and Loss Account of the Indian Branches of the Bank for the year ended on that date, in which are incorporated the returns of Delhi Branch audited by us

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and the Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956 The accounts are therefore, drawn up in conformity with Forms A and B' of the Third Schedule to the Banking Regulation Act, 1949

We report that in accordance with sub section (3) of Section 30 of the Banking Regulations Act, 1949

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory

b) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branches of the Bank

c) In our opinion, proper books of account, as required by law have been kept by the Indian Branches so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the Delhi Branch of the Bank

d) The return of the Delhi Branch has been properly dealt with by us while preparing our report

e) The Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account

f) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and give a true and fair view of the state of affairs of the Indian Branches of the Bank as at 31st March, 1995 and of its profit for the year ended on that date

SHARP & TANNAN
Chartered Accountants
By the hand of
Sd/-
M P NARSANG
Partner

Bombay
Dated 28th June, 1995

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ECONOMIC AND POLITICAL WEEKLY

Lameeksha Trust Publication Rs 15 00 Vol XXX No 27 July 8, 1995

SOME NOTES ON INTERNATIONAL MONETARY REFORM

WOMEN'S EMPOWERMENT AND RAJASTHAN'S SATHINS

COST RECOVERY IN DIAGNOSTIC FACILITIES

MONEY MARKET: A DEARTH OF IDEAS

IRAN, AMERICA AND OTHER MAJOR POWERS

CHANDIGARH: PROBLEMS OF PLANNED URBANISATION

TRANSFERRING PERSONALISED KNOWLEDGE: GURU'S DILEMMA

SEARCHING FOR NEW DEVELOPMENT STRATEGIES: CHALLENGES OF SOCIAL SUMMIT

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ECONOMIC AND POLITICAL WEEKLY

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World Monetary Reform

The present world financial regime displays three major problems persistent misalignment of currencies volatility of exchange rates and abrupt massive movements of portfolio capital The situation calls for flexible relative prices of goods, appropriate money supplies and a Tobin tax on currency transactions In the absence of global co-ordination of national money supplies, there is a case for an international agency to issue bonds denominated in a basket of currencies and to engage in open market operations for world monetary stabilisation **1677**

New Development Strategies

It is neither acceptable nor necessary that financial and economic progress should be paid for by structural unemployment and underemployment which are leading to increasingly widespread manifestations of social exclusion and poverty So long as huge social disparities persist, growth will be certainly a necessary but in no way a sufficient condition of development That is why it is necessary to deal with the five themes of peace, economy environment, justice and democracy all at once, taking social conditions as the starting point for efforts towards development **1682**

Paying for Health Care

Cost recovery through levy of user charges has significant implications for the availability of hospital facilities A study of the auto financing scheme (AFS) introduced in public hospitals in Rajasthan in 1992 provides valuable pointers to the planning and implementation of expansion of public hospital facilities **1700**

Guru's Dilemma

Problems of inter personal knowledge transfer the characteristic of traditional art forms are difficult to overcome without broad based state patronage or a significant development of market based opportunities **1663**

Money Market Tremors

While the acute shortage of liquidity combined with an unrealistic government borrowing programme have imparted a great deal of uncertainty to the money market The market also seems to perceive that the rates of interest on government debt have now peaked The result has been an inversion of the yield curve for government securities **1636**

New Bonds

The struggle of the village-level workers or 'sathins' of the Women's Development Programme in Rajasthan for better working conditions is a comment on the class and gender biases embedded in these programmes beneath the veneer of rhetoric and hyperbole **1645**

BJP's Moves in UP

Using its position as the protector of the BSP government the BJP is trying to instigate low intensity sectarian conflicts in UP especially between the backward castes and Muslims **1643**

Victims of Urbanisation

The Punjab government's latest move to acquire land around Chandigarh ostensibly to construct a residential complex on the city's outskirts to regulate urban growth will result in the displacing of thousands of villagers **1655**

Managing Disasters

The relief and rehabilitation work of the Maharashtra government and NGOs among the victims of the Osmanabad Latur earthquake of September 1993 has served to reiterate major lessons on the importance of community based rehabilitation the role of local democratic processes in ensuring rapid recovery of community self reliance, the superiority of upgradation of local technology to repair and retrofit over wholesale relocation and finally the essentially catalytic role that external agencies can at best hope to play **1654**

Cornering Iran

The placatory tone of Iran's recent statements directed at the US has to be seen in the context of the hardening attitude of the US Congress towards Iran and the deteriorating economic situation in Iran **1662**

LETTERS TO EDITOR

Lessons of Bengal Municipal Elections

THE results of the municipal elections in West Bengal have attracted nationwide media attention because of the setbacks suffered by the ruling Left Front. Elections were held to 79 municipal bodies, out of which the LF won a majority in 39 and the Congress in 29. In 10 municipalities the results were indecisive and the Forward Block(S) won a majority in one municipality. The LF lost control of 14 municipalities and Congress of four, resulting in a net gain of 10 municipalities for the Congress.

The gains made in the municipal elections by the Congress received media attention possibly because nobody expected them and everyone looks at West Bengal as more or less an exclusive preserve of the LF. The reaction in a section of the press was as if by losing control of a few municipalities, the LF had already been dislodged from power in the state. Your journal also carried comments on the subject from two correspondents (June 3). The views expressed by the first correspondent reflected a (more or less) balanced analysis, but those of the second were lopsided. In fact any analysis treating the results of the municipal elections as reflecting the popular mood in isolation from the results of the panchayat elections and the assembly by elections is bound to be wide of the mark.

This is not to deny that the results of the municipal elections were a (positive) signal of popular disenchantment with the existing ruling bodies. But this disenchantment is not restricted to the LF alone, as in percentage terms the losses suffered by the LF and the Congress in relation to their erstwhile strength work out to be about the same. A significant feature of the elections was that where elections were held for the first time the verdict went in favour of the LF. This is possibly indicative of the fact that while the LF remains the dominant political force in the state, there is popular disenchantment with the standards of civic amenities that are in a deplorable state in most municipalities.

It has also been generally overlooked by the media that the phenomenon of the Congress registering gains in municipal elections is nothing new. The Congress has been steadily increasing its share of councillors in the municipal bodies in almost every election, as can be seen from the table.

In the municipal elections there has thus been a gradual but definite decline of support for the LF. The Congress has been increasing its representation by 3 to 4 percentage points in every election and this time also the same trend was in evidence. However, the Congress has not been able to retain its gains in state assembly and parliamentary elections in which political issues play the dominant role. It is reasonable to surmise that this time too the Congress, being totally bankrupt politically, will not be able to hold on to the support gained in the municipal elections.

Year	No of Municipalities	No of Councillors Elected	
		LF	Congress
1984	75	761 (61)	350 (28)
1988	11	160 (61)	85 (32)
1990	74	763 (61)	429 (34)
1993	34	375 (56)	251 (38)
1994	79	823 (52)	650 (41)

Note Figures in brackets are percentages of the total number of councillors elected.

The popular disenchantment reflected in the municipal election results is primarily over the abysmal state of civic amenities in most of the municipal areas. Roads are mostly pot-holed and broken. Water supply is inadequate and unclean. The environment is polluted. There is no sign of any decline in the swarms of flies and mosquitoes. Corruption is widespread. The tie-up between real estate promoters and municipal authorities is all too evident. In such circumstances it is not surprising that the existing authorities in the municipalities have received a strong rebuff from the people, what is noteworthy is that, even in such adverse conditions, the LF was able to win about 50 per cent of the municipalities and get more than 50 per cent of t councillors elected and the Congress, desp having made some gains, is still a dis second. This is a definite indication of influence of the LF parties among the peo including the urban middle class. Electi to the Calcutta municipal corporation due on July 9 and from all indication fight between the contending parties will a tough one.

One thing that has, however, come with stark clarity is that none of the politi parties have any real link with the peo at the grass roots level. Just before municipal elections the chairman of LF had boasted that this time the L performance would be much better than earlier occasions. It is clear that he co make such a forecast only because the parties were completely out of touch w the people. Similarly, the leadership of Congress could not believe that the part candidates had really won in so ma constituencies. Yet these parties claim represent the hopes and aspirations of people. The loss of touch with the peo is particularly unpardonable for the because the parties belonging to the claim to be marxist in ideology and supposed to maintain close links with people at the grass roots level. T important lesson that the LF parties m therefore, learn is that there is no substi for maintaining a close rapport with people, not as their rulers but as t friends and comrades.

S N R

Calcutta

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ECONOMIC AND POLITICAL WEEKLY

Playing Fast and Loose

THE accident at Tarapur when radioactive water found its way into the storm water drain at the waste immobilisation plant is according to the chief of the Atomic Energy Regulatory Board (AERB) a negligible incident On the international nuclear events scale the incident rates well below zero The total radiation dose was well below 100 millicuries Further while routine checks had shown an increase in radioactivity in March only in April was it considered to be statistically significant The contamination took place because of two unlucky things , one a pipe which carries steam under pressure and passes through radioactive waste and is open to radioactive contamination leaked at a joint and two the dilution tank designed to be an extra precaution against leakage of radioactive water had been eliminated at the construction stage And why did the department wait for the leak to be revealed by the press and not take steps itself to inform the public when the leak occurred? We felt there was no need to make a public announcement because we took care of the leak appropriately

This entire episode illustrates very well the extraordinary latitude that has been allowed to the atomic energy department and the nuclear industry in matters which ought to come under public scrutiny First a pipe which goes through radioactive material necessarily exposes its contents to radioactivity which means that the steam passing through it becomes radioactive even if to a small degree Such a system must be considered a primary loop and must logically be a closed one to be discharged periodically and treated This is expensive and the amount of radioactive contamination in the steam pipes was apparently not considered to be high enough to require this sort of handling The alternative adopted was to minimise the radioactivity released by diluting the condensed steam This is done according to the department through dilution tanks, which are therefore essential That one of the steam pipes led directly to the storm water drain because those responsible for construction had dispensed with the dilution tank for whatever reason is not simply a construction flaw It is a serious technical and safety lapse which ought to be the subject of a high level probe Second one may even question whether the method adopted for treating the radioactive waste was indeed the best or whether it was simply the cheapest Third, the fact that a critical pipe joint or joints developed a leak is, to anyone familiar with pipe design, incomprehensible For critical joints even in chemical plants which do not handle radioactive material are subject to a series of tests to establish the integrity of the pipe system and the material used such as pressure tests, non destructive tests like radiographic and ultrasonic scrutiny, and so on This being a critical service the entire system should, following the usual practice in the chemical industry have been tested This would have revealed flaws which eventually developed into holes This clearly was not done and the AERB has chosen to gloss over the lapse Ironically BARC itself sells these testing services to industry Further, the department spokesperson's claim that the leaks occurred due to corrosion is again unacceptable for the design of such sensitive piping systems normally requires that allowance is provided for material deterioration due to corrosion when determining the thickness of the pipes The point is that in any other chemical plant there would have been checks at various levels prompted by various concerns – the interests of the owners of the industry the consultants responsible for the design the construction firm or department, each wanting to safeguard itself against possible accidents later on While even these checks fail sometimes and of course they often delay processes, they do overall contribute to better design, construction and safety standards

In the BARC with its closed loop functioning and obviously insufficient checks and restraints even conventional procedures and practices are apparently often disregarded and dispensed with This is not the first such accident' to have taken place in the BARC and its allied departments, including the power projects There have been serious occurrences at the high profile experimental 100 MW Dhruva reactor and at Cirus once the pride of the establishment An even more serious lapse, though it did not involve radiation exposure, was the collapse of the reactor dome under construction at the Kaiga power project, which has been established as having occurred because of changes carried out at the construction stage without due approval from the technical design group It has time and again been pointed out that even run of the-mill safety lapses at establishments handling radioactive material and processes must be considered dangerous because of their extraordinary potential to cause long term damage And yet it would appear that the quality control and safety measures at the atomic energy establishments are far below chemical industry standards

Finally, the fact that the establishment found it unnecessary to let people know is a gross violation of the right to know If today the atomic energy establishment is finding itself the object of people's ire it is a consequence of its consistent habit of disregarding and disrespecting people Miseducation occurs with lack of information and for that the establishment

has to be faulted At no point in its history has the department taken people, whether villagers at the sites of its projects or the critical informed public into confidence It has ought to bad if misdemeanours behind the cloak of secrecy bestowed on it by the obnoxious Atomic Energy Act and has swelled in the power it gained by its extraordinary political reach beginning in the Nehru Bhabha era Unless the practices of the establishment are open to public scrutiny and audit such accidents will continue to occur posing grave potential risks but also enormous waste of resources and cross inefficiency And such an opening up will be impossible unless India's nuclear ambitions for which the peaceful atomic industry provides a cover are opened up for debate and questioning Nuclear power the other reason for mollycoddling the atomic energy establishment is today an outdated idea everywhere too expensive because of the complex safety measures which have to be taken

FINANCIAL SYSTEM

Dangerous Disarray

THE financial system in the country is in a state of flux It has ceased even if temporarily to serve the primary purpose it is expected to serve that is to provide credit in the right amounts for the right purposes at reasonable cost The root cause of this failure is to be found in the inadequacy of domestic saving The financial system is not entirely to blame for this there is the broader economic policy framework that consciously encourages conspicuous consumption True much the larger part of the explanation for the low overall saving is to be found in the large dissaving by the government though the low saving of the private corporate sector as well as of public corporations is also responsible However the low saving of the public and private corporate sectors is due to the sizeable subventions subsidies and other explicit and implicit transfers which promote extravagant life styles among rich and upper middle class households It nevertheless there has occurred some improvement in household saving in both physical and financial assets it has been because the public financial system has provided not only high returns in real terms but also an environment of stability and risklessness The notion of financial repression makes little sense in the Indian context The institutional build up in the financial sector had a social purpose Banks and financial institutions mobilised savings from the far corners of the country and helped capital formation by households in agriculture and industry

This socially-oriented financial system is being replaced by one which promotes financial activities for their own sake Retail banking has begun to receive step-motherly treatment at the hands of public sector banks and financial institutions not to mention the foreign banks and the newly created private banks The share of the priority sectors in total bank advances has dwindled rapidly Commercial banks have begun to treat rural lending with disdain When what is most needed are efforts to rebuild or restructure rural credit institutions what is being actively promoted is high street banking with the focus on wholesale transactions These new institutions have spawned a culture of financial wheeling and dealing reminiscent of the securities scandal leaving the public sector banks and the few well meaning private banks little choice but to fall in line The recent case of MS Shoes in which five nationalised banks sanctioned bridge loans worth Rs 100 crore and the IDBI alone granted a bridge loan of Rs 50 crore is a typical one The company also used the accommodation bills route to mobilise Rs 50 crore or so through non banking financial companies If there was ever a possibility of cleansing the financial system after the Harshad Mehta capers the unbridled competition in the system introduced by the new private banks with large inter locking arrangements with the public financial institutions (and with industrial houses, domestic and foreign) has effectively scotched it The private banks have been publicising their impressive profits in the first year of their operations outdoing even traditional moneylenders Typically for an equity capital of Rs 100 crore or a little more their profits in the first year have been Rs 80 crore plus Many of them offer 15 to 15 5 per cent interest on certificates of deposit (CD) with an effective cost of 18 to 19 per cent if they pay the stipulated stamp duty (They do not do so always a public sector bank is reported to have nonchalantly evaded payment of stamp duty on an issue of CD worth Rs 400 crore and CD are being quite openly traded in the market) Be that as it may such high cost money is typically lent at rates of interest of 22 23 per cent to non banking finance companies which in turn lend the funds to be deployed in the share and real estate markets Operations of firms like Lloyds Steel, Videocon and Essar Oil represent only the tip of the iceberg The *modus operandi* is the same, namely, accommodation or fictitious bills and bridge loans despite their being explicitly banned At a finance ministry meeting recently an RBI official is reported to have admitted to two commercial banks trading in the secondary capital market in gross violation of central banking directives

Institutions like the UTI and public sector mutual funds, which have been created with the explicit purpose of encouraging households to save in the form of share market instruments, have actually benefited the corporate sector to a greater extent The outstanding example is that of the UTI's Unit 64 scheme Despite repeated assurances that corporate bodies would be discouraged from investing in the units only 35 7 per cent of the sale of units in 1994 95 (July June) was to individuals, against 69 5 per cent in each of the previous two years, on the other hand, corporate bodies accounted for 64 3 per cent of total sales of units in 1994 95 against 20 per cent in each of the two previous years Overall of the outstanding Unit 64 capital as much as 58 9 per cent was held by corporate bodies at the end of June this year What the UTI takes from the corporate bodies is given back to them in the form of secured and unsecured loans apart from investments in debentures and equity capital Term loans unsecured fixed deposits and bridge finance provided by UTI to the corporate sector aggregated Rs 7 794 crore at the end of June 1994 The recent UTI LIC and GIC purchases of Reliance shares to the extent of nearly Rs 945 crore at a premium of Rs 8 per share above the then prevailing market price would not have occurred but for these types of inter locked transactions (The Reliance share is now quoted at Rs 265 or Rs 126 below the price forked out by the UTI and the other institutions)

The earlier policy of the term lending institutions playing a decisive role in industrial development with the IDBI functioning as the apex institution to evolve policies, set priorities and undertake tasks of co-ordination has been given the go by The attempt to dilute the government's equity holding and to infuse private capital into the IDBI to the tune of Rs 2 184 crore is a typical example of the distorted values being promoted in the financial system The over-subscription of the IDBI's equity issue is reported to have come entirely from corporate bodies which have borrowing arrangements with the term-lending institution The RBI too supported the IDBI issue in many ways (a) it waived the 5 per cent of incremental deposits limit for investment in shares of financial institutions and (b) it allowed primary co-operative banks and district co-operative banks to invest in the shares of financial institutions Private provident funds and other trusts were also allowed to invest in the shares It is not surprising that before the issue is allotted, the private companies which bailed out the mega issue have begun offloading the shares in the grey market at a discount of Rs 7 to Rs 9 against the offer price of Rs 130

In-breeding, inter-locking and calling in of favours have become normal features of

the Indian financial system, what with each one of the major financial institutions (UTI, ICICI, HDFC and now IDBI) sporting a commercial bank of its own Given this situation, the scope for the failure of a single leg of multi-cornered transactions of banks and financial institutions, particularly capital market and real estate deals, producing system-wide repercussions is vastly enhanced, creating dangerous possibilities

A major source of the financial sector infirmities is also the steadfast pursuit of a crude monetarist policy by the monetary authorities Sizeable disintermediation is taking place in the financial system with large amounts of funds being mobilised and disbursed by the investment institutions, including private mutual funds and non banking financial companies In this situation, monetary policy impulses sent out through indirect instruments such as interest rates and open market operations generally get blurred In the context of the diversification of the financial markets, even in the developed countries considerable attention is now being paid to the direct effects of monetary policy not only on prices but also on output and employment These effects are visualised in the form of 'credit channels' for monetary policy It is being increasingly accepted that monetary policy actions affect the economy not only through their effect on the liability side of banks' balance sheets that is by affecting the quantity of money, but also through their direct effect on bank lending And when it comes to bank lending, not only its size but also its distribution matter

The current framework of monetary policy has stimulated expectations of usurious rates of interest on banks' assets thus jeopardising growth It has also ensured that the interest burden on the government is so heavy that there will be no end to the fiscal crisis The RBI's steadfast refusal to focus on credit as a policy target and to render sector specific refinance and rediscount facilities for such areas as agriculture, small scale industries and other small borrowers – a policy which the south-east Asian countries such as South Korea pursued with great success has deprived monetary policy of the ability to play an effective role in promoting geographically and sectorally diversified industrial development

POLITICS

Glossing over the Past

A correspondent writes

THE CPI(M) and the CPI have started a slanging match over the Emergency of 1975 The CPI(M) general secretary, Harkishan Singh Surjeet, has launched a blistering attack in the party journal on the CPI's role as a collaborator during the Emergency – a role which the CPI cannot hope to live down The veteran CPI leader, Chaturanan Mishra, has retaliated with a press statement, accusing Surjeet and his party comrades of having defended China during the Sino-Indian war

While Mishra admits later in his statement that both the CPI and the CPI(M) have committed mistakes in the past and reasserts the need for the unity of communists and left forces in India, without which they can never "get rid of trailing behind this or that bourgeois combination" he is rather furtive in his attempts to gloss over his party's role during the Emergency Replying to Surjeet's accusation, Mishra says that the 1978 Bhatinda congress of the CPI had already admitted that the party had committed several mistakes by supporting the Emergency and hence there was no need to rake up the past He also claims that during the latter phase of the Emergency his party had fought its excesses and incurred Sanjay Gandhi's wrath

But the Bhatinda congress had been a half-hearted attempt to analyse the basic political strategy of the party that had led to the mistakes and a hurried opportunist effort to get back on the bandwagon of the leftist mainstream in the post-Emergency period The Bhatinda congress attributed the party's support to Indira Gandhi during the Emergency to its erroneous assumption that a split had taken place between the anti imperialist democratic sections of the bourgeoisie (obviously represented by Indira Gandhi) and the reactionary sections, and to its failure to fight against the anti people internal policies of the Indira government while supporting its "anti-imperialist foreign policy" and its 'progressive internal measures' But here again the Bhatinda congress had landed in a contradiction when it acknowledged that since 1974 the Congress government had been making concessions after concessions to the World Bank" So where was the anti imperialist foreign policy which the CPI sought to discover in Indira Gandhi's regime? What again were the 'progressive internal measures'? Forcible sterilisations, demolition of slums press censorship, suppression of workers movements? The Bhatinda congress had failed to define what it regarded as 'progressive internal measures' during the Emergency

Further, the Bhatinda congress had refused to come out clearly against the imposition of the Emergency In fact, it repeated the same rhetoric to describe the anti-Indira opposition that had emerged on the eve of the Emergency - 'extreme reaction in the name of total revolution under JP's leadership" This theory became the basis for the CPI's support for the imposition of the Emergency, for convening an 'anti-fascist' conference in Patna and for denouncing as fascists those who were fighting against the authoritarian regime The impression gathered from the Bhatinda congress deliberations was that while the CPI had no objection to the imposition of the Emergency (in order to suppress what the party regarded as 'extreme reaction with which it identified the JP movement, as it still continued to do in 1978 during the congress), it was disappointed by the evil effects of the Emergency on the life of the people'

In any case Chaturanan Mishra's claim of his party having fought the Emergency excesses needs to be taken with a liberal dose of salt In the absence of any concrete evidence of such resistance, we have to rely on the statements made by party leaders in those days Even as late as May 1976 by which time the fallacy of fighting rightist forces under the cover of the Emergency must have become clear to CPI leaders and activists, the party journal *Party Life*, described Indira Gandhi's 20 point programme as the democratic counter offensive against the diabolical plans of internal reaction and imperialism at which the Emergency undoubtedly struck a heavy blow

It is about time that the CPI made a clean breast of the blunders it has committed from the 1960s onwards when it began its close collaboration with the Congress, leading to the complete capitulation during the Emergency This is essential for making a clean break from that obnoxious past if that is what the party really wants to do

NUCLEAR TESTS

Mockery of NPT

WHILE the fall in sales of French wine in Australia may not be of consequence outside France it is nevertheless an indication of the sustained protest that the French decision to resume nuclear testing in the South Pacific has generated Protest has been building up over the last couple of months after president Jacques Chirac announced reversing the earlier policy of Francois Mitterrand a programme of eight tests almost on the heels of the signing of the renewal of the nuclear non proliferation treaty in June According to French spokespersons, the country's programme of developing an independent deterrent before a universal nuclear weapons ban comes into force would not be complete without these tests The point however is that even for this purpose France could well have opted for computer simulation, which it did not

The French decision has also laterally lent support to China's decision to resume nuclear testing, for which the country was facing considerable flak from Japan. Japan has now used unusually harsh words to condemn the French decision, calling it "a betrayal of the trust of non nuclear states". This indeed is at the core of the anger over the French action not only in Australia and New Zealand but also in the island nations of the South Pacific which will be the most affected by the tests. The fears of these island nations are not unreasonable given that accumulated data on the long term effects of nuclear tests have recently become available. Protests around the Mururoa test site and anti-French campaigns in the French Pacific territories have also led to the calling of a South Pacific trade union meeting, including representatives of major unions from Australia and New Zealand later this month in Australia. Such a coming together for the first time shows that opposition to these tests has mounted not diminished, during the time that the French held off testing. This has in turn prompted the French Socialist Party to join the communists and the greens in endorsing the opposition to the tests.

Ironically none of this is likely to have much effect on the French government because as of now there are few safeguards which prevent or even regulate testing of weapons or systems. This was in fact a sticking point in the debate during the review meetings which led to the signing of the NPT. The entire discussion during that time was focused on whether or not the treaty should be given permanency or whether it should be renewed for a short period and left open for review again. The fact that the various other agreements which would have made the treaty more meaningful such as the test ban treaty or the one against the production of fissile material for weapons had been in limbo for long periods was deliberately kept out of the discussion. Interestingly the US which in the course of the debates had sought to assure non nuclear nations that these and other safeguards would be secured has been widely reported to be considering a resumption of underground testing of low yield weapons for experimental purposes. China too carried out one test last month, bringing its total to 42 since 1964.

The resumption of testing makes a mockery of the NPT and all the fears expressed by the non-nuclear nations that the treaty will simply make the nuclear club even more exclusive have been borne out. A further point which adds to the anxiety of the non-nuclear nations is that the International Atomic Energy Agency which more than six months back had proposed more stringent monitoring measures appears now to be backtracking, with little movement in that direction since the NPT was signed. If the global nuclear situation is not to slide back to what it was in the 1960s, there must be concerted efforts, especially by South Asian nations, to strengthen non proliferation, even if this be in terms of regional agreements.

MAHARASHTRA

Cosmetic Decisions

A correspondent writes

THE Shiv Sena BJP government is not strictly speaking the first non Congress government in Maharashtra. It is nevertheless the first one without a Congress flavour. However not only has the SS BJP combine comfortably survived its first assembly session it has shown that it can play the game of defections with as much cynical finesse as the Congress Party. Starting without a clear majority, the government now faces the budget session of the state assembly with a large enough majority.

By and large in the past the Congress has fared poorly in urban Maharashtra, with the result that even though Maharashtra is the most urbanised state in India, the state's cities have been poorly represented in the ministries in the past. This anomaly has been rectified in the present ministry with all the major cities having fair representation. An urban tilt in the state ministry was perhaps coming anyway. However in the past four months the urban tilt has hardly made a difference. True the SS BJP ministry announced changes in the names of Bombay and Aurangabad and among a section of its supporters this has been hailed as an achievement. The government has also announced a ban on cow slaughter and made known its intention to ban state lotteries and matka gambling. Starting of hundreds of 'zunka-bhakar' centres to supply cheap nutritious food was an election commitment of the combine and the first such centre was started with fanfare on May 1 which is Maharashtra Day in the state. However, none of the 20-odd centres started so far are working satisfactorily. The decision of the government to keep prices of five basic necessities sold through the public distribution system unchanged for the next five years is rendered virtually meaningless in practice because the PDS shops are chronically short of supplies. Thus two decisions of the government which could really benefit the poor are likely to be rendered ineffective in practice.

It is now an accepted practice for a new chief minister to ease out from strategic perches civil servants known to have been close to the previous regime. For smooth functioning of the ministry, this is often necessary. Sudhakar Naik had shifted several officials when he took over the chief ministership from Pawar, who in turn brought many of them back when he returned to state politics. The Joshi ministry has also transferred many officials, including the chief of the State Electricity Board, revenue officials in Pawar's home district and many police officials in Bombay and other cities. What is notable is that the new government has taken no such action against a number of officials who are known not to have a clean image.

The co operative sugar mills in Maharashtra now numbering over 100, have come to dominate the political and social activities of rural Maharashtra. Those who control a sugar mill are able to dominate all aspects of rural life in the particular area. Most of these mills have become monopolies of a few families and because of their proximity to Congress ruling circles gross irregularities and abuse of power on their part have been overlooked. The new government has come down on many of these managements. Administrators have been appointed for a dozen sugar mills and more may be in the offing. Neither the Shiv Sena nor the BJP has much of a presence in the sugar lobby and consequently in the established power structure in rural Maharashtra. Clearly the action against errant sugar co operatives, though overdue is an attempt to gain a foothold in the sugar co operative sector.

Water shortage has been a chronic phenomenon in Maharashtra in the summer months for years. This year has been no different and no attempt has been made to resolve the problem. Similarly other than adding another 5 to 10 per cent seats in every class in schools and colleges there has been no effort to cope with the demand for expansion of educational facilities. A purposeful government with clear ideas and a well defined set of priorities can achieve a great deal even in four months. What is seen in Maharashtra is, however, the same *ad hoc*ism and the same reluctance to break out of bureaucratic sloth as exhibited by the earlier Congress ministries. The new SS-BJP government does not give the impression of a government wanting to change things, but only of a government with a new set of functionaries wanting a piece of the action for themselves. Its credentials are soon going to be severely tested in respect of the Enron project. While the state government is procrastinating over the issue, work on the project continues at a brisk pace. Obviously, for the BJP part of the coalition at least, the question is whether to succumb to the short-term temptations of being in office at the cost of the party's long-term credibility.

TATA IRON AND STEEL COMPANY

Back to Steel

THE year 1994-95 was a rewarding one for Tata Steel The total income of the company grew by 22 per cent to Rs 4,627 crore, operating profit by 45 per cent to Rs 762 crore and profit after tax at Rs 281 crore was the highest ever achieved Interest and depreciation charges rose by 28 per cent and 40 per cent, respectively, this being attributed to the fact that during the year additional fixed assets of Rs 1,186 crore became operational leading to an increase in depreciation provision and reduction in interest capitalised

The company recorded the highest ever physical sales of 2 221 million tonnes in 1994 95 up from 2 014 million tonnes in 1993 94 Tisco's domestic market share has improved from 13 to 15 per cent and, according to Ratan Tata, chairman the company will endeavour to remain a leading force in India s industry in the coming decades With the opening up of the economy, industries being taken out of rigid control and import duties being reduced there has been a proliferation of pig iron and steel projects in the last two or three years The mood in the construction, engineering goods and manufacturing sector has been buoyant and, steel being an important input in these industries, demand for steel and steel related products has grown by 9 5 per cent Tisco has been able to capture 30 per cent of this expanded market

Keeping this in mind exports were strategically reduced to cater to the buoyant domestic market Exports dropped significantly by 27 per cent in 1994 95 over the previous year Export earnings went down by 24 per cent an important reason being the fall in exports of chrome ore and ferro chrome due to difficulties experienced by the company in the movement of raw materials Also China, an important market importing over 15 million tonnes of steel, could not maintain its imports because of foreign exchange difficulties

On the domestic front Tisco has made significant progress by incorporating three new technologies in its steel-making in order to retain its competitive edge In 1994-95 the company has been able to fully substitute dolomite with cheaper dunite for making sinter The use of dunite sinter has twin advantages It reduces costs and increases blast furnace productivity by around 4 5 per cent Besides, Tisco can source the entire dunite from its captive mine at Dodakanya in Karnataka which has a total recoverable deposit of approximately 11 7 million tonnes Substantial cost savings to the tune of Rs 100 crore seem to have accrued to the company as a result of this substitution

The company had started the coal injection process in 1991 using the Kleckner Stabetechnik technique from Germany Last year the company was able to extend this technique to two more blast furnaces Coal injection brings down cost of hot metal by 10 per cent compared to coke operations, thereby cutting down on coking coal requirements This would also help to check the high expenditure incurred on importing coking coal from Australia Tisco is the first steel plant in India to exploit this technology The company also made a breakthrough by completely substituting magnesite carbon bricks with dolomite bricks

The company has many projects on the anvil Tata Korf Engineering Services, a subsidiary of Tata Steel, which supplies technology for mini blast furnaces based iron and steel plants has signed a collaboration agreement with Switzerland s Maerz Ofenbau for design, engineering and supply of parallel flow regenerative twin shaft kilns for calcination of limestone and dolomite Tisco plans to set up a fully integrated stainless steel plant in Orissa which will use Tisco's own ferro chrome from its Sukhinda mines Expansion plans include Tata Steel's automation division The division will see major expansion of operations in the area of in house automation and commercial exploitation outside of products developed by it The division which has contributed around Rs 130 crore is poised for further growth

Tisco is all set to embark on its fourth phase of modernisation This phase aims at doubling the capacity of the hot strip mill which was commissioned during the latter half of 1993-94, from the present 1 million tonnes to 2 million tonnes A new bar and rod mill is also on the cards The third phase which stands completed has increased the saleable steel capacity from 2 1 million tonnes to 2 7 million tonnes Modernisation has led to a practical rebuilding of the entire plant This would not only convert the plant into a brand new one but also enhance its finished steel capacity by around 10 per cent J J Irani, managing director, has indicated that there would be a phasing out of plants in such a manner that by 1988 the age of all the plants would be less than 15 years The company has decided to utilise its Rs 742 crore issue to partly finance this modernisation programme

In what seems a reversal of past policies, Tisco from now on proposes to concentrate solely on manufacturing and marketing of steel and steel-related products To quote Ratan Tata, "the company took over various sick enterprises, some for questionable reasons, entered related businesses where its market presence was insignificant, invested in mineral mining enterprises with a view to becoming a global mineral trader and went extensively into international trading in a variety of unrelated goods and commodities where the company's financial strength and liquidity were used to some advantage While these decisions may have had their validity at one point in time, the need in today's highly competitive market is to re focus on the company s main business

The last union budget affected a reduction of import duty from 40 per cent to 30 per cent while the excise duty structure was kept at 15 per cent Small steel plants have reportedly closed down citing the adverse excise regime this is likely to benefit a giant like Tisco The proposed 7 per cent hike in freight charges for coal and other minerals used as basic raw materials is likely to lead to an increase in the average cost of production of steel by around 10 per cent in value terms Irani had hinted that this might lead to an increase in the prices of steel and, with effect from April 11 this year Tisco has hiked its price by Rs 1 000 per tonne Considering that Tisco has its production base located near the mines, the justification for the increase may be open to question

LARSEN & TOUBRO

Focus on Customer Service

An engineering and construction company with assets worth Rs 4 117 crore and one of India's corporate giants, Larsen & Toubro (L & T) was incorporated in 1946 to manufacture engineering items relating to civil electrical chemical and agricultural engineering and contract work involving exports and imports The company has once again posted excellent performance for the year ended March 1995 A big boost of over 19 per cent in sales which rose from Rs 2 561 crore in 1993 94 to Rs 3 054 crore in 1994 95 was provided by the buoyancy in the cement industry in general and in particular by the commissioning of the 1 75 mtpa Himri cement plant in Madhya Pradesh which went on full stream in March 1994

Income from operations not connected with manufacturing fell by around 10 per cent, but total income accruing to the company increased by over 20 per cent in the period under review Operating profits went up by 28 4 per cent while net profits were up by 41 8 per cent from Rs 195 64 crore to Rs 277 36 crore

Equally impressive performance was recorded by L & T's subsidiary and associate companies with sales and other income showing considerable improvement over the previous year L&T-McNeil, Audco India, EWAC Alloys, Tractor Engineers, L & T Niro and L & T-Chiyoda posted satisfactory results

Not the same can be said for exports which went down by 16 per cent But there was a silver lining in the form of increase in export earnings from construction and related activities which went up from Rs 73 crore to Rs 165 crore Imports of capital goods, components and spare parts came down substantially as a result of indigenisation and research and development

(Rs lakh)

	TISCO		Larsen & Toubro		Premier Auto Electric	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	418664	350058	305442	256145	8885	7361
2 Value of production	416929	346084	308074	254427	9308	7400
3 Other Income	2044	3167	3908	4377	647	298
4 *Total income*	418973	349251	311982	258804	9955	7698
5 Raw materials/stores and spares consumed	85837	69337	95539	92592	7718	6063
6 Other manufacturing expenses	66042	66447	97907	70799	3	5
7 Remuneration to employees	67912	59016	27574	22748	346	314
8 Other expenses	120930	99453	46026	37680	638	457
9 *Operating profit*	78243	54998	44936	34985	1250	859
10 Interest	25519	19928	4778	5890	252	148
11 *Gross profit*	52930	35854	42677	30888	1035	705
12 Depreciation	24793	17770	9991	7309	324	133
13 *Profit before tax*	28112	18084	32636	23164	711	572
14 Tax provision	0	0	4900	3600	108	127
15 *Profit after tax*	28112	18084	27736	19564	603	445
16 Dividends	11824	9655	10936	8529	190	153
17 Retained profit	16288	8429	16800	11035	413	292
Liabilities/assets						
18 Paid up capital	37317	33521	22880	21148	586	511
19 Reserves and surplus	235117	218953	188930	132449	2421	1162
20 Long term loans	339746	321493	31836	29476	1677	1139
21 Short term loans	16178	21366	34066	19788	0	200
22 Of which bank borrowings	16178	21360	33900	19730	773	539
23 Gross fixed assets	696289	643994	245305	193403	2453	1755
24 Accumulated depreciation	174941	151555	68504	57559	523	272
25 Inventories	88088	84879	92177	74738	1316	910
26 Total assets/liabilities	781355	734215	411672	311348	6179	4483
Miscellaneous items						
27 Excise duty	44077	29039	20307	16855	70	168
28 Gross value added	154341	122018	81008	62456	1651	1147
29 Total foreign exchange income	54354	71974	9597	16554	7	15
30 Total foreign exchange outgo	12338	8458	51435	38952	123	20
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	53 6	47 7	74 2	82 3	143 8	164 2
32 Sales to total net assets (%)	66 6	58 8	110 0	126 3	189 7	244 4
33 Gross value added to gross fixed assets (%)	22 2	18 9	33 0	32 3	67 3	65 4
34 Return on investment (gross profit to total assets) (%)	6 8	4 9	10 4	9 9	16 8	15 7
35 Gross profit to sales (gross margin) (%)	12 6	10 2	14 0	12 1	11 6	9 6
36 Operating profit to sales (%)	18 7	15 7	14 7	13 7	14 1	11 7
37 Profit before tax to sales (%)	6 7	5 2	10 7	9 0	8 0	7 8
38 Tax provision to profit before tax (%)	0 0	0 0	15 0	15 5	15 2	22 2
39 Profit after tax to net worth (return on equity) (%)	10 3	7 2	13 1	12 7	20 1	26 6
40 Dividend (%)	35 00	30 00	50 00	40 00	35 00	30 00
41 Earning per share (Rs)	7 53	5 39	12 12	9 25	10 29	8 71
42 Book value per share (Rs)	73 0	75 3	92 6	69 6	51 3	32 7
43 P/E ratio (based on latest and corresponding last year's price)	0 0	56 8	21 2	32 4	9 3	11 5
44 Debt equity ratio (adjusted for revaluation) (%)	124 7	127 3	15 0	19 2	55 8	68 1
45 Short term bank borrowings to inventories (%)	18 6	25 2	36 8	26 4	58 7	59 2
46 Sundry creditors to sundry debtors (%)	120 0	139 2	116 3	86 7	69 6	65 4
47 Total remuneration to employees to gross value added (%)	44 0	48 4	34 0	36 4	21 0	27 4
48 Total remuneration to employees to value of production (%)	16 3	17 1	9 0	8 9	3 7	4 2
49 Gross fixed assets formation (%)	8 1	17 9	26 8	28 3	39 8	125 3
50 Growth in inventories (%)	3 78	13 91	23 33	9 33	44 62	6 31

The investment made by the company in research and development of new products, processes, methods, materials, machines, tools and improvements of systems of existing products/processes seems to have served the company well leading to indigenisation, cost reduction enhancement in quality, service to the customers and above all in maintaining market leadership These changes being long term in nature their effects will be felt over a period of time The company increased its investment in R and D from Rs 13 30 crore in 1993 94 to Rs 14 45 crore in 1994 95 The company has introduced a modular multifunctional flame spray powder delivery system for high quality coating in applications beyond conventional spray equipment It has also introduced a new software product APEX the application express This package is user friendly and provides a fast application programming interface

The company booked orders for cement machinery and for the first time an order for reburning kiln was received during the year This environment friendly process reduces the demand for fresh lime

In the area of dairy products the company set up the first vertical dairy plant with a capacity of 4 lakh litres per day at Noida (UP) near Delhi The concept has been introduced to take advantage of the limited land available in the city

In the area of petrochemicals and refineries the company completed the construction of a captive power plant for the Mangalore refinery and the Kandla Bhatinda pipeline project in consortium with Skoda of the Czech Republic progressed well with the company adopting novel techniques for welding thereby eliminating the need for costly imported equipment Other major projects completed during the year include cement plants for Grasim Industries at Chittorgarh in Rajasthan and at Raipur in Madhya Pradesh for ACC at Marhar in Madhya Pradesh and for Lakshmi Cements in Rajasthan

L & T is currently into its 51st year of construction with the founding of Engineering Construction Corporation (ECC) in 1944 The company was merged with L & T in 1984 and now functions as the construction group of L & T ECC is executing some major projects in India and abroad with the thrust on infrastructure projects On the domestic front the company has a number of projects on the anvil In the road construction segment these include widening the highway between Rourkela and Sambalpur construction of a 40 km expressway between Durgapur and Calcutta and four laning of the 25 km road between Bangalore and Hosur The group has also received orders in the steel plant sector for civil and mechanical work from clients like Jindal Vijaynagar Steel, Nippon Denro Ispat and Kirloskar Ferrous Industries

A proposal to set up thermal power projects in five states (one with a 500 mw capacity in Orissa) has been submitted, the rationale behind this move being the company's

expertise in the construction of power plants. L & T in association with Volth-Sulzer is executing an order from Tamil Nadu Newsprint & Papers It has designed a paper machine having a speed of 1 000 metres per minute, probably the largest and fastest machine as also the only machine in the world producing newsprint using 100 per cent bagasse

L & T with Voest-Alpine Industrie anlagenbau (VAI) has signed a contract with SAIL for modernisation of the Bokaro steel plant It also has ambitious expansion plans for its telecommunications division plans to enter the basic telephone services segment and has proposed a network using advanced technologies

The company has penetrated into the international arena It has floated a JVC along with Al Zubair in Om in called L & T Oman for construction activities in the Gulf with a 50 50 equity participation Among its overseas projects constructing a township for Russian soldiers returning from Eastern Europe to be ready in a record time of 11 months and valued at Rs 160 crore structural works for upgrading the Trishuli Devighat power plant in Nepal and construction of a sports stadium in Iraq an international airport in Abu Dhabi and bridges in Malaysia are a few of the important ones

L & T has tied up with Sargent and Lundy USA a global player in power plant engineering to offer services for thermal power projects and also to form a joint venture company The company along with Community Energy Alternative Inc of the US has signed a Memorandum of Understanding with SAIL to set up a steel plant at Bhilai in Madhya Pradesh

L & T is diversifying into engineering consultancy for hydrocarbon based processes It has set up a joint venture in Baroda with a Japanese engineering consultancy firm Chiyoda taking advantage of the lower human resources cost in India The company plans to finance these expansions from the $ 135 million Euro issue which it placed mainly with institutional investors in the US Europe and Asia in November 1994 Recognising the company s strength the issue met with an enthusiastic response the result being that the company s share capital went up by Rs 16 17 crore

L & T has placed renewed emphasis on technology, quality quicker response, flexibility in manufacturing, customer service and improvement in productivity – all integral to the central objective of providing the customer with products and services of international standards According to S D Kulkarni, managing director and chief executive officer, the focus today is on the customer and 'delighting the customer' is the central objective of the company

Many of L & T's business lines have received the ISO 9000 certification in recognition of sustained quality standards The construction group won the Industrial Promotion Award (Gold Medal) for 1994 for excellence in construction and innovativeness. The company has also been rewarded with the Good Corporate Citizen Award from the Bombay Chamber of Commerce and Industry for 1994-95 "for its conspicuous achievements in improving the quality of life in the country"

PREMIER AUTO ELECTRIC

Getting Ready for Automobile Boom

Operating in the replacement market for automotive parts with a wide network of over 21 branches all over the country and over 6,000 dealers PAEL has reason to be satisfied with its performance in 1994 95 Net sales were up more than 20 per cent from Rs 73 61 crore in 1993 94 to Rs 88 85 crore in 1994 95 Total income increased by 29 32 per cent from Rs 76 98 crore in 1993-94 to Rs 99 55 crore in 1994 95 Other income increased by 117 per cent from Rs 2 98 crore in 1993 94 to Rs 6 47 crore – a small contribution being made by the surplus on the sale of the polymer unit at Halol, Gujarat Gross profit jumped from Rs 7 05 crore in 1993 94 to Rs 10 35 crore an increase of 46 per cent The rise of 143 per cent in depreciation charges was neutralised to a small extent by a 15 per cent fall in the provision for taxation Net profit was up from Rs 4 45 crore to Rs 6 03 crore an increase of over 35 per cent Rs 1 90 crore have been earmarked for equity dividend an increase of over 24 per cent over Rs 1 53 crore set aside for the same purpose in 1993 94

Broadbasing its product range and geographical coverage diversifying into leasing and being quick to recognise policy changes at the national level seem to have augured well for the company It has withstood the automobile recession and maintained its progress Decentralisation of management has also played an important role

During 1989-90, when the recession was just beginning and the market was being flooded with Maruti cars adversely affecting the profitability of Premier Automobiles Premier Auto Electric decided to set up a Rs 2 65 crore plant to manufacture automobile components based on polyurethane Again it was quick to realise the non-viability of this plant in the face of new competitors who came in with economic liberalisation and reduction in import tariffs and sold the plant and acquired the auto products division of Best and Crompton Engineering in Madras This division manufactures starter motors and alternators and their parts for automobiles Meanwhile PAEL has been getting into related diversifications It has invested Rs 6 lakh in the capital of INAPEX Auto Products Exports in an attempt to secure orders for auto components placed with INAPEX by global manufacturers At the same time it has also been adding to its existing marketing lines During 1993 94 it started marketing Metropolitan coil springs Motorol oils Toyo horns Gabriel shock absorbers, Alpump water pumps UCAL fuel systems and Indrad auto components

Growth incentives in the form of tax reliefs and a reduction of 5 per cent in excise duties on a number of components have further contributed to increased profits

PAEL may find a possible collaborator in Echlin of the US Echlin the world's largest automotive parts retailer is interested in the strong distributive network of PAEL With a large number of foreign automobiles ready to hit the Indian market over the next three years Echlin is estimating a large replacement market in India

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Prof P R Panchamukhi
Director

CURRENT STATISTICS

There has occurred a sharp loss of over $ 1.1 billion (Rs 4 174 crore) worth of foreign exchange during April June quarter probably due partly to repayments to the IMF and partly to the growing current account deficit. The loss of reserves has begun to dampen liquidity growth despite phenomenally high levels of central government recourse to the RBI (Rs 16 931 crore against Rs 2 415 crore last year) both reserve money growth and M_3 growth have decelerated. The loss in bank deposits over March 31 is much larger than last year but is in advances. The performance of the capital market reflects the all round liquidity shortage. Capital issues launched during recent months have dwindled and share price indices have lost more than one fifth of value over the past year. FIIs continue to make net investments the latest figures for May and June being $ 65 million and $ 114 million respectively.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	June 24 1995	Variation (Per Cent) Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
All Commodities	100.0	290.9	0.7	8.3	11.6	2.0	4.0	10.4	10.8	7.0	13.6
Primary Articles	32.3	298.8	0.5	7.9	13.6	2.3	6.9	12.7	11.5	3.0	15.3
Food Articles	17.4	331.8	0.3	7.2	10.6	5.7	10.3	11.9	4.4	5.4	20.9
Non Food Articles	10.1	313.7	1.3	9.4	22.5	3.1	2.3	15.5	24.9	-1.4	8.1
Fuel Power Light and Lubricants	10.7	284.6	0.0	2.0	9.8	0.0	0.4	2.4	13.1	15.2	13.2
Manufactured Products	57.0	287.6	1.5	9.8	10.8	2.2	3.1	10.7	9.9	7.9	12.6
Food Products	10.1	277.4	0.0	2.7	10.4	1.8	7.1	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	311.8	0.7	5.7	10.6	4.4	9.2	10.6	7.0	9.8	17.1
All Commodities (Average Basis) (April June 24 1995)	100.0	288.9		10.1	9.5	8.9	11.9	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent) Point to Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1982=100)	300[5]	1.7	10.3	10.6	2.4	1.9	9.7	9.9	6.1	13.9
Urban Non Man Emp (1984-85=100)*	243	0.4	9.5	8.3	9.5	8.3		8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1316[5]	0.8	12.0	13.2	1.2	0.0	10.6	11.6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	June 09 1995	Variation: Over Month	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93
Money Supply (M_3)	532681	1536 (0.3)	6203 (1.2)	7928 (1.8)	75167 (16.7)	72467 (19.1)	50484 (15.4)
Currency with Public	112852	1150 (1.0)	11982 (11.9)	11238 (13.7)	18990 (23.2)	14067 (20.7)	7111 (11.7)
Deposits with Banks	417277	766 (0.2)	-4981 (-1.2)	2179 (0.7)	55321 (15.1)	57185 (18.5)	42945 (16.1)
Net Bank Credit to Govt	237009	4254 (1.8)	17418 (7.9)	11198 (5.5)	14380 (7.0)	29376 (16.7)	17903 (11.3)
Bank Credit to Comml Sector	288302	1050 (0.4)	412 (0.1)	-4758 (1.9)	43796 (17.9)	16591 (7.3)	30187 (15.3)
Net Foreign Exchange Assets	73636	1639 (2.2)	2254 (3.0)	4262 (7.9)	22197 (41.3)	28775 (115.3)	3747 (17.7)
Reserve Money (June 16 1995)	185525	1729 (0.9)	16551 (9.8)	14214 (10.3)	30386 (21.9)	27843 (25.1)	11274 (11.3)
Net RBI Credit to Centre	115609	3159 (2.8)	16931 (17.2)	2415 (2.5)	949 (1.0)	1306 (1.4)	3586 (3.9)
Scheduled Commercial Banks (June 23 1995)							
Deposits	374640	1200 (0.3)	7860 (2.1)	5543 (1.7)	49271 (14.8)	52144 (18.6)	39017 (16.1)
Advances	208031	-968 (-0.5)	1675 (0.8)	6208 (3.6)	38784 (22.7)	11566 (7.3)	23757 (17.5)
Non Food Advances	192559	-993 (0.5)	4872 (2.5)	7447 (4.7)	37416 (23.4)	7402 (4.9)	21684 (16.6)
Investments	151461	856 (0.6)	2207 (1.5)	10342 (7.7)	14172 (10.5)	28435 (26.7)	16820 (18.7)

Index Numbers of Industrial Production (1980-81=100)	Weights	Jan 1995	Average for Fiscal Year So Far: 1994-95	1993-94	1993-93	Variation (Per Cent) Fiscal Year Averages: 1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	265.5	242.2 (7.6)	225.1 (5.5)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	282.4	235.1 (6.5)	220.8 (3.6)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	252.7	233.0 (7.6)	216.6 (5.4)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	335.1	311.0 (8.4)	286.8 (7.2)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Production of Major Crops (Agriculture Year)	1994-95 (Estimate)	1993-94 Provisional	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Total Foodgrains (mn tns)	186.3	182.1	179.5	168.4	176.4	171.0	169.9	140.4	143.4	150.4
Total coarse grains (mn tns)	32.5	31.5	37.0	26.0	32.7	34.8	31.5	26.4	26.8	26.1
Total Pulses (mn tns)	14.3	13.1	12.8	12.0	14.3	12.8	13.8	11.0	11.7	13.4
Oilseeds (mn tns)	22.4	21.5	20.1	18.6	18.6	16.9	18.0	12.7	11.3	10.8

Foreign Trade	March 1995	1994-95	1993-94	Full Fiscal Year Variations: 1992-93	1991-92	1990-91	1989-90	1988-89
Exports Rs crore	9251	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)	27681 (36.8)	20281 (29.0)
US $ mn	2922	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)	16626 (19.0)	14005 (15.5)
Imports Rs crore	9062	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)	35416 (25.4)	27693 (23.9)
US $ mn	2863	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (19.4)	24073 (13.2)	17504 (6.2)	19123 (11.0)
Non POL US $ mn	2312	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (22.2)	18045 (3.1)	21272 (9.1)	16238 (15.0)
Balance of Trade Rs crore	189	6375	3259	9687	3809	-10640	-7735	-7412
US $ mn	59	2018	1039	-3345	1545	5930	-4646	-5118

Foreign Exchange Reserves (excluding gold)	June 30 1995	July 01 1994	Mar 31 1995	Variation Over: Month Ago	Year Ago	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
Rs crore	61854	51570	66028	1005	10285	-4174	3944	18402	27430	5385	10223
US $ mn	19678	16427	20816	353	3251	-1138	1251	5640	8724	731	3383

Capital Market

Share Price Index	July 07 1995	Month Ago	Year 1994	1995 96 So Far Trough	1995 96 So Far Peak	1994 95 Trough	1994 95 Peak	End of Fiscal Year 1994 95	1993 94	1992 93	1991 92
BSE sensitive index (1978 79=100)	3191	3338	4049	3015	3484	3233	4631	3261	3779	2282	4285
	(21 2)		(79 7)					(13 7)	(65 7)	(46 8)	(266 9)
National index (1983 84=100)	1498	1573	1933	1482	1691	1572	2176	1606	1830	1021	1968
	(22 5)		(83 7)					(12 2)	(79 2)	(48 1)	(234 1)
BSE 200 (1989 90 = 100)	338	363	486	336	385	360	497	368	450	234	585
	(30 5)		(94 4)					(18 2)	(92 3)	(60 0)	(267 9)
BSE Dollex (1989 90 = 100)	179	192	258	179	204	191	280	195	239	125	376
	(30 6)		(94 0)					(18 4)	(91 2)	(66 8)	(178 5)

P/E Ratio (Month Average)	May 95	Apr 95	May 94	Quarter Ending Dec 94	Quarter Ending Sep 94	Quarter Ending June 94	Quarter Ending Mar 95	End of Fiscal Year Mar 94	Mar 93	Mar 92	Mar 91
BSE sensitive index	28 5	29 8	46 6	45 8	51 9	46 8	30 4	46 8	29 3	44 3	19 7
National index	32 2	34 0	46 8	47 6	51 2	46 9	34 7	46 9	27 1	41 9	19 1

BSE Turnover (Rs crore)	May 95	Apr 95	May 94	1995 96 (Apr May)	1994 95	Full Fiscal Year 1993 94	1992 93	1991 92	1990 91	1989 90	1988 89
Specified shares	1364	556	1081	1920	15412	62213	33207	54610	28863	25212	17357
Non specified shares	1337	1204	2274	2541	51477	22324	12489	17168	7149	4173	3206
Total	2701	1760	3355	4461	66889	84537	45696	71778	36012	29386	20563
Average daily turnover	129	110	168	239	291	388	238	332	189	135	97
No of working days	21	16	20	37	230	218	192	216	191	218	211

Market Capitalisation (Last working day) (Rs crore)	Apr 95	Mar 95	Apr 94	Quarter Ending Dec 94	Quarter Ending Sept 94	Quarter Ending June 94	Quarter Ending Mar 95	End of Fiscal Year Mar 94	Mar 93	Mar 92
BSE listed companies	455300	332700	341464	400000	416966	398044	332200	344462	189405	305987
	(49 3)		(112 2)	(31 1)	(4 8)	(15 6)	(3 6)	(81 9)	(38 1)	( )
100 National index based scrips	134773	141263	149654	160019	169646	158586	141263	146176	73075	112041
	(10 3)		(109 4)	(5 7)	(7 0)	(8 5)	(3 4)	(100 0)	(34 8)	(198 3)

Capital Issues	Feb 95	Jan 95	Feb 94	Cumulative for 1994 95	Cumulative for 1993 94	Full Fiscal Year 1993 94	1992 93	1991 92	Quarter Ending Dec 94	Sept 94	Jun 94
Capital issues cleared/approved by SEBI											
Amount (Rs crore)	2364	7415	1283	26701	19007	19810	21221	19402	1629	1823	1205
Number of issues	266	282	165	1749	641	1217	1331	1263	130	100	103
Capital issues launched											
Amount (Rs crore)	6097	2800	1954	19803	21744	23275	19825	5757	1472	1748	980
Number of issues	250	190	118	1461	585	1112	1037	517	107	148	97

Investment by Foreign Institutional Investors (FIIs) in Secondary and Primary Markets (for each month)

Month (1994)	No of Regd FIIs (Cumulative)	Gross Purchases Rs Cr	Gross Purchases US $ mn	Gross Sales Rs Cr	Gross Sales US $ mn	Net Investment Rs Cr	Net Investment US $ mn	Cumulative Net Investment @ US $ mn
Prior to Jan 1994								777 8*
January	136	1288 6	415 7	54 0	17 4	1234 6	398 3	1176 1
February	145	904 6	291 8	144 0	46 5	760 7	245 4	1421 5
March	158	762 4	245 9	203 5	65 6	558 9	180 3	1601 8
April	166	705 4	227 5	198 8	64 1	506 6	163 4	1765 2
May	191	962 5	310 5	160 4	51 7	802 1	258 7	2023 9
June	199	1029 1	332 0	274 2	88 5	754 9	243 5	2348 0
July	217	423 4	136 6	170 5	55 0	252 9	81 6	2449 4
August	222	539 5	174 0	178 1	57 5	361 4	116 6	2566 0
September	229	647 4	208 8	201 8	65 1	445 6	143 7	2717 3
October	241	610 8	194 7	265 8	84 7	345 0	111 3	2827 1
November	265	308 1	98 2	274 2	87 4	33 9	10 9	3012 6
December	281	363 7	115 9	316 2	100 8	47 5	15 3	3027 9
January 1995	286	465 0	153 5	325 0	105 5	140 0	44 8	3099 7
February	304	402 4	128 3	201 7	64 3	200 7	64 0	3104 2
March	na	462 6	115 8	182 3	58 2	180 3	58 2	3266 6
April	na	362 6	117 0	182 3	58 8	180 3	58 2	3266 0
May	314	430 3	138 8	219 2	70 7	211 1	68 1	3338 3

@ Inclusive of late reporting which is not incorporated in the monthly flows
* RBI has placed it at $ 829 million

Notes (i) Superscript numeral denotes month to which figure relates e g superscript ' stands for July (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year (iii) -- means not available

A Dearth of Ideas

While the acute shortage of liquidity combined with an unrealistic government borrowing programme has imparted a great deal of uncertainty the money market also seems to perceive that the rates of interest on government debt have now peaked The result is an inversion of the yield curve for government securities

I
Macro Events

Unsustainable Policy on Ad Hocs

THE financial system has begun to face considerable uncertainty the cause of which is rooted in socio political repercussions of the impact of four years of economic reforms The authorities who are anxious to push through their reform agenda have responded to the situation in two ways While keeping every major aspect of reform on hold for the present, they have offered many palliatives for the poor All the same time they appear short of ideas to resolve such immediate problems as liquidity shortage and fiscal crisis As a result the money market psychology is being increasingly dominated by the dire straits into which the central government finances have fallen during the current fiscal year An acute shortage of liquidity combined with an unrealistic government borrowing programme is imposing a heavy strain on the system which is in turn reflected in reported shortages of institutional finance for manufacturing firms, deferment of many share capital floatations by companies and an all round firming up of interest rates all of which put together threaten to place a break on the recovery process A benchmark rate of 14 per cent or a real rate of interest of about 5 to 6 per cent per annum on medium and long dated sovereign debt is not only unprecedented but also lacks economic logic The market expectations in this regard have been stimulated by the government's helplessness The conventional hypothesis advanced by neo classical economists that high real rates of interest would induce the government to reduce its dependence on debt financing is being proved to be fallacious so also is the notion that the rates of interest on commercial loans rendered by banks and financial institutions would be reduced once government borrowings are undertaken at market related rates of interest On the contrary it should be considered as reflecting the ambience of a free market financial system that public sector banks should even toy with the idea of raising their prime lending rates in response to the government's loan floatation at a high coupon rate of 14 per cent, one of the term financing institutions has been quick to raise its prime lending rate, the third in the past one year though its unusually high profitability ratio should have enabled it to absorb, in the interest of helping economic revival, the possible additional cost it may have to incur in future market borrowings If the financial system ceases to be guided by broader socio political considerations the usurious rate of interest becomes the obvious consequence in a saving scarce economy

If only to retain the credibility of the central banking actions the agreement reached between the central government and the Reserve Bank of India (RBI) on the limit for net issue of *ad hoc* treasury bills reached last year has been renewed for the fiscal year 1995 96 the limit of Rs 9 000 crore prescribed for 1994 95 has been retained The central government had budgeted for a budget deficit of Rs 5 000 crore for 1995 96 as against Rs 6 000 crore budgeted, or actually a surplus of Rs 1 100 crore during 1994-95 During the current fiscal year so far up to June 16 1995 the recourse to *ad hoc* TBs has touched a historically high figure, for the period of Rs 13 635 crore in contrast to a net cancellation of *ad hocs* to the extent of Rs 1 035 crore during the corresponding period of the previous year (Incidentally, the RBI's decision to publish the figures of *ad hocs* on a weekly basis should be welcomed)

Since April however, the government has started drawing excessively through *ad hocs* and by the beginning of May it had crossed the target of Rs 9 000 crore, possibly for more than 10 consecutive days In keeping with the agreement the RBI had to issue fresh government paper even if it meant contrary to normal practice and prudence bunching of issues The fresh issues included dated paper 364 day TBs, and also 91 day TBs the auction amount for which was raised from Rs 50 crore to Rs 500 crore in a matter of only four auctions between April and May The lukewarm response of the market however did not allow the level of *ad hocs* to come down significantly till about the end of June It was only then that some inflow of funds through advance tax collections appears to have resulted in bringing down the level of *ad hocs* It will be almost two weeks before the actual figures on this count become available

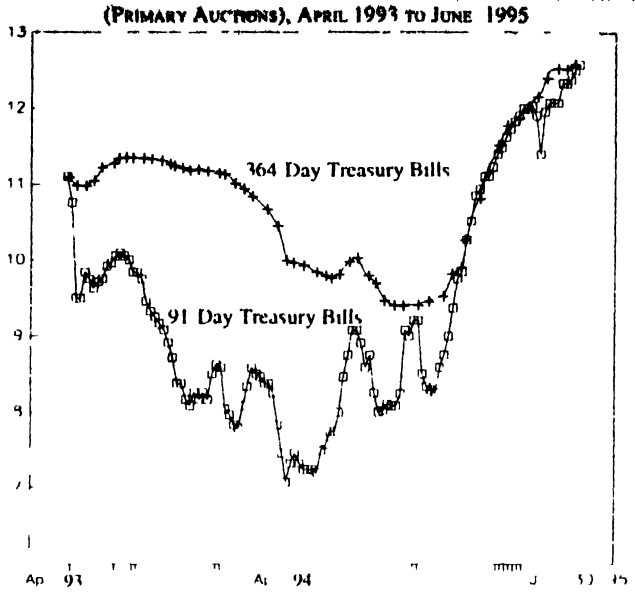
The liquidity situation has placed both the government and the RBI in a bind The massive market borrowing programme of Rs 32 643 crore (gross including conversion of probably the whole of Rs 13,000 crore of 364-day TBs due for redemption) or Rs 28,087 crore (net) for the year 1995-96, possible difficulties in achieving the target of Rs 7 000 crore under disinvestment of public sector equities and the anticipated overshooting of expenditures only to be partly met by probable increases in tax revenues combined with excessive borrowings through *ad hocs* so far this year and the requirements of large amounts of redemptions of past government securities and 364 day TBs (worth more than Rs 17 000 crore now due) raise serious doubts about the government's ability to limit the size of deficit financing to observe the agreement in letter and spirit and to phase out *ad hocs* by 1996 97

While these developments have imparted considerable degree of uncertainty the money market also seems to perceive that the rates of interest on government debt have already peaked a phenomenon which is reflected as explained later in an inversion of the yield curve for government securities Some degree of market resistance is also seen in regard to rising interest rates on commercial loans Banks and financial institutions (except one) have been forced not to raise their prime lending rates It is interesting to see some of the public sector bank chairmen now arguing that there was no case for raising banks prime lending rates after having raised them twice over in the recent past from 14 per cent to 15 5 per cent Likewise major financial institutions like the IDBI and IFCI which have 45 to 60 per cent of their resources internally generated have begun to argue that though marginal cost of borrowings has gone up, they would still be able to maintain their spread of over 2 5 percentage points without increasing the prime lending rate Recent reports have shown how the small and medium scale industries are finding interest charges generally exceeding 18 5 per cent that is three percentage points higher than the prime lending rate onerous and uneconomic The market resistance to unusually high rates of interest is also getting reflected in many big size companies showing increasing reluctance to tie themselves up into long term borrowings as they perceive that the present rates are unrealistic, that the rates should begin a declining trend after a while reports suggest many big companies have instead been scouting around in the market for raising short term capital through 12 month to 18 month non convertible debentures (NCDs)

New Investment Rates for Private Provident Funds

Towards the end of May, the government amended the guidelines with regard to the permissible investment patterns of non-government provident, superannuation and gratuity funds The earlier 55 per cent of the total corpus required to be invested in special deposit schemes of the government (roughly at 12 per cent rate of interest) has been reduced to 30 per cent, with the balance 25

GRAPH A: CUT-OFF YIELDS OF 91-DAY AND 364-DAY TREASURY BILLS (PRIMARY AUCTIONS), APRIL 1993 TO JUNE 1995



per cent being earmarked for the first time, for investment in central government securities another 15 per cent will be continued to be invested in state government securities or other securities guaranteed by central or state governments Likewise as in the past the residual 30 per cent is allowed to be invested bonds and securities of public financial institutions and PSUs and certificates of deposit of public sector banks The budget for 1995 96 has shown fresh accruals under the special deposit scheme at about Rs 8 964 crore as against the revised estimate of Rs 8 890 crore for 1994 95 The annual accruals under the non government provident funds etc, work out to about Rs 16 000 crore and as a result of the new guidelines the additional investment accruing to central government paper would be of the order of about Rs 4 000

Being of course swapped for special deposits such accruals cannot be an additional source of funds for the government Even so the new arrangement will bring in a whole category of new investors into the government securities market with goals of long term investment which should be helpful particularly when the SLR requirements on banks are being reduced Since July 4 1994 the non government provident funds have been allowed to participate in the 91 day TB auctions on a non competitive bid basis there is no such arrangement for 364 day TBs Such funds can participate in the government securities floatations through the sub accounts of the RBI s subsidiary general ledger (SGL) with the help of their bankers

Repo on NSI

The National Stock Exchange (NSE) in the meanwhile began to deal in repurchase transactions on June 24 on the eve of it completing the first year of operation in wholesale debt instruments Within a few days worth Rs 44 crore have been transacted with implicit interest rate of 16 per cent each (Table 5) The transparency on the cost of repos has been made possible because of the NSE s insistence on the parties revealing both the legs of the transactions the difference between the buying and selling prices being the interest for the period on the funds availed of

Hitherto the RBI s SGL data provided information on repo transactions based only on the sale leg of the transaction and hence the implicit yield rates have been conspicuous by their absence The RBI has so far not been insisting on banks supplying information on the second leg Albeit is a precursor to introducing the delivery versus payment system the Reserve Bank has for the last few months been asking banks to provide this information on a voluntary basis It is learnt that the banks had been more or less complying with this requirement Now that the DVP system will commence from July 17 banks will have to reveal the prices of both the legs of repo transactions and it is hoped that the RBI will reveal the relevant information for public consumption which will in turn provide transparency competition and some benchmark for money market operations

Current Portfolio

On June 20 the Reserve Bank of India issued a circular to banks asking them to increase the ratio of their current portfolio to 40 per cent from the earlier 30 per cent The RBI has argued that there should be a rapid transaction to a fully marked to market basis of valuation of investments it has therefore been prescribed that for the year ending March 31 1996 the ratio of current investment should be increased to 40 per cent With a sharp depreciation in the prices of older securities with relatively low coupon rates the Reserve Bank therefore prescribed for the first time in April 1992 that banks should bifurcate their securities portfolio into permanent and current in the ratio of 70 30 respectively

TABLE 1 AUCTIONS OF 91 DAY TREASURY BILLS

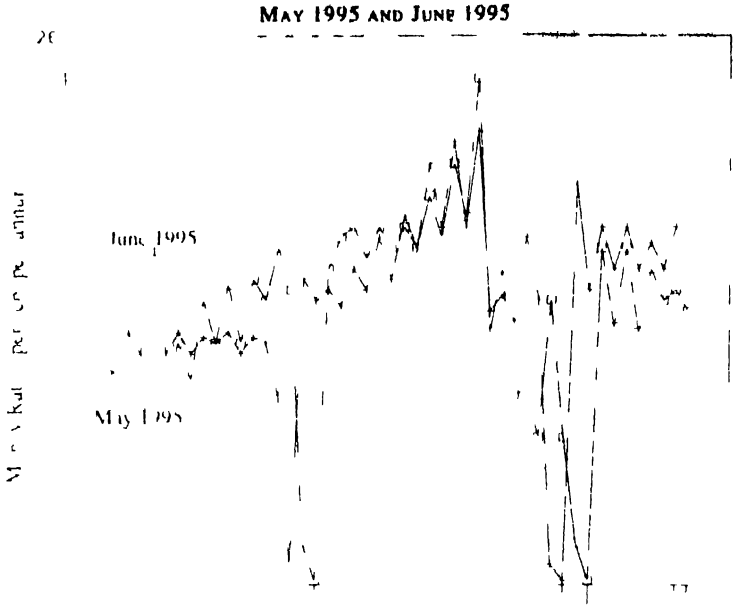
(Amount in rupees crore)

Date of Auction	Notified Amount (Rupees)	Bids Tendered No	Bids Tendered Face Value (Amount)	Bids Accepted No	Bids Accepted Face Value (Amount)	Subscription Devolved on RBI (Amount)	Cut off Price in (Rupees)	Cut off Yield Rate (Per Cent)	Amount Outstanding (Rupees)@ Total	With RBI	Outside RBI
1994											
June 3	150	18	412	10	150	0 00	98 10	7 75	4216 03	692 80	3523 23
June 10	250	18	141	18	141	109 00	98 04	8 00	4362 25	801 80	3660 45
June 17	250	15	267	11	250	0 00	97 93	8 46	4476 00	801 80	3674 20
June 24	250	6	30	3	15	235 00	97 86	8 75	4700 00	1020 80	3679 20
1995											
June 2	500	7	10	1	1	0 00	97 01	12 33	2701 00	305 00	2396 00
		(6)	(780)	(6)	(499)						
June 9	500	8	11	1	2	132 00	97 01	12 33	3151 00	437 00	2714 00
		(5)	(366)	(5)	(366)						
June 16	500	6	9	1	1	354 00	97 00	12 37	3601 00	791 00	2810 00
		(3)	(145)	(3)	(145)						
June 23	500	10	19	2	3	327 00	96 97	12 50	4051 00	1118 00	2933 00
		(3)	(170)	(3)	(170)						
June 30	500	8	13	2	6	124 00	96 95	12 58	4501 00	1242 00	3259 00

Figures in brackets represent numbers and amounts of non competitive bids which are not included in the total
@ Outstanding amounts are estimated for all weeks of June 1995

DAILY

MAY 1995 AND JUNE 1995



In his address to the participants at a conference organised by State Bank of India last month RBI deputy governor S S Tarapore did indicate that banks needed to review their portfolios constantly and ideally mark their entire securities portfolio to market. Banks should be able to do this from their profits rather than depend on the government to infuse up till to write off the losses on this count (or any other count too) against this dole. According to Tarapore as much as 40 per cent of the banks' securities portfolio had been acquired after March 1992 and as such there should really be no hardship to banks in having a fully marked to market valuation system. Having a fully marked to market portfolio will give an impetus also to the activity in the secondary market in government securities.

SICI's Two way Quotes

A further development in the debt market was the Securities Trading Corporation of India (SICI) beginning to offer two way quotes in dated securities and TBs from June 26. This is perhaps indicative of the fact that primary dealership for this institution may not be far away.

The Reserve Bank also announced names of 11 private sector mutual funds to access the money market as lenders. The credit policy announced this April had permitted private sector mutual funds to access the overnight money market as lenders.

Government Bond Indices

As an indication of the growing interest in the debt market, two indices of government bonds were also introduced during last month. One weighted index has been developed by I Sec, the securities trading arm of ICICI and the other unweighted index constructed by Credit Capital, these should serve as a benchmark against which fund and investment managers could evaluate the performance of their portfolios. I Sec hopes to introduce a similar index for public sector and corporate bonds at a later stage.

The I Sec bond index covers securities of one to ten year duration and those instruments which have fixed coupons and are traded. It thus excludes most of the longer dated and low coupon securities which are not traded. Of the two components of the I Sec index while the *total return index* captures the composite return that the bonds offer over the base period in the form of both the accrued/actual interest payment and capital gains/losses the *principal return index* reflects the movement of net prices in the bond market that is, prices quoted in the market exclusive of accrued interest.

As recent data indicate between the base period August 1, 1994 and June 30 1995 *total return index* has improved by 5 1 per cent that is an investment of Rs 1 000 on base data has improved to Rs 1 051 reflecting roughly an increase in interest by 8 45 per cent which has been partly offset by 3 34 per cent of capital losses with the *principal return index* falling to 966 47 as on June 30.

II
Government Market Borrowings

A significant development during the month was the floatation by government of a 10 year security for Rs 1 000 crore at a subsequently floating the same paper again for an amount of Rs 1,709 66 crore towards the end of the month, thus keeping on hold the auction system evolved since June 1992 for implementing the market clearing interest rate mechanism for government securities. Despite the RBI's cajoling of banks not to miss the 14 per cent yield opportunity on the amount of Rs 1 709 66 crore subscriptions worth only Rs 803 61 crore were received the balance of Rs 906 05 crore devolved on the RBI to fill the slack. The argument that it was the policy of the RBI to initially subscribe and then sell it in the market, while it was technically true nevertheless misrepresented the reality. Contrary to the policy of reducing monetised deficit the RBI credit to the government had already reached unprecedented levels. Secondly there was neither a case for nor the possibility of allowing the yield rate on government securities to move up beyond 14 per cent. Hence the RBI will face a dilemma in that while its efforts to sell the freshly issued stock at a price above the face value will not attract buyers as it has actually occurred in June any attempt to sell below par will send wrong signals about its interest rate policy. In the present situation the RBI's policy open market operation with the help of selling even older securities generally stands stymied for the latter reason.

An adverse fall out of the sharp increase in the yield rate on government securities in their primary issues has been the possible depreciation in the banks' current portfolio. Measured by the yardstick of 13 per cent on 10 year stock for valuation purposes ordered by the RBI for 1994-95 the latest rate of 14 per cent – an increase of 100 basis points – results in depreciation and loss of almost Rs 800 crore for banks which has to be provisioned in their quarterly balance sheet. The new RBI guideline for increasing the ratio of current holdings to 40 per cent will further raise the provisioning requirements during 1995 96.

The recent measures such as the raising of the SLR requirement for non banking financial companies (NBFCs) from 10 per cent to 15 per cent beginning June 30 and the requirement for provident and pension funds to invest 25 per cent of their total corpus in central government securities are yet to have their effect on the government security market.

TABLE 2: ACCEPTANCES OF 364 DAY TREASURY BILLS

(Amount in rupees crore)

Date of Auction	Bids Tendered		Bids Accepted		Cut off Price (Rupees)	Cut off Yield Rate (Per Cent)
	No	Face Value (Amount)	No	Face Value (Amount)		
1994						
June 8	74	1021 00	65	949 00	91 06	9 82
June 22	21	678 31	13	453 31	90 92	9 99
1995						
June 7	10	58 50	3	37 50	88 87	12 52
June 21	11	26 00	2	5 00	88 81	12 60

Treasury Bill Auctions

The results of both 91-day and 364-day TB auctions have been characterised by unduly low public response despite gradual increase in cut-off yields to a high of 12 58 per cent and 12 60 per cent, respectively (see also Graph A) Amount mobilised from the open market through 91 day bills was only of the order of Rs 13 crore in June as against the notified amount of Rs 2 500 crore, while in 364-day TBs the amount received was Rs 42 50 crore as against Rs 1,402 31 crore during the corresponding period last year (Tables 1 and 2) The amount devolving on the RBI of 91 day bills during May and June has aggregated Rs 1 242 crore (with no devolvement in April) Under 364 day TBs the gross subscriptions obtained have reached only Rs 254 95 crore as against the redemption during the three month period of as such as Rs 6,317 31 crore in respect of the funds mobilised through this instrument during the first quarter last year

III
Money Market Operations

Call Money Market

The call money market continued to remain firm under the strain of liquidity crunch due to frequent government borrowing and sluggishness in the growth of saving instruments As a result money market rates were constantly perched above the two digit level (Tables 3 and 4 and Graph B)

The first two days in June extended from the non-reporting week beginning May 27 seemed promising for the call market as the rates for overnight money showed some signs of decline The rates came down in this week from 15 16 per cent on May 27 to 10 5 per cent on June 2 Repo deals worth Rs 565 50 crore on May 27 and Rs 263 crore on May 29 done mainly by the DFHI and STCI were largely responsible for bringing the call money rate down The low rates were also attributed to inflow of more than Rs 750 crore through interest payment on government securities and redemption of 91-day TBs on June 2. Moreover, the threat of a strike in the following week given by bank employees had forced banks to cover themselves well in advance

The call market moved in a band of 11-12 per cent during the next reporting week (June 3-9) The reason for the lower levels of rates despite the outflow of funds to the extent of Rs 1,000 crore for government security auction were two-fold One, the market had already accounted for this and had provided for in the previous week and second, repos worth Rs 1,400 crore were done in the last three days of the week thus increasing liquidity in the market

The call money market again firmed up during this non reporting week (June 10 16) with rates hovering around 14 per cent The rates even shot up to 17 17 50 per cent towards the end of the week as Rs 2 000 2 500 crore moved out of the banking system due to advance tax payments Repos worth over Rs 1,100 crore were done to create short term liquidity in the market mostly with the DFHI or the STCI data suggest that the RBI had also pumped in liquidity worth about Rs 200 crore through these institutions on June 15 It was also reported that these institutions entered the call market to borrow on June 14 for facilitating repos

The third week's preoccupation (June 17 23) was the government offer of the 10 year 14 per cent paper worth Rs 1,709 66 crore The call market was extremely tight during this week as the number of lenders started thinning The market opened at 18 19 per cent and reached a high of 21 per cent on June 19 the deals, however, were concluded only at 18 19 per cent A large repo of Rs 223 crore and State Bank's reported presence helped rates come down to a reasonable level of 13 per cent On subsequent days DFHI repos kept the level of call rates at around 15 per cent After the customary 0 25 1 per cent level on the reporting Friday the call rate again flared up to 18 19 per cent on June 24 it remained stubbornly in the range of 15 17 per cent till the end of the month when SBI and UTI were lending at these high rates

Forex Market

Subdued trading except occasional flutters relative stability in the exchange rate and a downward trend in forward premia characterised the forex market operations during the June 1995 (Graph C) Apart from subdued seasonal demand for dollar combined with some augmentation through exports and commercial borrowings, banks were engaged in exploiting arbitrage benefits by selling dollar cash and deploying the rupee proceeds in the call market following rising call rates As a consequence on the eve of the second reporting Friday that is June 22 dollar plunged below the pre budget level of Rs 31 37 to Rs 31 365 for the first time in four months

With the lessening of pressure for outward payments due to decline in foreign currency deposits during the past two months forward premia for the US dollar during May June remained successively lower than in the preceding months (Graph C) Six month forward premium, which was 8 34 per cent on April 17 came down to 7 49 per cent on April 28 to 6 90 per cent on May 31 and to 5 64 per cent towards the close of June

Secondary Market for Government Securities

The severe liquidity crunch and the resultant rising interest rates rendered government securities illiquid the secondary market dormant and the trading closs a risky proposition When traded almost all securities were sold below par the longer the maturity and the lower the coupon rate the larger the loss from par value For example on June 23 11 5 per cent government stock 2008 was traded at Rs 87 19 (YTM = 13 58 per cent) and 9 per cent 2013 at Rs 79 19 (YTM = 11 82 per cent) But on June 27 10 5 per cent 2005 was traded at Rs 81 52 (YTM = 14 per cent) There were a few high coupon bonds traded at marginally above par This reflects the concentration of investors interest at the shorter end of maturity spectrum as the two most traded securities were 12 per

TABLE 3 CALL MONEY RATES

(Per cent per annum)

Items	June 1995 30	23(RF)	16	9(RF)	2	May 1995 26(RF)	19	12(RF)	5
Weekly range	14 00 19 00	0 25 21 50	13 50 17 25	2 00 12 00	10 50 16 00	2 00 22 00	15 50 19 50	11 50 19 00	8 50 12 00
Weekend (Friday)	16 00 17 00	0 25 1 00	17 00 16 50	2 00 3 00	13 00 10 50	0 25 3 00	17 50 19 50	0 25 2 00	9 75 13 00
Weekly weighted average*	16 15	16 27	14 59	10 45	13 60	13 47	16 78	13 11	10 06
DFHI lending rates (range)	na 20 50	13 10	13 65 17 50	13 50 6 50	15 50 11 90	22 25 1 00	15 60 20 00	15 00 2 00	9 10 12 00

* Weighted average of borrowing rates reported to the RBI by selected banks and DFHI weights being proportional to amounts borrowed

TABLE 4 DAILY CALL MONEY RATE QUOTATIONS OF HIGHS AND LOWS IN PER CENT SIMPLE STATISTICAL CHARACTERISTICS

(Per cent per annum)

	All Five Weeks of the Month	June 1995 Week Ended 30	23 (RF)	16	9 (RF)	2	All Four Weeks of the Month	May 1995 Week Ended 26(RF)	19	12(RF)	5
Mean	13 64	16 13	13 92	14 88	10 79	13 68	12 18	11 40	16 88	11 10	9 88
Standard Deviation	4 29	1 37	6 63	1 31	3 32	1 46	5 18	6 78	1 23	5 16	2 80
Coefficient of Variation (percentages)	31 46	8 50	47 64	8 81	30 76	10 68	41 51	59 47	7 29	46 49	26 79

cent 1995 and 12.75 per cent 1996 converted government stocks

Repo

A healthy development in the money market was seen in terms of increased repo deals during the month mainly as a hedge against persistently high call rates. Both DFHI and STCI were very active in the repo market where a total repo deals of Rs 5,274 crore were transacted in June which was higher than the previous two months' repo deals (Appendix Table). Besides the high call rates, the rising yield structure also prompted the operators to do repos to use the money to buy government bills and securities while prices had fallen. These were also rollover of some repos, reflecting attempts by investors to ride the yield curve.

An interesting development in the repo market relates to the initiation of the repo transactions on the NSE screen on June 24, as explained earlier.

Yield Curves

As is evident from the above paragraphs, during June the yield curves for the government paper have been generally inverted. On a single day on which maximum number of securities transactions took place (June 28), 364-day TBs were traded with YTMs ranging from 15.06 per cent to 14.18 per cent but the four government securities traded on that day had YTMs moving upwards with ascending order of maturity (Graph D). The average picture for the last week of June shows zig-zag movements of YTMs, but generally showing a flat yield curve (Graph E). But the flatness of the curve stands out when weighted averages of YTMs are considered for all the five weeks of June together (Graph F).

The public sector undertakings (PSUs) have been quite active on the bonds market for the past couple of years. With the government virtually stopping the contributions made by it to the PSUs, the PSUs have to approach the market to meet their needs for funds. Total stock of PSU bonds market at the end of March 1995 was of the order of Rs 40,000 crore. Also, at a time when the government itself is the largest borrower and liquidity in the system very low, the PSUs have little choice but to pay a very high rate of interest. All of their bonds are currently being privately placed with banks as bulk investors. While the fresh stock of taxable bonds is being issued at 16.25-16.50 per cent, in the secondary market, the rates are even higher at 16-18.30 per cent. PSUs such as Hydel Power Corporation were also reported to be inviting bids for a bond issue of Rs 100 to Rs 200 crore. NTPC, IFCI, and NHPC had also expressed intentions of raising funds through taxable bonds in the range of 15.5-16 per cent. The market however did not come forth immediately to invest in these issues and the issuers were essentially wanting to test the market.

PSU Bonds

However two primary issues of PSU bonds which have dominated the market for some days now are from IFCI and NPC. IFCI issued a 14.5 per cent two-year bond worth of Rs 200 crore which was subscribed up to only Rs 60 crore, while the NPC's five year [illegible] per [illegible] oversubscribed to the tune of Rs 60 crore. The failure of IFCI issue reflects, despite its offering a front-end discount and graded redemption premium, the market's appetite for a much higher return as the yield on government securities had gone beyond 14 per cent in the secondary market and for PSU bonds (taxable), beyond 18 per cent. In order to attract lonable funds, PSUs are also found providing various incentives, though they are generally plain vanilla issues (regular fixed coupon bonds with pre-determined maturity), they offer front-end discounts, graded redemption premia and generally put and call options.

In the secondary market, the trading volume picked up sizeably compared to earlier months, with tax free bonds being sought after by investors. While the supply of tax-free bonds were absorbed by the market the taxable bonds suffered from selling pressure and a majority of deals passed through at increased interest rates of 16.5 per cent to 18.3 per cent.

Commercial Paper

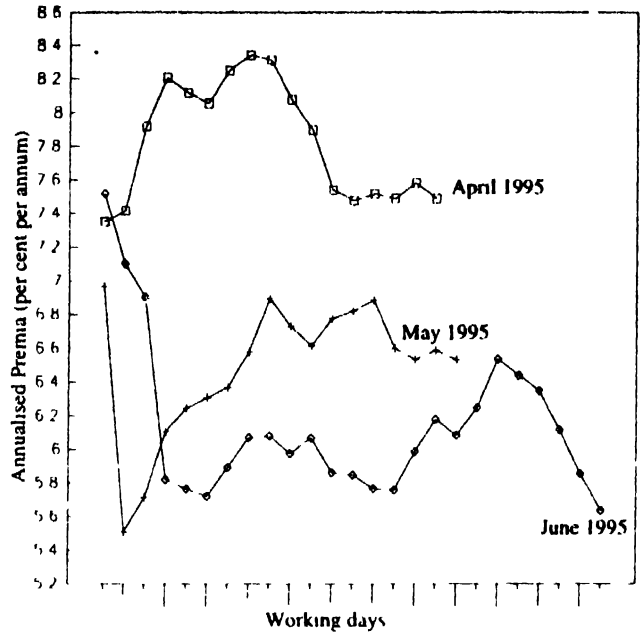
The month of June witnessed considerable revival in the CP market – primary as well as secondary. Besides the corporate borrowers, the NBFCs with the banks acting as conduit have emerged as active issuers in the primary CP market, as the former earn a spread of 10 per cent in their lending activities in consumer finance and also to take advantage of the anomaly of stamp duty structure in Maharashtra, CPs placed with banks carry a stamp duty of 0.05 per cent which

TABLE 5 OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING JUNE 1995

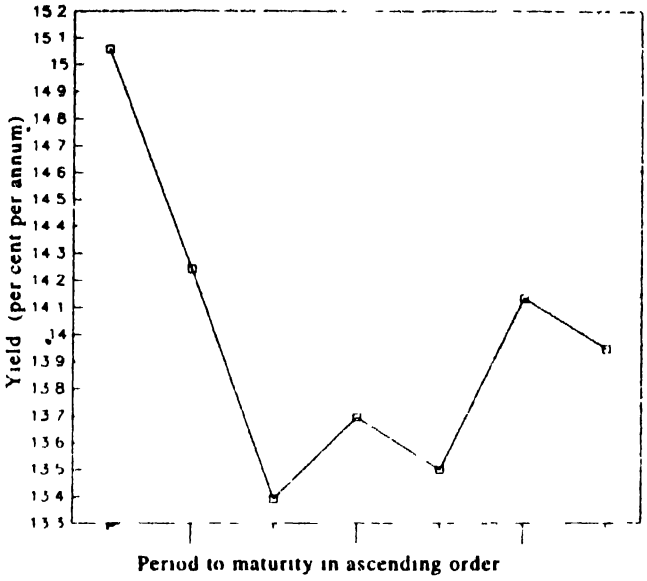
Descriptors	Week Ending June Amount in Crore of Rupees												Total during June @		
	30			23			16			9					
	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded
	Buy	Sell	Amount	Buy	Sell	Amount	Buy	Sell	Amount	Buy	Sell	Amount	Buy	Sell	Amount
1 Treasury bills															
i) 91 day bills															
ii) 364 day bills	10.00	10.00	10.00	60.00	40.00	40.00	35.91	35.91	35.91	90.00	90.00	90.00	410.91	392.91	367.91
Sub total Traded value	10.00	10.00	10.00	60.00	40.00	40.00	35.91	35.91	35.91	90.00	90.00	90.00	410.91	392.91	367.91
2 Dated securities															
A GOI securities															
i) Converted	109.76	109.76	109.76	246.60	226.60	141.60	72.17	62.17	62.17	53.00	53.00	53.00	543.13	513.13	428.13
ii) Regular	7.31	7.31	7.31	6.35	6.35	4.35	8.00	5.00	5.00	2.35	2.35	2.35	25.26	22.26	20.26
iii) Zero coupon	3.60	3.60	3.60	10.00	20.00	10.00	5.00	15.00		5.00	10.00		23.60	48.60	13.60
iv) Repo	44.00	44.00	44.00				–	–				–	44.00	44.00	44.00
B State govts stocks	0.25	0.25	0.25				0.74	0.74	0.74			–	1.74	1.24	1.24
Sub total Traded value	164.92	164.92	164.92	262.95	252.95	155.95	85.91	82.91	67.91	60.35	65.35	55.35	637.73	629.23	507.23
3 PSU bonds															
i) Tax free	2.30	2.43	2.30	10.15	10.15	10.15	1.09	1.09	0.97	15.46	15.56	15.46	108.94	109.17	108.82
ii) Taxable	25.40	37.40	25.40	8.02	7.52	7.52	23.50	23.50	23.50	11.15	19.15	7.15	89.07	108.57	84.57
Sub-total Traded value	27.70	39.83	27.70	18.17	17.67	17.67	24.59	24.59	24.47	26.61	34.71	22.61	198.01	217.74	193.39
4 Commercial papers	10.00	7.00	7.00	34.00	31.00	31.00	10.00	13.00	10.00	10.00	8.00	6.00	102.00	89.00	84.00
5 Debentures	–			0.49	0.49	0.49	0.10			1.50	1.50	–	3.33	2.48	0.49
6 ID+IB	0.10	0.10	0.10		–		–	–		–	–	–	0.10	0.10	0.10
7 Certificates of deposit	50.00	50.00	50.00				–	–	–	–	–	–	50.00	50.00	50.00
Grand total (volume)	262.72	271.85	259.72	375.61	342.11	245.11	156.51	156.41	138.29	188.46	199.56	173.96	1402.08	1381.46	1203.12

(–) No trading ID DMNI Bonds IB Institutional Bonds @ Including data for the week ended June 2

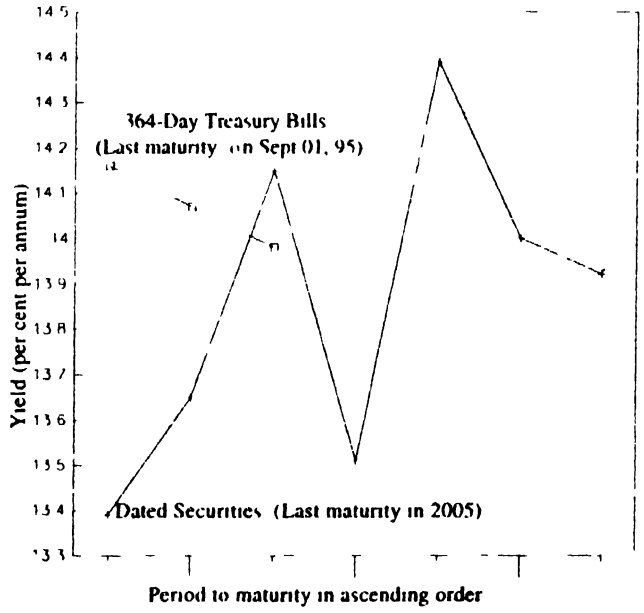
GRAPH C: ANNUALISED DAILY 6-MONTH FORWARD PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



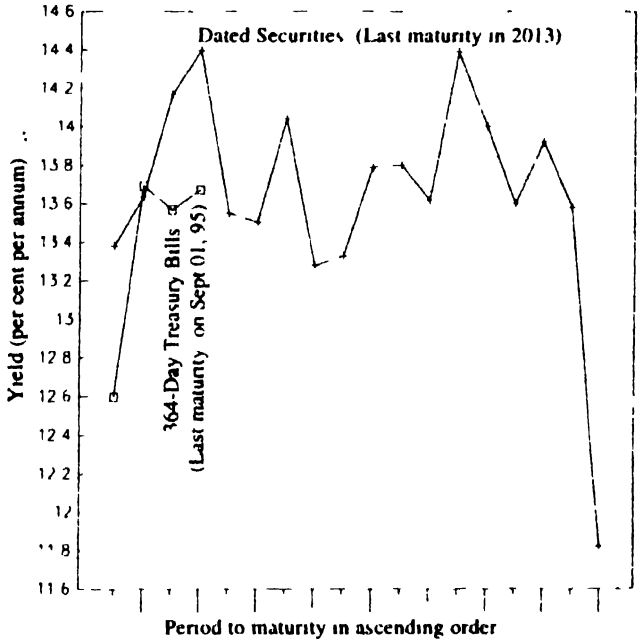
GRAPH D: YIELD CURVE FOR 364-DAY TREASURY BILLS AND DATED GOI SECURITIES: TRANSACTIONS ON ONE DAY (JUNE 28, 1995)



GRAPH E YIELD CURVES FOR 364-DAY TREASURY BILLS AND DATED SECURITIES - WEIGHTED AVERAGE FOR THE LAST WEEK ENDED JUNE 30, 1995



GRAPH F YIELD CURVES FOR 364-DAY TREASURY BILLS AND GOI SECURITIES - WEIGHTED AVERAGE FOR JUNE 30, 1995



increases by five times to 0.25 per cent if placed with 'other than banks'. Banks encourage the placement of CPs of shorter maturities and offload these CPs in the secondary market at attractive prices, mainly to escape the provision of capital adequacy norm while simultaneously earning a reasonable spread over and above the 12-13 per cent call money rates. Further, the factors like liquidity scarcity, delinking of cash credit limit, alongwith banks' reluctance in reviewing cash credit limit have propelled the corporates to rely on CP. As a result, their rates of interest are found to have shot up sharply. For instance, Jain Irrigation raised Rs 15 crore at 15.5 per cent, Arvind Mills Rs 15 crore at 15 10 per cent, and Kotak Mahindra Finance Rs 15 crore at 16 5 per cent and again at 17.25 per cent towards the end of June.

In the secondary market, the trading volume in CP leap-frogged substantially during the month At the National Stock Exchange which accounts for about one-third of total secondary trading in CP, the trading volume increased to Rs 84 crore in June – more than the total trading volume of the preceding three months. Further, contrary to the earlier trend of selling pressure dominating the demand, the month under reviewed experienced demand outstripping supply of CP (Table 5)

NCDs

Apart from CP, many big-size corporates like Videocon having investment projects under implementation prefer not to tie themselves up with high-cost long-term borrowings from term-financing institutions on the perception that the present rates of interest for such borrowings are unduly high and that they would come down. Instead they offer non-convertible debentures for short-term durations of

APPENDIX TABLE: SECONDARY MONEY MARKET OPERATIONS: RBI's SGL DATA

(Amount in rupees crore)

Descriptions	Week Ending June 1995 Yield to Maturity on Actual Trading											Total for the Month of June 1995		
	30			23		16		9		2				
	Amt	YTM	CY	Amt	YTM	Amt	YTM	Amt	YTM	Amt	YTM	CY	Amt	YTM	CY
I Treasury Bill															
A 91 Day Bills															
i) Jun 21 1995						1 00	7 60	1 00	11 22				2 00	9 41	
ii) July 21 1995	5 00	12 96						0 08	13 00	0 43	13 22		5 51	12 98	
Sub total (volume)	00	12 96				1 00	7 60	1 08	11 35	0 43	13 22		7 51	12 03	
B 364 Day Bills															
i) Jun 07 1995								4 00	10 22	15 00	13 23		19 00	12 60	
ii) Aug 04 1995	5 00	14 16								10 00	13 46		15 00	13 69	
iii) Aug 18 1995	50 65	14 07		200 76	13 93	172 11	13 51	203 53	13 36	170 64	13 30		797 69	13 57	
iv) Sept 01 1995	131 20	13 98		49 25	13 80	106 75	13 52	51 40	13 30	76 00	13 56		404 60	13 67	
Sub total (volume) *	1 6 85	14 01		250 01	13 90	278 86	13 51	258 94	13 30	271 64	13 37		1236 30	13 59	
II GOI Dated Securities															
A Converted (Per Cent Yield)															
i) 2000 12 5	96 56	13 39	12 05	184 00	13 40	30 00	13 14	20 00	12 87	65 00	13 55	12 07	395 86	13 36	12 06
ii) 13 5 2000	115 00	13 65	12 54	3 50	13 59	75 00	13 57	38 20	13 67	115 40	13 67	12 85	353 10	13 64	12 84
iii) 9 80 2000						15 00	13 55						15 00	13 55	12 57
iv) 13 75 2000	5 39	13 51	13 38	2 60	13 48								7 99	13 50	13 38
v) 11 5 2001								10 00	14 04				10 00	14 04	12 96
vi) 12 50 2004				19 77	13 13	5 00	14 16			300 00	13 64	13 27	324 77	13 62	13 25
Sub total (volume)	2 0 25	13 53	12 51	209 87	13 38	155 00	13 50	68 20	13 46	180 40	13 64	13 01	1136 72	13 54	12 68
B Regular (Per Cent Yield)															
i) 10 6 1996						5 00	13 85	39 00	14 21				44 00	14 17	11 22
ii) 10 5 15	10 00	14 15	13 19	30 00	14 15								40 00	14 40	12 30
iii) 13 5 01				57 11	13 28								57 11	13 28	13 30
iv) 11 5 00				0 25	13 33								0 25	13 33	12 59
15 40 00				2 00	13 79								2 00	13 79	13 63
vi) 11 80 2003								10 00	15 80				10 00	13 80	13 80
vii) 14 30 2003	200 00	14 39	13 40										200 00	14 39	13 10
viii) 10 50 2005	100 00	14 00	12 88										100 00	14 00	12 88
ix) 13 5 06						1 15	13 60						1 15	13 60	13 65
x) 14 00 2006	2 70	13 92	13 94										2 70	13 92	13 94
xi) 11 50 2008				15 87	13 58								15 87	13 58	13 14
xii) 9 00 2013				6 70	11 82								6 70	11 82	11 37
Sub total (volume)	313 70	14 26	13 20	111 93	13 57	6 15	13 81	49 00	14 13				479 78	14 07	12 96
(A+B)*	537 95	13 98	12 91	321 80	13 44	164 15	13 51	117 20	13 74	480 40	13 64	13 01	1616 50	13 70	12 77
C Zero coupon (Per Cent Yield)															
(i) 0 00 1999				20 00	14 34					2 55	13 69	11 11	22 55	14 27	11 25
D RBI Open Market Operations															
(A+B+C+D)	543 95	13 98	12 91	341 80	13 50	161 15	13 51	117 20	13 74	482 95	13 64	13 00	1639 05	13 71	12 74
III REPO															
(i) 91 Day T Bill	15 00												15 00		
(ii) 364 Day T Bill	226 50			143 00		10 00		108 00		259 50			747 00		
(iii) Govt Securities (Per Cent Yield)															
12 00 1995	49 00			84 00		49 00		206 00		25 00			413 00		
13 75 1996	254 00			296 00		600 00		866 00		440 00			2456 00		
13 00 1999	20 00					160 00		90 00		80 00			350 00		
13 50 2004	262 00			83 00		364 00		230 00		324 00			1263 00		
Zero coupon 2000	30 00												30 00		
Sub total (volume)	856 50			506 00		1183 00		1500 00		1128 50			5274 00		
IV State Govt Securities	0 55	12 05	12 28	0 39	13 11	0 55	12 64	0 02	11 77	0 03	12 14	12 64	1 84	12 55	12 41
Grand total (volume)	1571 85			1198 20		1627 86		1877 24		1883 55			8158 70		

Columns to trading YTM Yield to maturity in percentage per annum CY Current yield in per cent per annum * Yield rates of these sub groups of TBS and dated securities have been used for the graphs

Notes 1) Yields are weighted yields weighted by the amounts of each transaction
2) Current yield has not been worked out for treasury bills

months to 18 months at such high rates of interest is 21 to 22 per cent however, they would like banks not to insist on the discipline of maximum permissible bank finance (MPBF)

ICDs (Inter Corporate Deposits)

The recent large scale defaults in the ICD repayments have dampened the activities and made the investors wary As a result the interest rates have increased to as much as 26 per cent Further, the investors have started insisting on bankers guarantee and collateral of shares

CDs

Some of the new private sector banks like Global Trust and UTI Bank are attempting to attract certificates of deposit (CDs) at even 15 5 per cent which implies an effective cost of over 18 per cent The primary market is expected to get a fillip following the relaxation in the stipulated condition of credit rating of CDs from PSUs by the government However, the other two conditions, such as adherence to capital adequacy norms and minimum paid-up capital of Rs 100 crore remained unchanged The last week of the month saw considerable step-up in the secondary market trading in CD worth of Rs 50 crore at 16 1 per cent (Table 5)

[Statistical computations for this paper were undertaken by V P Prasanth]

UTTAR PRADESH

BJP's Moves under Cover of BSP Government

Amaresh Misra

The BJP is trying to instigate 'low intensity' sectarian conflicts, especially between the backward castes and Muslims

AS expected, Mayavati was able to prove her majority on the floor of the UP assembly, after all the high drama involving the speaker and the governor which saw constitutional procedures and norms being sacrificed once again at the altar of political expediency In UP a clear cut battle of interests is going on The row between the governor and the speaker was no exception it was a fight between two parties pushing their partisan interests In the political equations now prevailing the Congress has developed an interest in keeping Mulayam Singh out of power which means ensuring at least for the time being the survival of the BSP chief minister Hence the extraordinary role played by the governor in personally ensuring that the proceedings of the assembly moved in a certain direction

The show of strength itself passed off without much tension with Mulayam Singh boycotting the proceedings and walking off with a majority of his legislators a splinter SP group voting for Mayavati and the Congress abstaining There was a split in the Janata Dal also V P Singh's attitude all through was to keep equidistance from the warring camps while showing softness towards the dalit chief minister The JD state chief was expelled from the party for following one side of the V P Singh line Mulayam Singh was worsted as he was not able to present himself as a victim of either parliamentary manipulation or an unholy political alliance He failed to make a substantial public issue out of the recent happenings His efforts are revolving solely around power politics and here he is getting increasingly marginalised His response to the defeat in the legislature was a delegation to the president in Delhi and his response to the crackdown on his supporters by the chief minister was a meek protest At a time when scores of SP supporters are being made a direct target through a personal campaign by Mayavati, Mulayam is failing consistently to highlight any pressing issue that can go against the government Among the people at large his regime is still seen as one of repression and goonda raj because of which there is apathy even in sympathetic quarters

It is quite clear that any re-emergence of Mulayam Singh is unlikely to take place on the old planks of backward castes and power politics After more than a year of the Mulayam regime and the going over of the BSP to the BJP dalit OBC politics stands severally impaired Even more importantly the very political tactics' which had projected the capture of political power by the lower castes as a means of a new electoral combination capable of replacing the traditional parties has lost its potency Caste became during the SP BSP regime, a byword for mafia raj and a means for the upward mobility of criminals and the neo rich from within the backward castes and dalits These new power groups were from the beginning ill equipped to fight communalism or measures like the Congress-sponsored NEP Politically they were opportunists wanting a share in power and ideologically they were true neo brahmins interested in supplementing their identity with renewed sectarian appeals and tendencies prone to an alliance with brahminical forces and the BJP Mulayam himself had gone on a spree of declaring himself to be a Sanatani Hindu and touching the feet of brahmins during his chief ministership The neo brahminical turn of the BSP came as a culmination of a process which exposed its true class and ideological character as also the fact that the backward power groups were now integrated within the established brahminical power structure and could not be relied upon to combat communalism The option before Mulayam Singh therefore is to reconsider his political tactics even if only to win back lost initiatives

Before the present regime however containment of Mulayam Singh is the main agenda and this uniting factor is at present overriding all other considerations Differences between the BSP and BJP have come to the fore over the recent proposal of the Mayavati government aimed at granting 10-15 per cent reservation to the Muslims in the state The BSP had raised this demand previously also, but its revival came at a time when there was a widespread perception about the BSP working under the direction of the BJP Its timing appeared to be meant more to take the pro-BJP focus away from the BSP The move was followed by VHP and BJP issuing statements opposing the move The controversy suits the BJP as much as it does the BSP, as it also serves to take the pro-BSP focus away from BJP and calm down the anxiety of its supporters The friction is operating through a tacit understanding between the two parties since both stand to gain There is more at present that is actually uniting the combine the campaign against the SP has only just gathered momentum the hold over the administration is as yet tenuous and both parties have yet to consolidate the gains they have made through the capture of power Any government instability will be counterproductive to their interests besides helping Mulayam Singh

The issue of reservations for Muslims has been in the news for sometime now and the lines drawn over it reveal some pointed features The BSP has been most vociferous about it yet it has consistently ignored demands to implement what is immediately possible within the sphere of the UP government viz special reservation within the stipulated 27 per cent to 7 8 per cent of backward Muslims This has been the consistent demand of progressive Muslim organisations like the All India Muslim Forum who have pointed out that any general reservation policy for the Muslims will be counter productive to its backward sections who remain probably the most neglected and isolated sections amongst all Organisations like the CPI (ML) too supported this demand and asked the BSP to prove its honesty by implementing first the quota for Muslim backwards Apart from the All India Muslim Forum other more traditional Muslim organisations have not been vocal in the controversy as it introduces a different debate from the accepted conventions of old style Muslim issues But since then under the heat generated over the issue BSP leader Kanshiram finally announced the implementation of 8 44 per cent reservations for backward Muslims within the Mandal quota with the rider that the issue of general reservation was a difficult one because of the Supreme Court limit on reservations

But for all its high profile, the Mayavati government seems to lack confidence Any new government which comes to power has at least a general policy package to which it pays lip service The present one, by contrast is distinguished by the fact that it has failed to announce any programme till date Much noise has been made about crackdown on the mafia forces but there has been little real action There is an effort to organise Yadav-Gujar rallies with the tacit help of some shady elements from within these communities, in order to win over the backwards The government is working on an *ad hoc* basis and seems

intent on scoring political points over rivals and somehow increasing the range of support for the BSP What is more, in recent pronouncements any mention of dalits has been singularly missing, instead the BSP recently made much out of the fact that it is now considering giving seats and tickets to upper caste politicians

The alienation of the dalits from the BSP is beginning to unfold in different ways The poor amongst them are getting increasingly restless and unconvinced about a dalit government being in office Recently in an apparent move to assuage disaffection, Mayavati gave some assurances regarding the grant of land to dalits Seizing upon this, the CPI(ML) organised a number of demonstrations in Benaras to demand transfer of land rights and actual possession of land to poor and landless dalits These demonstrations however were cracked down upon and the administration resorted to lathi charges and a large number of arrests The incident received widespread coverage all over east UP and the support of the rural poor for whom the issue has become a live one The CPI(ML) has also planned an overall programme of raising this issue in order to channel the aspirations of the dalits along radical lines and effect a movement of the rural poor who have arisen as a new class force in the countryside. Such assertiveness on the part of the rural poor was also discerned by a recent survey conducted by the CPI(ML)'s student wing the AISA in the state scountryside It was found that contrary to the prognostications of the end of the land question especially after the rise of the intermediate caste factor in politics it is still the main issue in the countryside Vast tracts of land are held by landlords feudal practices like paying abysmal wages of Rs 2 and 1/2 kg of 'sattu' are rampant usury is practised on a wide scale and social respectability for the dalits is a chimera The survey outlined the rise of the rural poor as a class force in its own right coupled with the rise of a neo rich peasant class from within the backward castes The CPI(ML) has announced a peasant conference on a big scale in October It also organised a 20 day exposure campaign aimed at the BJP BSP regime to press home the need for a genuine left democratic alternative to fill the present political vacuum against the backdrop of the renewed threat of a BJP comeback

The feeling that a vacuum is persisting despite the new government in office is also due to the continuance of the anarchy of the Mulayam Singh days It is finding an outlet in various directions but of late a disturbing feature has emerged in the form of a number of incidents with a communal tone A communal riot masterminded by the RSS and aimed at splitting the backwards from the Muslims occurred at Phulpur, Allahabad in the 1st week of June which left scores dead and injur government remained mute spectators while Muslims were harassed and Yadavs were incited over a trifle matter The SP played into the hands of the RSS by fanning the issue and ultimately going on the defensive In another incident at Kunda Pratapgarh, a brutal mass attack on Muslim homes took place under the direct tutelage of a local independent upper caste MLA ideologically close to the BJP In the incident, which was part of a vendatta by some local supporters of the MLA against some Muslim youths, more than 20 houses were burnt down completely and the rioters looted everything For a whole day there was no action from the police Afterwards four bodies of women victims were found floating in the Ganges There has been minister of the BSP has visited the and the compensation offered has been meagre

Indeed, these incidents reflect a pattern of feudal-reactionary forces increasing their assertiveness There are reports that elsewhere also the BJP is trying to instigate 'low-intensity' sectarian conflicts, especially between the backwards and the Muslims There are also fears of riots and violence and in all this it is clear that the BJP is subtly pushing forward its agenda under the cover of the new government The BSP may be thinking of deriving some benefit by appearing as the protector of Muslims and dividing the backwards, but under its rule the state is moving towards a fresh outbreak of communal tension

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Under the Guise of Women's Empowerment

Fate of Rajasthan's Sathins

Gautam Navlakha

The recent decision to phase out the Women's Development Programme in Rajasthan is in a way a sign of the state's recognition of the enormous potential of women's empowerment to challenge entrenched power structures.

THE struggle of the 'sathins' (village level workers of the Women's Development Programme) in Rajasthan for better working conditions and salaries is a comment on how the class and gender bias embedded in a programme surface from underneath the veneer of hyperbole And they bring to mind what Marx once said about Luther that he "overcame the bondage of piety by rep-lacing it by the bondage of conviction He shattered faith in authority because he restored the authority of faith" So long as the sathins weakened the local authority words like 'empower', 'equality', 'sisterhood', 'solidarity' did not acquire their full import No sooner they began to interrogate their role in the WDP they discovered that their defiance was considered a threat to the authority of the government

The 'non-formal' post of sathin was created in the six districts of the state in 1984 when it was felt that grass roots activist was needed to look after the welfare of women in villages WDP had as its principal aim to ' empower women to recognise and improve their social and economic status" The expansion of the programme by the government in 1990 in no way changed the inherent nature of employer-employee relationship Therefore when the women workers protested, organised and began their struggle for decent and fair compensation for their work and security the officials did everything possible to quell it Failing this they decided to 'phase out' the institution of sathins itself

The department of Women and Child Welfare at a meeting held on January 1, 1995 took decisions which were to be conveyed to the Steering Committee It was decided that honorarium being given to sathins should now be given to the Mahila Samooh (women's cluster), that an age limit be fixed for sathins, and that those women who have completed five years of work as sathins should be 'phased out' The minutes of the meeting says that "were all sathins to be phased out at one go it would create problems Therefore at a time hundred sathins should be phased out and that in this connection separate orders are being issued". In fact the minutes suggest that a decision had already been taken on November 4, 1994

Sathins were supposed to look after gram (village) panchayat (at places a gram panchayat covered four to six villages) motivating people for literacy campaigns, against child marriage, dowry and drug addiction, encouraging women's participation in activities such as agricultural extension programme, installation and repairs of handpumps, immunisation, working against violence on women, helping in revenue and administration camps, rural housing schemes, family planning, implementation of PDS, payment of minimum wages, etc, and for which they were entitled to a meagre monthly honorarium of Rs 200 which was increased to Rs 250 in 1988 At this early phase of the programme argument was that were the sathins to be paid wages/salaries the work would get defined by someone else and the relationship between the officers and the women workers would become that of master and servant Therefore what was needed is flexibility and letting the sathins decide the kind of work they want to do, issues to be raised, and how to raise them This ostensible 'openness' thus became a noose around the neck of the women workers since they were neither entitled to minimum wages, service conditions according to procedures laid down by law, nor protection as government servants when faced with intimidation, harassment including physical attacks

Officials now argue that since each district has roughly 1,000 villages and that sathin-based programme can only reach 100 or so it is necessary that benefits under WDP also reach the rest It never occurred to the authorities that if they were concerned about the villages not covered by WDP then they ought to have worked towards expanding the programme with increased budgetary allocations

The decision is to move sathins every five years to another village In addition it is said that in villages there should be a Mahila Samooh, (women's cluster) of five women and sathin's job should rotate between them each year The target-oriented approach becomes evident from their insistence that sathins cannot be 'illiterate' whereas the WDP programme plan had talked of employing even 'illiterate' women if literate workers could not be found At a meeting held on April 10 the director of WDP told sathins that five years was sufficient for development work in a village In any case, he said that they were neither permanent employees nor government servants. In a convoluted to be dependant on the government.

On April 17 sathins held a dharna in front of the assembly. The minister for women and child welfare, Narendra Kanwar, director J C Mohanty and other officials consented to meet them When asked whether the government had taken a decision to do away with the post of sathins they denied any such decision since there is no post of sathins, and women workers are volunteers However, when union leaders were explaining why doing away with the post of sathins would be detrimental for women especially now when for the first time large numbers of women stood for and won panchayat elections. The minister is reported to have said that sathins cannot occupy two posts. When pointed out if this meant that there is such thing as a post of sathin there was silence The minister was nonetheless of the opinion that older and illiterate women cannot be kept as sathins and that sathins should teach stitching, making papads, opening accounts and helping with FP Facing a brickwall of evasion sathins decided to sit in a dharna until the CM agreed to see them The initial reaction of the CM was to claim that he was far too busy to meet anyone Thus for the first time women sat through on a night long dharna in the front of the assembly Since this could prove to be politically embarrassing the CM then sent a message that he would see them next morning, on April 18 When the sathins entered his chamber he was speaking on the telephone enquiring about the file on sathin and trying to find out what were the issues He then told them that he would look into the matter and had asked for the file suggesting that there was no need for any further discussion What the CM forgot was that this was not the first time he had taken recourse to such a strategem The sathins pointedly told him that in March 1990 and subsequently in April 1994 he had seen them and assured them that he would call for the files Since nothing had happened and now they faced the threat of losing their jobs they could no longer believe him They wanted to know that if the government had decided to do away with the post of sathins then why were they given the assurance on March 8 by the WDP officials that the government had agreed to increase their honorarium from Rs 250 to Rs 500 per month. Some of the sathins told him that they had been BJP supporters and had expected him to be sympathetic He promptly said "of course I will help you" They angrily told him that they wanted no special favour and that he should do something for all the sathins There the matter stands

The Programme

Sathins under the WDP have so far existed in a twilight zone of being and yet not being government employees. The nature of their work makes them the grass roots level worker co-ordinating various development work of

the government especially those related to women and children (mainly female child) This formal institutional arrangement was based on the assumption that public funds are meant to be used for public benefit

Lest we forget as late as mid 1980s the centre of gravity had not shifted to link the rolling back of government to cutting down welfare expenditure Since such is the current fad providing sathins the benefits as government employees is not just unattractive it is less accountable being non formal and at the mercy of contingent benevolence of well meaning persons

The WDP Project proposal (Department of Rural Development and Panchayati Raj Government of Rajasthan May 1984) could thus unblushingly pitch the programme at a high note

> It does not require much sensitivity to realise the apathy and injustice to which women are subjected They have to learn the harsh facts of life without the opportunity for schooling they work without being recognised as workers and throughout life they are expected to follow the commands of men the father the husband and son (p 18)

How was this to be broken? It was said that Development is a motion which demands a qualitative shift in the attitudes of the people involved to generate experience which facilitate altered perceptions of the self in our collective strength faith in solidarity and sisterhood born of sharing all those moments of personal pain humiliation the years of silent suffering and moments of happiness (and) positive perception of a women's own identity in a larger social process * And therefore WDP was seen as a three tier relation a structure which will have the inner strength and grass roots linkage of voluntarism the security and stability of government and a continuous incorporation of critical reflection from research bodies

The very formulation provides an insight into current conflict Because 'altered perceptions are to be achieved operationally by a structure in which actual work was to be undertaken by the sathins although they were not expected to play any role in influencing the larger social process nor was it even conceived that these women workers could also provide critical reflection This was a task reserved for the employers

And yet the 'principal aim of the WDP is to empower women Within this overarching objective the specific aims were amongst other things said to be 'to identify programmes and to create mechanisms for conveying these programmes for the benefit of women" "to ensure a clear focus on families from poverty groups and on women who have suffered disabilities due to social oppression and physical disadvantage 'child welfare is inseparable from women's development" "to create a machinery which will evaluate, support and animate the base level centres and will secure the support of various government agencies, credit institutions, voluntary agencies, etc"

Significantly WDP was "not intended to take over the responsibility of implementing these programmes (which aim at ameliorating women's problems)", but to "improve women's participation in these programmes and effectively monitor the extent to which benefits actually accrue to women" As a result it was clearly felt that rigid and excessively defined functions can hamstring the workers'

However an evaluation of the work of sathins for 10 years from 1984-85 to 1994 95 is in form of achievement of 45 items, as though the sathins were supposed to be responsible for implementing government programmes There was no attempt to undertake an objective non target oriented work evaluation in accordance with the objective and aims of the WDP The attempt was to downplay the objectives and to elevate targets in order that the work of these organised women workers would appear in poor light For instance a report of a meeting held on February 13 of the district WDP Jaipur brings out the shift in perspective and nature of working when it says that in Jaipur district 18 000 bank accounts must be opened and sets a target of 2,000 bank account for each Pracheta (supervisor) The same report also shows a commandist approach typical for bureaucratis in connection with anti child marriage campaign when it is stated that in the child marriage prohibition campaign three jeeps would be employed with three prachetas scout guide boys and girls who still stand and shout slogans put up posters in villages and write slogans

That there is an element of coercion even in the beginning was clear from another instance The district WDP Ajmer for instance issued an order to prachetas on March 15 1991 that stated regarding family planning that you must ensure together with your sathins that the targets laid down in the national programme (for FP) are fulfilled or else we would be compelled to take strict action against you" (translated from Hindi)

This shift in the WDP programme became more pronounced in the late 1980s with emphasis being not on grass roots issue but implementation of government schemes Performance began to be judged in the form of tangible results especially to fulfil population control targets The pressure was put on the pracheta (supervisor) who was incharge of 10 centres each headed by a sathin to provide results

It was the prachetas who took the first lead in forming an union The process of unionisation for sathins began in March 1990 when demand for an increase in honorarium was raised Until then they were receiving an amount of Rs 200 But their demand led to an increase of Rs 50 per month Since this was an act of tokenism by authorities it did not take long before trouble erupted In December 1990 sathins from Kekri, Ajmer district formed a women's group called Kekri Mahila Samooh (Ironically WDP had objected to formation of KMS in 1990 as undermining the work of sathins only to demand that by 1994-95 that sathins should be replaced by mahila samooh) Their participation in a women's conference at Calicut was objected to by the WDP authorities and led to dismissal of five of them They decided to move the court Meanwhile for the first time idea was mooted for forming an union However, the authorities decided to crush this nascent effort by forcing many of the sathins to sign a written statement that they would not unionise This delayed but could not stop the moves for forming an union which was finally registered in January 1993

The union has 200 formal members but nearly 500 are actively associated although they do not or rather cannot afford to pay union fees The union is spread over 22 districts Union activists say that until recently there used to be district level meetings between the sathins working in one district with the prachetas After the meetings sathins used to discuss their common concerns and collective activities Officials who never tired of mouthing words like empowerment and participation took offence at union work of the sathins and prachetas In order to obstruct union work and collective action by sathins such monthly district level meetings of all sathins has been discontinued and groups of five seven are now called

So great has been the opposition to sathins forming union that in Ajmer district the project director sent letters to the husbands of sathins warning them that if their wives were to go for union meetings then officials could not be held responsible if something were to happen And they stressed that no sathin should be sent outside the villages unless they received officially sealed letters requesting their presence

The 11 point demand of the Sathin Union relates primarily to recognising them either as government employees or as industrial workers entitled to minimum wages and other perquisites accordingly – security of tenure, protection against violence against them etc Instead of meeting these demands officials of WDP took recourse to subterfuge Officials told sathins on March 8 at a Women's Day programme in Jaipur that they would soon get Rs 500 salary They had already taken a decision in January to phase out sathins by restricting their terms to five years and giving the amount given to sathins to the mahila mandals for them to spend collectively Such underhand methods were also the experience of sathins when they protested against rape, molestation etc For instance when sathin Bhanwari Bai of Bhateri village in Jaipur was raped because of her campaign against child marriage, the authorities not only refused to prosecute the men but tried to purchase her silence by offering money No action was taken against the panchayat member who attempted to

rape sathin Manju in Mahendragarh village The threat to kill sathin Etaasi in Ajmer for raising the issue of attempted rape of a woman in the village did not see the authorities take any action against the men Instead it was claimed that the role of sathins had become controversial' A case was cited of leaders of 39 panchayats in Bassi block of Jaipur district who had resolved not to co operate with the sathins until one of them Bhanwari Devi withdrew her allegations It was also claimed that since WDP had envisaged voluntary participation and avoided creation of government employees the very objective of the programme would be lost were it to accede to their demands Although the reality of a government funded programme meant to empower women only to end up exploiting the women workers is completely lost on them

When five sathins and a pracheta were dismissed from services in 1990 following their participation in the Calicut Women s conference the argument advanced was that they could not do so without the approval of the WDP authorities The dismissed women then approached the Rajasthan High Court for reinstatement (SB Civil Writ petition No 2901/91 in the high court bench of Judicature for Rajasthan at Jaipur) On March 10 1992 the high court in their judgment pointed out that they are carrying out the programme organised by the government and is (sic!) working as a village level worker Mahila Vikas Kendra are run by the government for the people and under the overall supervision of the collector of the district under the guidance of the department of rural development and panchayati raj government of Rajasthan It is true that no service rules have been framed for sathins Having worked for more than five years petitioners services cannot be terminated just by a stroke of pen without observing the principles of natural justice" The court also ordered that they be ' taken back on duty immediately But such is the disregard for judiciary the authorities three years after this judgment have yet not complied Interestingly, sathins were until 1990 chosen by the gram panchayat And village women workers who were dismissed from their jobs received support from the gram panchayat who pointed out that if they were consulted and their choice was accepted for appointment of sathins they ought to have been consulted regarding their dismissal Again instead of rejoicing at this awareness of democratic principle sathins were not appointed in new districts instead cluster approach was tried out and honorarium given to sathins was provided to the cluster

Continued Relevance of Sathins

It is also clear from the assessment of actual need that if anything, the crucial importance of sathins has not declined A foreword for a proposed work programme prepared by the district WDP, Ajmer for April 1995-March 1996 states as a matter of fact "Since women s involvement in the 1995 panchayat elections and formation of new panchayats, panchayat committees and district councils has increased it has meant that the responsibility of WDP too has increased and with that the area and possibilities of work If this assessment is correct then rather than shuffling and phasing out sathins or moving them once in every five years there is need for enhancing the budgetary allocation so that more gram panchayats are brought under the scheme

As employer WDP had certain responsibility for protection and welfare of the women workers The sathin is the contact person for all government departments payments come from the government and their appointment letters are issued by the government Each sathin has had to fight with her family kinship group village, and it has taken them years to acquire social acceptance and credibility For instance, social custom laid down that lower caste women could not wear shoes and walk through the village Besides women were not permitted anywhere close to the panchayat and had to accept whatever decision that were taken Government support helped in enabling them to challenge local authority In several districts sathins have succeeded in motivating women to contest panchayat elections And now just when these women are all set to take their struggle to a new forum they are being phased out

To persist year after year with their work for which they received a pittance and face all kinds of opposition meant tremendous commitment and willingness to take risk Ironically the very fact of their interrogation of social conditions within which they worked and their rebellion against the WDP authority is born out of their involvement in the developmental work itself If the WDP authorities had any sincere commitment to the objective of empowering women then rather than phase out this programme they ought to work for its enhancement and appreciate the success of the work undertaken by the sathins

Sathins were supposed to retain a critical involvement in government programmes They were not expected to merely accept programmes but also to raise issues thereby facilitating the participation of village women and ensuring that benefits meant for them were not frittered away This is best illustrated by the manner in which the family planning programme was treated by the sathins WDP did not oppose FP but insisted that it should follow WHO norms and not set targets to be achieved WDP also opposed any effort to compel women to accept FP in order to avail of any emergency relief work In 1987-88 as part of famine relief, employment was provided for women but this was linked to women accepting FP Sathins succeeded in mobilising women and others against this and insisted that proper procedures must be followed They were accused of being anti-national since they were opposing a programme of vital importance for the nation But with WDP now becoming an integral part of FP with questioning of the programme is not permitted and sathins are seen as vehicle for fulfilling government targets

Another issue where targets are set and meant to be followed is Mahila Samriddhi Yojna under which if women deposit Rs 300 every year they are for receive Rs 375 at the end of the year There are targets set for the number of such accounts which must be opened If these targets are not met explanations are called for Sathins have protested against this pointing out the inability of poor village women to make lump sum payment of even Rs 300 and the fact that banks do not accept deposits of Rs 25 per month If a mindless officialdom insists on carrying on the chances are that this scheme will fail Again sathins have been involved with famine relief payment which is made according to measurement of area dug and quality of earth There is enough scope for corruption Sathins succeeded in their areas in ensuring that measurement norms were properly followed and complied with

In a climate where government expenditure on law and order and military continues to expand and where rolling back of government has meant cutbacks in social welfare allocations development is increasingly being seen as allowing people to be left to their own devices It is then an issue between callous government and grass roots activities No sooner one threatens or questions those in power everything is done to bring them to submission Since current wisdom equates good governance with less governance cutting down on social welfare allocations acquires an ideological sanctity This is also evident from the struggle of the aganwadi workers agitating against the move of the government to privatise the Integrated Community Development Scheme By jeopardising the scheme itself the focus of aganwadi workers has been shifted from better working conditions to saving their jobs

Notes

[This draws heavily from the work undertaken by women s groups in Delhi especially the untiring efforts of Saheli and the report mentioned above But I am especially indebted to Aarti and Kiran of the Sathin Union for sparing so much time in the midst of their struggle and to Vrinda Grover for all her help including comments Needless to add I alone am responsible for the (mis)selection and (mis)interpretation of facts]

* This was stated in a document entitled , *Exploring Possibilities A Review of the Women s Development Programme Rajasthan* and loc cit in *Development for Whom? A Critique of Women s Development Programmes* October 1991 This is a joint report by women s groups from Bombay and Delhi

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BALANCE SHEET AS AT 31ST MARCH, 1995

(000's omitted)

	Schedule	As on 31.03 1995 Rupees	As on 31 03 1994 Rupees
CAPITAL AND LIABILITIES			
Capital	1	179,816	102,247
Reserves and Surplus	2	164,113	122,032
Deposits	3	2,960,337	2,886,885
Borrowings	4	818,129	108,886
Other Liabilities and Provisions	5	127,089	88,554
TOTAL		4,249,484	3,308,604
ASSETS			
Cash and balances with Reserve Bank of India	6	380,517	491,340
Balances with banks and money at call and short notice	7	202,766	74,786
Investments	8	1,157,657	973,432
Advances	9	2,289,539	1,612,868
Fixed Assets	10	35,022	38,347
Other Assets	11	183,983	117,831
TOTAL		4,249,484	3,308,604
Contingent Liabilities	12	3,497,569	1,111,223
Bills for Collection		724,467	86,990
Notes to Accounts	17		

Notes and schedules to the accounts form an integral part of the Balance Sheet.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995

(000's omitted)

	Schedule	Year Ended 31 03 1995 Rupees	Year Ended 31 03 1994 Rupees
I. INCOME			
Interest earned	13	442,596	290,167
Other Income	14	26,509	27,591
TOTAL		469,105	317,758
II. EXPENDITURE			
Interest expended	15	198,029	122,235
Operating expenses	16	25,156	21,228
Provisions and contingencies		145,270	101,084
TOTAL		368,455	244,547
III. PROFIT/LOSS			
Net Profit(Loss) for the year		100,650	73,211
Profit(Loss) brought forward		78,577	80,820
TOTAL		179,227	154,031
IV. APPROPRIATIONS			
Transfer to statutory reserves		20,130	14,642
Transferred to Capital Account		58,569	39,071
Transferred to Head Office		–	21,741
Balance carried over to balance sheet		100,528	78,577
TOTAL		179,227	154,031
Notes to Accounts	17		

Notes and schedules to the accounts form an integral part of Profit and Loss Account

As Per Our Report of Even Date Attached

For and on behalf of
KHIMJI KUNVERJI & CO.
Chartered Accountants
Sd/-
[Shivji K. Vikamsey]
Partner

Bombay
Dated: 3 July, 1995

For THE SAKURA BANK, LTD.
Sd/-
M. Mokumoto
General Manager
&
Chief Executive Officer in India

THE SAKURA BANK, LIMITED

(Formerly known as THE MITSUI TAIYO KOBE BANK, LIMITED)

(Incorporated in Japan with Limited Liability)

BOMBAY BRANCH

SCHEDULES TO BALANCE SHEET

(000's omitted)

	As on 31 03 1995 Rupees	As on 31 03 1994 Rupees
Schedule 1—Capital		
Unremitted Profit	97,640	39,071
Head Office Blocked amount	82,176	63,176
Nominal Value of Securities Deposited with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949		
Current year 56,000		
Previous year 43,500		
TOTAL	179,816	102,247
Schedule 2—Reserves and Surplus		
I Statutory Reserves		
Opening Balance	43,455	28,813
Additions during the year	20,130	14,642
	63,585	43,455
II Balance in Profit and Loss Account	100,528	78,577
TOTAL (I and II)	164,113	122,032
Schedule 3—Deposits		
I. Demand Deposits		
i) From Banks	29	101
ii) From Others	493,296	267,199
II Saving Bank Deposits	70,804	59,615
III Term Deposits		
i) From Banks	–	–
ii) From Others	2,396,208	2,559,970
TOTAL (I, II, and III)	2,960,337	2,886,885
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	50,000	–
ii) Other Banks	–	–
iii) Other Institutions and Agencies	–	–
II. Borrowings outside India	768,129	108,886
TOTAL (I and II)	818,129	108,886
Secured borrowings included in I and II above—Rs. Nil		

(000's omitted)

	As on 31 03 1995 Rupees	As on 31 03 1994 Rupees
Schedule 5—Other Liabilities and Provisions		
I Bills Payable	28,489	29,656
II Inter-Office Adjustments (net)	31,982	–
III Interest Accrued	34,067	31,068
IV Others (including Provisions)	32,551	27,830
TOTAL (I, II, III and IV)	127,089	88,554
Schedule 6—Cash and Balances with Reserve Bank of India		
I Cash in hand (including foreign currency notes)	3,840	1,377
II Balances with Reserve Bank of India		
i) In Current Accounts	376,677	489,963
ii) In Other Accounts	–	–
TOTAL (I and II)	380,517	491,340
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I In India		
i) Balance with banks		
a) In Current Accounts	542	1,290
b) In other Deposit Accounts (SIDBI)	200,000	70,000
ii) Money at Call and Short Notice		
a) With banks	–	–
b) With other institutions	–	–
TOTAL (i and ii)	200,542	71,290
II Outside India		
i) In Current Accounts	2,224	3,496
ii) In other Deposit Accounts	–	
iii) Money at Call and Short Notice	–	–
TOTAL (i, ii, and iii)	2,224	3,496
GRAND TOTAL (I and II)	202,766	74,786

THE SAKURA BANK, LIMITED

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BOMBAY BRANCH

SCHEDULES TO BALANCE SHEET

(000's omitted)

	As on 31 03 1995 Rupees	As on 31 03 1994 Rupees
Schedule 8—Investments		
I Investments in India in		
i) Government Securities	1,077,629	798,454
ii) Other Approved Securities	77,920	77,920
iii) Shares	2,108	2,108
iv) Debentures and Bonds	–	–
v) Subsidiaries and/or joint ventures	–	–
vi) Commercial paper purchased	–	94,950
TOTAL (i, ii, iii, iv, v and vi)	1,157,657	973,432
II Investments outside India	Nil	Nil
GRAND TOTAL (I and II)	1,157,657	973,432
Schedule 9—Advances		
A i) Bills purchased and discounted	324,563	646,837
ii) Cash credits, overdrafts and loans repayable on demand	1,771,016	937,613
iii) Term Loans	193,960	28,418
TOTAL	2,289,539	1,612,868
B i) Secured by tangible assets	1,717,650	1,052,179
ii) Covered by Bank/ Government Guarantees	–	–
iii) Unsecured	571,889	560,689
TOTAL	2,289,539	1,612,868
C. I. Advances in India		
i) Priority Sectors	618,894	260,736
ii) Public Sector	–	–
iii) Banks	–	–
iv) Others	1,670,645	1,352,132
TOTAL	2,289,539	1,612,868
II Advances outside India		
i) Due from Banks	–	–
ii) Due from Others		
a) Bills purchased and discounted	–	–
b) Syndicated loans	–	–
c) Others	–	–
TOTAL	–	–
GRAND TOTAL (C I and II)	2,289,539	1,612,868

(000's omitted)

	As on 31 03 1995 Rupees	As on 31 03 1994 Rupees
Schedule 10—Fixed Assets		
I Premises		
At cost as on 31st March of the preceding year	48,038	48,038
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	(16,094)	(13,437)
TOTAL	31,944	34,601
II Other Fixed Assets (including furniture and fixtures)		
At cost as on 31st March of the preceding year	12,204	12,190
Additions during the year	342	109
Deductions during the year	(274)	(95)
Depreciation to date	(9,194)	(8,458)
TOTAL	3,078	3,746
GRAND TOTAL (I and II)	35,022	38,347
Schedule 11—Other Assets		
I Inter-Office Adjustments (net)	–	18,379
II Interest accrued	95,929	78,294
III Tax paid in advance/tax deducted at source	–	–
IV Stationery and Stamps	–	–
V Non-banking assets acquired in satisfaction of claims	–	–
VI Others	88,054	21,158
TOTAL	183,983	117,831
Schedule 12—Contingent Liabilities		
I. Claims against the bank not acknowledged as debts	–	–
II Liabilities for partly paid investments	–	–
III Liability on account of outstanding forward exchange contracts	1,051,431	40,507
IV Guarantees given on behalf of constituents	331,920	287,378
V Acceptances, endorsements and other obligations	1,696,002	755,619
VI Liabilities on bills of exchange rediscounted	418,216	27,719
TOTAL (I, II, III, IV, V and VI)	3,497,569	1,111,223

THE SAKURA BANK, LIMITED

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BOMBAY BRANCH

SCHEDULES TO PROFIT AND LOSS ACCOUNT

(000's omitted)

	Year Ended 31.03.1995 Rupees	Year Ended 31.03.1994 Rupees
Schedule 13—Interest Earned		
I. Interest/discount on advances/bills	306,903	180,891
II. Income on investments	102,243	84,740
III. Interest on balances with Reserve Bank of India and other inter-bank funds	31,438	24,535
IV. Others	2,012	1
TOTAL	442,596	290,167
Schedule 14—Other Income		
I. Commission, exchange and brokerage	20,194	9,422
II. Profit on redemption of Commercial Paper	1,602	–
Less: Loss on sale of investments	–	–
III. Profit on revaluation of investments	–	–
Less: Loss on revaluation of investments	–	–
IV. Profit on sale of land, buildings and other assets	122	35
Less: Loss on sale of land, buildings and other assets	–	–
V. Profit on exchange transactions (Net)	4,591	12,761
VI. Income earned by way of dividends, etc., from subsidiaries/ companies and/or joint ventures abroad/in India	–	–
VII. Miscellaneous income	–	5,373
TOTAL	26,509	27,591
Schedule 15—Interest Expended		
I. Interest on deposits	139,973	118,272
II. Interest on Reserve Bank of India/inter-bank borrowings	58,014	381
III. Others	42	3,582
TOTAL	198,029	122,235

(000's omitted)

	Year Ended 31.03.1995 Rupees	Year Ended 31.03.1994 Rupees
Schedule 16—Operating Expenses		
I. Payments to and provisions for employees	10,111	9,517
II. Rent, taxes and lighting	4,134	1,431
III. Printing and stationery	534	521
IV. Advertisement and publicity	172	29
V. Depreciation on bank's property	3,622	3,952
VI. Directors' fees, allowances and expenses	8	9
VII. Auditors' fees, and expenses	150	50
VIII. Law charges	29	9
IX. Postages, telegrams, telephones, etc.	484	463
X. Repairs and maintenance	849	795
XI. Insurance	1,790	1,632
XII. Other expenditure	3,273	2,820
TOTAL	25,156	21,228

THE SAKURA BANK, LIMITED

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BOMBAY BRANCH

Schedule 17—Notes forming part of the accounts for the year ended 31st March, 1995

Principal Accounting Policies

1 General

The accompanying financial statements have been prepared on historical cost basis and conform to the statutory provisions and practices prevailing in the country

2 a) Revenue Recognition

Items of income are accounted for on accrual basis

Expenditure are accounted for on cash basis except for Interest Payable, Bonus, Ex gratia, Rent and Audit fees

2 b) Net Profit

The net profit disclosed in the Profit and Loss Account is after

i) Payments for Interest tax and Income tax, which are in accordance with the Statutory requirements and considering the articles of the Double Taxation Agreement between India and Japan The income tax paid during the year is debited to Profit and Loss Account and the refund of Income tax is considered as income in the year of completion of assessment under section 143(3) of the Income Tax Act, 1961

ii) Provisions for doubtful advances

iii) Other usual and necessary provisions

2 c) Head Office Administrative Expenses

The branch has not debited Head Office Administrative expenditure to its Profit and Loss Account but has claimed the same for tax purposes

3 Transactions involving Foreign Exchange

i) Monetary assets and liabilities except Foreign Currency Non Resident Account balances (which are stated at the rates specified by the Reserve Bank of India), are translated at exchange rates which are the average of T T buying and selling rates as at the close of the year, called the middle rates as per head office instructions However the Profit/Loss on the translations of the Monetary Assets and Liabilities is recognised on the basis of exchange rates prevailing at the close of the year as prescribed by FEDAI The difference between the valuation as per closing rates and middle rates is reflected in current assets/current liabilities and has no impact on the Profit and Loss Account of the year

ii) Income and Expenditure items are translated at the exchange rates ruling on the dates of the transactions

iii) In terms of FEDAI circular Profit or Loss on outstanding forward contracts has been accounted for

iv) Contingent Liabilities in respect of letter of credit issued in foreign currency are stated at middle rates' as explained in (i) above and outstanding forward contracts are stated at the contracted rates

4 Investments

Investments are bifurcated into permanent and current in the terms of Reserve Bank of India guidelines Permanent investments include securities intended to be held on long term basis or till maturity as the case may be The investments are valued as per the guidelines laid down by Reserve Bank of India as under

i) Permanent investments are valued at cost

ii) Current investments have been valued at lower of cost or market value, scrip wise under each category and the depreciation/appreciation in each category has been aggregated Net depreciation if any is provided for and net appreciation, if any, is ignored For the purpose of considering the market value, Stock Exchange quotations wherever available have been taken and where the investments are not quoted on the Stock Exchange, the same have been valued as per the norms laid down by Reserve Bank of India as under

a) PSU Bonds – Valued on yield to maturity (YTM) basis

b) Treasury Bills – Valued at carrying cost

5 Advances

i) Provision for advances is based on the classification into "Performing" and "Non Perofrming" assets in accordance with Reserve Bank of India guidelines

Provision for non-performing advances is made as under

Sub standard Advances	10%
Doubtful Advances	100% of the unsecured portion and 20% to 50% of the secured portion depending on the period for which the asset has remained non performing
Loss Advances	100%

The provisions so required by the Bank have been made after considering the provisions existing in the books of the bank as at the end of the previous year

ii) The bank has not credited interest on advances classified as non-performing to its income taking into consideration the guidelines issued by the Reserve Bank of India in this respect

iii) Provision in respect of doubtful advances have been made on gross basis without considering tax relief

iv) Advances are stated net of bills of exchange rediscounted and provisions in respect of doubtful advances

6 Fixed Assets

i) Premises are stated at historical cost Other Fixed Assets are stated at original cost of acquisition including taxes, duties, freight and other incidental expenses related to acquisition and installation of the concerned asset

ii) Fixed assets are depreciated on the Reducing Balance method at rates as determined by the Management The rates of depreciation applied are higher than those prescribed in Schedule XIV of the Companies Act, 1956 except for computers for which the rate used is 36.9%

iii) Depreciation on assets acquired during the year is provided on *pro rata* basis from the month of acquisition, however no depreciation is provided on the assets sold during the year

7 Staff benefits

i) Gratuity and Superannuation Benefits

The Branch has availed of Group Gratuity Scheme with Life Insurance Corporation of India in respect of payment of gratuity to all employees other than expatriate employees and has also availed of Employees' Group Superannuation Scheme for providing pension benefits to its officers, other than expatriate officers

ii) The amount of bonus payable to its employees as per Payment of Bonus Act, 1965 and ex-gratia is fully provided for and charged to the Profit and Loss Account

THE SAKURA BANK, LIMITED

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BOMBAY BRANCH

Notes forming part of the Accounts

1. Investments are classified as under

	Current Year (Rs in Thousands)	Previous Year (Rs in Thousands)
Permanent Investments	21,000	21,000
Current Investments	1,136,657	952,432
	1,157,657	973,432

2. The impact of the Report of special audit of Foreign Currency Non Resident Deposit Scheme A (FCNRA) transactions ordered by Reserve Bank of India for the period 1st April, 1990 to 31st March, 1994 is not considered in the accounts pending scrutiny of the report by the Bank and receipt of further instructions from Reserve Bank of India.
3. Fixed assets do not include assets received at no cost from the Head Office
4. The accounting policy relating to rent paid has been modified from cash basis to accrual basis due to which rent paid is lower and Profit is higher by Rs 17,666,363
5. Previous year's figures have been regrouped/rearranged, wherever necessary

As Per Our Report of Even Date Attached

For and on behalf of
KHIMJI KUNVERJI & CO
Chartered Accountants
Sd/-
[Shivji K Vikamsey]
Partner

For The Sakura Bank, Limited
Sd/-
M Mokumoto
General Manager & Chief Executive Officer in India

Bombay
Dated: 3 July, 1995

Auditors' Report on the Bombay Branch of The Sakura Bank, Limited under Section 30 of the Banking Regulation Act, 1949

We have audited the attached Balance Sheet of the Bombay Branch of The Sakura Bank, Limited (formerly The Mitsui Taiyo Kobe Bank, Limited) as at 31st March, 1995 signed by us under reference to this report and the relative Profit and Loss Account of the Bombay Branch of the Bank for the year ended on that date.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and the Profit and Loss Account together with the notes attached thereto are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

1. We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and found them to be satisfactory,
2. The transactions which have come to our notice have been, in our opinion, generally within the powers of the Bombay Branch of the Bank;
3. In our opinion, proper books of accounts as required by law have been kept by the Bombay Branch of the Bank so far as appears from our examination of these books;
4. The above mentioned Balance Sheet and Profit and Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account;
5. In our opinion, and to the best of our information and according to the explanations given to us, subject to:
   The impact of the Report of special audit on Foreign Currency Non-Resident Deposit Scheme A transactions as referred to in Note No. 2 of Notes to Accounts having not been considered in the accounts,
   The Balance Sheet and Profit and Loss Account, together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Branch of the Bank as at 31st March, 1995 and in case of Profit and Loss Account gives a true and fair view of the profit of the Bombay Branch of the Bank for the year ended on that date.

For and on behalf of
KHIMJI KUNVERJI & CO
Chartered Accountants
Sd/-
Shivji K. Vikamsey
Partner

Bombay
Dated: 3 July, 1995

Relief Assistance and Rehabilitation

Lessons in Disaster Management

S Parasuraman

In order to keep track of hazard prone sites and to co-ordinate relief and rehabilitation work, it is urgent to evolve structures to effectively manage disasters

THE Osmanabad Latur (Maharashtra) earthquake of September 30 1993 ravaged over 70 villages and reduced most of them to piles of stone and rubble It left 8,311 persons dead and 9 032 persons injured (TISS Survey, 1993) The government and the NGOs have done commendable work in relief operations Continued collaboration of the government departments and NGOs, and enhanced participation of the community, are crucial for the successful implementation of the programme for reconstruction and rehabilitation

The Maharashtra government and a number of donor agencies and NGOs have started the work of reconstruction and rehabilitation Many organisations engaged in rehabilitation work in Maharashtra have expressed the desire that it would be useful to bring the government departments, donor agencies and NGOs together to reflect on the nature of relief, reconstruction and rehabilitation work implemented It was also felt that it would be useful to learn from the experiences of the government departments, community leaders and the NGOs engaged in the rehabilitation of Uttarkashi earthquake affected people The broad objective of the proposed workshop was to learn from the experience of the government and the NGOs in relief, reconstruction and rehabilitation in Uttarkashi and devise ways to strengthen the rehabilitation process in Maharashtra Further the workshop aimed at providing an independent and practical forum in which relief and rehabilitation issues could be discussed and approaches presented for use in other disaster situations in India

The workshop was organised jointly by the Centre for Research on the Epidemiology of Disasters (CRED), Catholic University of Luvain, Brussels, Belgium, and Tata Institute of Social Sciences, Bombay The workshop was funded by the European Community Humanitarian Office (ECHO), European Union, Brussels

The workshop suggested that a comprehensive disaster management plan and operational policy should be developed at national, state and district levels, addressing both natural and man made disasters, such as riots, epidemics, and famines The plan should include structures defining the chains of authority and reporting mechanisms as well as mechanisms for accountability of grievances The exact relationships and responsibilities between governmental bodies, NGOs community organisations as well as donor agencies and the media should be spelled out The lack of such a pre existing plan was felt to be contributory to much of the problems faced in the Uttarkashi and Maharashtra earthquake

The plan emphasised the co ordination of NGOs at local levels, and of donor agencies through a formal pre existing committee referred as the Joint Committee for Emergency Co ordination (JCEC)

The JCEC should be a permanent structure at the ministerial/secretarial level, convened by the aforementioned office The JCEC should among other representations e g academic institutions, press, international agencies, reserve a limited fixed number of permanent seats for NGO representation These seats should be filled by elected representatives from the NGO community the nominatory mechanisms of which should be decided by the NGOs themselves The representatives should be elected for a fixed term and reflect the views of the participating NGO consortium The state authorities should make every effort to maintain a dialogue with the NGOs through the JCEC so as to ensure the success of this initiative

The co ordination functions of the JCEC, or its operational cell, should address the specific areas identified as being problematic during the recent experience (1) Co ordination of volunteers and spectators at the site of the disaster, (2) Setting up and co-ordinating standard registration systems between implementing agencies, (3) Co-ordinating available public-sector expertise with NGO expertise to improve field efficiency and minimise duplication of efforts, (4) Co-ordinating incoming relief supplies and their distribution, (5) Providing regular situation briefings and facilitating information exchange drawing on its asset as a multiparty committee During the relief phase it is also proposed that a regular news-bulletin would facilitate the co-ordination process between the NGO and the government, (6) Controlling and managing the visits of VIPs to the site, in order to reduce hinderance to the relief process, (7) A mechanism should be developed to register NGOs according to their area of speciality and expertise, based on both their own mandates and proven track-record This preparatory measure would assist in putting forward an effective programme in a crisis situation, using the most appropriate agencies for the most appropriate tasks, (8) An information system for hazard prone areas that provides reliable data on additional risks such as dams, toxic industries, nuclear installations, should be developed A special risk mapping for areas prone to floods, cyclones, droughts and earthquakes should be undertaken urgently This should also include the establishment of emergency profiles listing human and structural resources in risk areas, (9) The co-ordination between the government and NGOs would be greatly enhanced if government policy is announced in a phased manner

It was also felt that such preparedness in disaster prone country like India would not only enhance the effectiveness of relief, but minimise the set backs to the developmental processes that the country can ill afford

The process of post disaster reconstruction and rehabilitation programmes in India have broadly followed the trends of international experience, with considerable modification because of local conditions and institutional dynamics One overriding similarity however, is the lack of institutional learning and hence, the repetition of mistakes from one disaster to another, at considerable cost to the affected population Another marked trend has been the massive escalation in investments for post disaster relief and rehabilitation programmes, without a proportional increase in impact and effectiveness This calls for a complete review of the response of the government, NGOs, construction industry and media to disasters

Certain important lessons that have been largely lost on the government and NGOs in the past are (1) Community-based rehabilitation, with a human face, works, and is the most cost and resource effective option in the long run, (2) Enabling local democratic processes ensures rapid recovery of community self-reliance and protects the interest of the weakest sections, (3) Incremental upgradation of local technology to repair and retrofit, is usually much more sustainable than relocation, and (4) external agencies can at best be catalyst for local processes

Chandigarh: Planned Urbanisation?

Laltu

The Punjab government's latest move to acquire land around Chandigarh, ostensibly to construct a residential complex on the city's outskirts to regulate urban growth, will result in ousting thousands of villagers.

ON May 29 the Punjab government issued a notification for the acquisition of 7,543 acres of land in the north western part of Chandigarh The area which falls in Kharar tehsil of Ropar district will be used to build an urban residential complex which will adjoin the city beautiful The purpose of the acquisition according to the Punjab government which has been claiming Chandigarh as its own will be to regulate the process of urbanisation in the periphery of Chandigarh prevent unplanned growth and encroachments and also to safeguard the class and quality of life in Chandigarh by taking off some of the pressure on the infrastructure of the city

The notification relates only to the first phase of the project which will eventually be spread over an area of 25 000 acres The estimated cost of the first phase of urbanisation is Rs 1,200 crore While the intentions of the state government would appear to be laudable on the surface, they have however sounded the death knell over the future of more than 50 000 villagers who have been living in the area for the past several decades Residents of the area have depended largely on agriculture for their livelihood and a large number are employed in government and private jobs in the city They are also dependent on the infrastructure of the city of Chandigarh for facilities like education and health Faced with the proposal of acquisition of their landholdings the villagers fear not only the loss of their homes but also of their very source of livelihood

The land acquisition notice comes as the culmination of a two-year long process of deliberations, land surveys and proposals which have been passed despite the organised resistance of the villagers of the 15 villages falling within the demarcated area The villagers have formed several groups to oppose this project, the main one being the Pind Bachao Committee led by a local Congress(I) politician Gurbaksh Singh Dhillon While some of the residents are keen on obtaining the best possible compensation others are adamant that they will not leave their land at any cost The movement at this juncture however seems scattered and is fairly weak and none of the Left groups or parties in the state has so far come forward to take a stand on the issue In fact the only senior politician in the state who has opposed the plan has been the dissident Congress(I) leader Jagmeet Singh Brar

A survey conducted in some of the affected villages is a revealing statement on the extent of the problem With a population of over 10,000, village Naya Gaon subsists mainly on the income earned from its residents who are employed in government jobs in Chandigarh Most houses here fall outside the 'lal dora' and will therefore not be eligible for compensation The land of the village falls under section 4 of the Forest Act Its fields are irrigated from the bund constructed by the government at a cost of crores of rupees With the cultivable land to be acquired by the government this bund will be rendered useless According to the villagers without a land for land compensation policy, no amount of compensation can help since the farmers can only earn through farming The women of the village are also active participants in the struggle and the villagers have held 10-12 meetings in the past couple of months on this issue They have formed a joint committee and intend sending delegations to the chief minister and prime minister "If we die we will take others with us The Congress government is a foisted government and in the next elections we will vote for the Akalis But we will take help from anyone who supports us"

"Why does the government want a township in this area which is so fertile?" The only reason, according to the villagers of Tida, for the construction of the township is the political aim of eventually giving up the claim to the city of Chandigarh By building an alternative city the state government can claim that it had no need for the city of Chandigarh

"Just like birds on a tree who return to their perch time and again despite being driven away, so will we return to our villages with our children and grand-children even if we are ousted from our homes" Though the state government has promised an attractive package of compensation for the residents of village Togan the details of the package are yet to be made public The only aspect that is clear is that the villagers will not be given land in lieu of the land acquired Therefore, whatever compensation they receive will be monetary and it is unlikely to enable them to acquire land elsewhere in view of the shortage of land and escalating prices There are also several loopholes in the process of awarding compensation since the amount is to be based on calculations of the land registration fees which are usually undervalued to escape payment of tax Over the years the area has also seen the mushrooming growth of houses outside the 'lal dora' or residential area These ostensibly are illegal structures and therefore not entitled to compensation Moreover since the villagers of the area have been cultivating land for decades, it is difficult for them to switch to some other form of employment, uneducated and illiterate as they are

While the state government has finalised all its plans for the building of the new city and has already approached HUDCO to finance the first phase of the project, its plans regarding the fate of the residents is nebulous The logic for putting the cart before the horse, according to the state government is that no plans can be made until the first step – the notification for land acquisition - is taken This is also offered as the reason why the residents of the area have received absolutely no official response to their numerous appeals, memorandum, and even protest meetings over the past one and-a-half years

Interestingly the villagers are not the only ones to protest against the plans for this new city Criticism has also come from the ministry of environment against the proposed intention of the state government to effect a change in the land use of the area under sections 3 and 4 of the Forest Act

In response the state government announced that it had decided to use only 5,000 of the 8,000 acres originally surveyed in order to leave out any area under the Forest Act The notification however when finalised was for 7,543 acres, nearly the entire area initially surveyed

There has also been some resistance to the idea of new Chandigarh from a group calling itself the Save Chandigarh Committee The group fears that the construction of a new city will merely increase the pressure on the city of Chandigarh rather than deflecting it as has happened with the cities of Mohali and Panchkula The unplanned growth of these satellite townships which do not have adequate infrastructure has resulted in increasing the pressure of population on Chandigarh The Chandigarh Citizens Committee has been investigating and documenting the violation of democratic rights of the people living in these villages

THE BANK OF TOKYO, LTD.
(Incorporated in Japan Liability of Members Limited)

BALANCE SHEET & PROFIT & LOSS ACCOUNT

BALANCE SHEET OF INDIAN OFFICES AS ON 31ST MARCH 1995

(000's omitted)

	Schedule	As on 31st March 1995	As on 31st March 1994
CAPITAL AND LIABILITIES			
Capital	1	561,828	411,828
Reserves and Surplus	2	349,348	296,804
Deposits	3	7,482,927	6,102,570
Borrowings	4	416,455	7,800
Other Liabilities and Provisions	5	744,151	574,187
TOTAL		9,554,709	7,393,189
ASSETS			
Cash and Balances with Reserve Bank of India	6	857,433	869,135
Balances with banks and money at call and short notice	7	267,063	152,918
Investments	8	2,538,126	2,210,335
Advances	9	5,442,218	3,772,427
Fixed Assets	10	46,322	47,792
Other Assets	11	403,547	340,582
TOTAL		9,554,709	7,393,189
Contingent Liabilities	12	20,033,588	8,694,943
Bills for Collection		169,319	160,214

Accounting Policies and Notes forming part of the accounts 17

The Schedules referred to herein form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date

For SHARP & TANNAN
Chartered Accountants
By the hand of
Sd/-
(M. P. Narsang)
Partner

THE BANK OF TOKYO, LTD
Bombay Office

Sd/-
(K Kashima)
Assistant General Manager

THE BANK OF TOKYO, LTD.
Bombay Office

Sd/-
(K. Nishihara)
General Manager
&
Chief Executive Officer for India

Bombay
Dated: 30th June, 1995

PROFIT AND LOSS ACCOUNT OF INDIAN OFFICES FOR THE YEAR ENDED 31ST MARCH 1995

(000's omitted)

	Schedule	Year Ended 31st March 1995	Year Ended 31st March 1994
I. INCOME			
Interest earned	13	1,116,450	963,911
Other Income	14	228,905	177,964
TOTAL		1,345,355	1,141,875
II. EXPENDITURE			
Interest expended	15	494,002	446,328
Operating expenses	16	116,158	105,088
Provisions and contingencies		389,256	357,473
TOTAL		999,416	908,889
III. PROFIT			
Net profit for the year		345,939	232,986
Profit brought forward		185,986	119,324
TOTAL		531,925	352,310
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		69,188	47,000
Transfer to Capital A/c		150,000	119,324
Profit remitted to H O		143,395	–
Balance carried over to Balance Sheet		169,342	185,986
TOTAL		531,925	352,310

Accounting Policies and Notes forming part of the accounts 17

The Schedules referred to herein form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date

THE BANK OF TOKYO, LTD.
(Incorporated in Japan Liability of Members Limited)

SCHEDULES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1995

(000's omitted)

	As on 31st March 1995	As on 31st March 1994
Schedule 1—Capital		
i) Amount received from Head Office	257,931	257,931
ii) Profits retained	269,324	119,324
iii) Amounts received from Head Office for acquisition of property	34,573	34,573
iv) Amount of investment deposited with RBI under section 11(2) of the Banking Regulation Act, 1949 Current Year Rs 171,650 Previous Year Rs 171,650		
TOTAL	561,828	411,828
Schedule 2—Reserves and Surplus		
I Statutory Reserves		
Opening Balance	110,818	63,818
Additions during the year	69,188	47,000
	180,006	110,818
II Balance in Profit and Loss Account	169,342	185,986
TOTAL (I and II)	349,348	296,804
Schedule 3—Deposits		
A I Demand Deposits		
i) From Banks	172,905	209,798
ii) From Others	1,162,796	1,123,446
	1,335,701	1,333,244
II Savings Bank Deposits	477,534	390,904
III. Term Deposits		
i) From Other than Banks	5,669,692	4,378,422
	5,669,692	4,378,422
TOTAL (I, II and III)	7,482,927	6,102,570
B i) Deposits of branches in India	7,482,927	6,102,570
TOTAL	7,482,927	6,102,570

(000's omitted)

	As on 31st March 1995	As on 31st March 1994
Schedule 4—Borrowings		
I Borrowings in India		
i) Reserve Bank of India	410,000	-
ii) Other institutions and agencies	5,200	7,800
	415,200	7,800
II Borrowings outside India	1,255	0
TOTAL (I and II)	416,455	7,800
Secured borrowings in I & II above	-	-
Schedule 5—Other Liabilities and Provisions		
I Bills payable	252,006	125,439
II Inter-office adjustments (Net)	5,655	-
III Interest accrued	185,205	173,221
IV Others (including provisions)	301,285	275,527
TOTAL	744,151	574,187
Schedule 6—Cash and Balances with Reserve Bank of India		
I Cash in hand (including foreign currency notes)	24,407	23,351
II Balances with Reserve Bank of India		
i) In Current Account	833,026	845,784
TOTAL (I and II)	857,433	869,135
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I In India		
i) Balance with Banks		
a) In Current Accounts	5,255	1,682
b) In Other Deposit Accounts	235,400	146,800
TOTAL	240,655	148,482
II. Outside India		
i) In Current Accounts	26,408	4,436
TOTAL	26,408	4,436
GRAND TOTAL (I and II)	267,063	152,918

THE BANK OF TOKYO, LTD
(Incorporated in Japan Liability of Members Limited)

SCHEDULES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1995

(000's omitted)

	As on 31st March 1995	As on 31st March 1994
Schedule 8—Investments		
I Investments in India in		
i) Government securities	2,264,495	1,938,604
ii) Other approved securities	258,005	258,105
iii) Shares	3,733	3,733
iv) Debentures and bonds	3,893	3 893
v) Others (In Units of Indus Venture Capital Fund)	8,000	6,000
TOTAL	2,538,126	2,210 335
Schedule 9—Advances		
A i) Bills purchased and discounted	819,737	943,986
ii) Cash credits, overdrafts and loans repayable on demand	3,412,081	2,489,569
iii) Term loans	1,210,400	338,872
TOTAL	5,442,218	3,772,427
B i) Secured by tangible assets	4,822,614	3,076,347
ii) Covered by Bank/ Government guarantees	307,155	543,702
iii) Unsecured	312,449	152,378
TOTAL	5,442,218	3,772,427
C I Advances in India		
i) Priority sectors	1,691,468	923,920
ii) Public sector	–	–
iii) Banks	–	–
iv) Others	3,750,750	2,848,507
TOTAL	5,442,218	3,772,427

(000's omitted)

	As on 31st March 1995	As on 31st March 1994
Schedule 10—Fixed Assets		
I Premises		
At cost as on 31st March of the preceding year	13,500	13,500
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	265	226
TOTAL	13,235	13,274
II Other Fixed Assets (including furniture and fixture)		
At cost as on 31st March of the preceding year	73,870	69,098
Additions during the year	5,562	5,450
Deductions during the year	73	99
Depreciation to date	46,272	39,931
TOTAL	33,087	34,518
TOTAL (I and II)	46,322	47,792
Schedule 11—Other Assets		
I Inter Office Adjustment (Net)	–	36,467
II Interest accrued	175,774	153,908
III Others	227,773	150,207
TOTAL	403,547	340,582
Schedule 12—Contingent Liabilities		
I Liability on account of outstanding forward exchange contracts	10,453,655	1,551,699
II Guarantees given on behalf of constituents		
a) In India	3,110,517	2,178,072
b) Outside India	1,210,892	1,129,049
III Acceptances, endorsements and other obligations	4,299,582	3,141,974
IV Other items for which the Bank is contingently liable (Bills rediscounted)	958,942	694,149
TOTAL	20,033,588	8,694,943

THE BANK OF TOKYO, LTD.
(Incorporated in Japan Liability of Members Limited)

SCHEDULES

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1995

(000's omitted)

	Year Ended 31st March 1995	Year Ended 31st March 1994
Schedule 13—Interest Earned		
I Interest/discount on advances/bills	783,875	664,751
II Income on investments	255,552	245,265
III Interest on balances with Reserve Bank of India and other inter bank funds	67,522	49 401
IV Others	9 501	4,494
TOTAL	1 116 450	963 911
Schedule 14—Other Income		
I Commission, exchange and brokerage	119,031	79 208
II Profit/Loss (–) on sale of land, buildings and other assets	153	–49
III Profit on exchange transactions (Net)	108,630	97 895
IV Miscellaneous income	1,111	910
TOTAL	228,905	177,964
Schedule 15—Interest Expended		
I Interest on deposits	380,268	377,197
II Interest on Reserve Bank of India/inter-bank borrowings	43,560	15,764
III Others	70,174	53,367
TOTAL	494,002	446,328

(000's omitted)

	Year Ended 31st March 1995	Year Ended 31st March 1994
Schedule 16—Operating Expenses		
I Payments to and provisions for employees	59,148	46,063
II Rent, taxes and lighting	12,109	13,191
III Printing and Stationery	4,902	4,616
IV Advertisement and publicity	102	253
V Depreciation on bank's property	6,959	7,133
VI Local Advisory Board member s fees, allowances and expenses	8	49
VII Auditors fees and expenses (including branch auditors)	260	168
VIII Law charges	1,636	568
IX Postage, Telegrams, Telephones, etc	8,673	8,094
X Repairs and maintenance	5,355	4,208
XI Insurance	4,622	3,865
XII Other expenditure	12,384	16,880
TOTAL	116,158	105,088

SCHEDULES

Schedule 17—Accounting policies and notes forming part of the accounts for the year ended 31st March 1995.

I **Principal Accounting Policies**

(1) **General**
The accompanying financial statements have been prepared on the historical cost basis and confirm to statutory provisions and practices prevailing in the country

(2) **Transactions Involving Foreign Exchange**
Monetary assets and liabilities as well as outstanding Forward Exchange Contracts are translated half yearly at rates prescribed by FEDAI and the resulting profit/loss is accounted for Guarantees, Letter of Credits and Acceptances are translated at T T (Middle) rates

(3) **Investments**
Investments of the bank have been bifurcated into ' Permanent Investments" and "Current Investments" Permanent Investments are valued at cost Current Investments are valued at cost or market value whichever is lower except for Treasury Bills which are valued at cost

(4) **Advances**
(a) Provisions for doubtful advances have been made to the satisfaction of the auditors in respect of identified advances, based on a periodic review of advances and after taking into account the realisable value of securities and the portion of advance guaranteed by the Deposit Insurance and Credit Guarantee Corporation, The Export Credit & Guarantee Corporation, similar statutory bodies and prudential accounting norms laid down by RBI for the asset classification and provisioning requirements thereof
(b) Provisions in respect of doubtful advances have been deducted from advances
(c) Provisions have been made on gross basis

(5) **Fixed Assets**
(a) Premises and other fixed assets have been accounted for at their historical cost
(b) Depreciation has been provided for on the diminishing balance method at the rates specified in the Income Tax Act, 1961

(6) **Staff Benefits**
Provision for gratuity/pension benefits to staff has been made on an accrual basis Separate fund for gratuity/pension have been created

(7) **Net Profit**
(a) The Net profit disclosed in the profit and loss account is after considering
(i) Provision for taxes on income
(ii) Provision for doubtful advances
(iii) Provision for depreciation in the value of specific investments which are valued at lower of cost or market value, but
(b) Without considering interest income in respect of non performing assets taking into account the prudential norms laid down by RBI

II **Notes on Accounts**
(1) The Bank has preferred an appeal against the order passed by the Income Tax department resulting in a demand of Rs 455 lacs out of which Rs 116 30 lacs have been paid and provided for resulting in the charge in the current year for Rs 10 49 lacs after adjusting balance in provision account Based on Tax Consultant's advice, the Bank is confident of this appeal being decided in its favour, since some of the similar issues involved have been decided in the Bank's favour in the past assessments Accordingly, no provision has been made for the balance amount
(2) As in the previous years, some of the operating expenses are being accounted for on cash basis The effect of these on the profit for the year is, though not ascertainable, will not be material
(3) Head Office administrative expenses have not been charged in the accounts and provision for taxes has been computed without deduction of such expenses
(4) Provisions and contingencies include Rs 3,460 96 lacs (including Rs 16 26 lacs for prior years) being Rs 3,232.25 lacs provision for Income Tax Rs 220 14 lacs for Interest Tax and Rs 8.57 lacs for Wealth Tax
(5) Previous year's figures have been regrouped/rearranged wherever necessary

THE BANK OF TOKYO, LTD.
(Incorporated in Japan Liability of Members Limited)

AUDITORS' REPORT

Auditors' Report on the Indian Branch of The Bank of Tokyo Ltd.

We have audited the attached Balance Sheet of the Indian Branch of The Bank of Tokyo, Ltd as at 31st March, 1995 and also the annexed Profit and Loss Account of the Indian Branch of the Bank for the year ended on that date, in which are incorporated the returns from Calcutta and New Delhi Branches, audited under Section 228 of the Companies Act 1956 by other auditors

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub section (5) of Section 227 of the Companies Act 1956, the Balance Sheet and the Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956 The accounts are therefore drawn up in conformity with Forms 'A and 'B of the Third Schedule to the Banking Regulation Act 1949

We report that in accordance with sub section (3) of Section 30 of the Banking Regulations Act 1949

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory

(b) The transactions which have come to our notice have been in our opinion within the powers of the Indian Branch of the Bank

(c) In our opinion, proper books of account as required by law have been kept by the Indian Branch so far as appears from our examination of those books

(d) The report on the accounts of Calcutta and New Delhi branches of the Bank audited by the respective Branch Auditors were received and properly dealt with by us while preparing our report

(e) The Balance Sheet and Profit and Loss Account of the Indian Branch of the Bank dealt with by this report are in agreement with the books of account and the returns

(f) In our opinion and to the best of our information and according to the explanations given to us the Balance Sheet and Profit and Loss Account, read together with the notes in Schedule 17 give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and give a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31st March 1995 and of its profit for the year ended on that date

SHARP & TANNAN
Chartered Accountants
By the hand of

Sd/-
M P NARSANG
Partner

Bombay
Dated 30th June, 1995

Iran, America and Other Major Powers

Dilip Hiro

The placatory tone of Iran's recent statements directed at the US has to be seen in the context of the hardening attitude of the US Congress towards Iran and the deteriorating economic situation in Iran.

THE conciliatory statement by Iranian president Ali Akbar Hashemi Rafsanjani, in an interview with the Cable News Network (CNN) on July 2, that America and Iran should desist from raising tensions in their mutual relations signals a change in Tehran's policy.

On the other hand there is no sign of a lessening of the importance of Iran as a test case for major world powers – Russia, China and India – to show their independence from the United States, the sole superpower.

Rafsanjani's placatory tone has to be seen against the background of the hardening attitude of US Congress towards Tehran, and the deteriorating economic situation in Iran.

The US Congress is considering toughening the action president Bill Clinton took against Iran in April when he banned American investment in and trade with Iran for supporting international terrorism and harbouring nuclear armament ambitions. Clinton's move caused a severe drop in the open market price of Iranian rial versus US dollar, the currency in which Iran's major export, petroleum, is sold Drastic steps by the Iranian government salvaged the situation, but just. In May inflation in Iran reached a record 58 per cent a year.

So far Clinton's efforts to secure the co-operation of other Western countries, especially the European Union, to impose trade sanctions on Iran have failed.

Elsewhere, Iran has emerged as the touchstone of the independence of such leading powers of the world as Russia, China and India.

Despite repeated and public pressure on Russia to cancel its $ 850 mn contract with Iran to complete its nuclear power project started in the late 1970s by West Germany, Muscow has refused to do so. It argues that the nuclear reactors it would sell to Iran would be of the same type as the ones South Korea would supply to North Korea under an agreement hammered out by Washington.

America is also pressuring China not to equip Iran with nuclear power plants. It is trying to find a lever to make China submit to its will. That lies with the Missile Technology Control (MTC) guidelines. The US law requires imposition of sanctions against a country that breaks them.

A fortnight earlier the *New York Times* published a story that the US Central Intelligence Agency (CIA) had concluded that China had delivered dozens of missile guidance systems and computerised machine-tools to Iran. This was done ostensibly to help Iran improve the accuracy of its North Korean-made ground-to-ground missiles. The White House spokesman said that in case the US administration concluded that China had violated the MTC guidelines, economic sanctions against it would apply.

Both Russia and China deeply resent America's overbearing manner During his visit to Moscow, Chinese Premier Li Peng said on June 26: "Russia and China are big countries in the world, and we will not allow anyone to teach us how to live and work." The Russian premier, Viktor Chernomyrdin, agreed: "We will decide for ourselves how to live."

India, another major power, too has shown some independent-mindedness by strengthening its ties with Iran recently. When Rafsanjani visited India in April, the Indian premier, P V Narasimha Rao, broke protocol by travelling to the Delhi airport to greet him. Among other things India and Iran signed a deal for a marine gas pipeline between the two countries.

At 20,700 billion cubic metres, Iran has the world's second largest natural gas reserves. At the current daily consumption rate of 158 mn cu metres, it will take Iran 360 years to exhaust them. Iran's oil reserves stand at 92.9 bn barrels; and at the present extraction rate, these will last 70 years. With a population of over 60 mn, Iran provides a substantial market. And unlike many other West Asian countries, Iran has strong agricultural and service sectors in its economy.

These lucrative considerations weigh heavily with all those who want to trade with Iran.

Then there is the geopolitical aspect of Iran which figures largely in the foreign and defence ministries of Russia, China and India Iran is the most strategic country in the world. It occupies all of the eastern coast of the Persian Gulf; and so for all practical purposes is a neighbour of the six oil-rich Gulf states. It has land borders with Pakistan, Afghanistan, Turkmenistan, Azerbaijan, Armenia, Turkey and Iraq And it shares its Caspian Sea littoral with Azerbaijan, Turkmenistan, Kazakhstan and Russia.

Iran's strategic position enables it to reward those who stand by it. For instance, in the dispute about exploiting the offshore oilfields in the Caspian Sea, Iran has sided with Russia against Azerbaijan. Moscow argues that before Azerbaijan parcels out concessions in the Caspian, there should be a settlement of the territorial claims of the five littoral states: Azerbaijan, Iran, Turkmenistan, Kazakhstan and Russia.

On the diplomatic front Tehran has declared that the breakaway Chechnya, a Muslim-majority autonomous republic, is an internal affair of Russia. This has helped Moscow to downplay the religious aspect of the Chechen conflict.

Whereas the assets of Iran – natural resources and geostrategic location – are more valuable in the medium term than in the short, its economic crisis is current. It stems from the low price for its chief export, oil, and the currency in which it is traded, US dollar. Since Tehran has no control over either, pragmatism requires that it should show moderation towards the US, for now. Therein lies the clue to Rafsanjani's soft approach towards Washington.

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Transferring Personalised Knowledge

Guru's Dilemma

Sugata Marjit

Bequest motives, imperfect capital market and lack of state patronage adversely affect the socially optimal degree of knowledge transfer. In fact the transition from a concentric patronage system to the market-based incentives in the absence of supportive insurance schemes could be detrimental to the healthy preservation of such a culture.

SEVERAL art forms of ancient India survived for ages through interpersonal transmission of acquired knowledge. The oral tradition of Indian classical music [Deshpande 1973; Deshpande 1987; McNeil 1992; Neuman 1977, 1980], and the non-institutionalised tradition of several types of handicrafts, where the secret of craftsmanship is delivered from father to son,[1] are some of the examples of transferring personalised knowledge. Interestingly, such transfers take place beyond the domain of organised markets. Although markets do play a role in the process of survival of such art forms, whether such a role is supportive or destructive is a different question altogether. The cultural heritage of a nation is enriched through sustained growth and preservation of the traditional art forms. The 'guru-disciple' structure of knowledge transfer has been a major characteristic of the Indian society. The oral and non-scriptural tradition of training in Indian classical music flourished mainly because the melodic improvisations, which constitute the backbone of such a form, are extremely difficult to capture in terms of standard notation. Several schools of music emerged in India under the patronage of kings of princely states and feudal lords. In the colonial period, classical music started getting urbanised and now such musical forms have access to national and international markets.

This article focuses on the future of the transfer of personalised knowledge. It is argued that bequest motives, imperfect capital market and lack of state patronage adversely affect the socially optimal degree of knowledge transfer. In fact the transition from a concentric patronage system to the market based incentives in the absence of supportive insurance schemes could be detrimental to the healthy preservation of such a culture.

Personalised knowledge transfer crucially depends on the characteristics of the guru and his disciples, the ability of the guru to teach and the disciples to receive. Among the disciples, the guru usually has his own son and/or other blood relations. The most talented disciple might well be someone with whom the guru has no blood relation. While teaching music, a rational guru must internalise the future socio-economic status of his own son and the most talented disciple. If the process of training has a significant value added on top of the initial endowment of talent, the guru would have enough control in shaping the destiny of his students. Intergenerational bequest motive and altruism would act against each other in the decision-making process of a trainer who would be concerned about the future welfare of his son who might not think of choosing a separate profession simply because he comes from a musician's family. The guru's control over the training process has a phenomenal impact because the best student of a particular school of music is the most likely replacement of the guru himself. At the same time, the guru might be concerned about the quality of music to be preserved which very much depends on the ablest disciple who would be the torch bearer of the particular 'gharana' or the school. Such a social concern of the guru might be in direct conflict with his personal utility derived from the well-being of his future generations. Naturally, the socially optimum transfer would differ from the private one due to the tussle between the private and social interest of the guru. A general problem is that the institutional arrangements which help implement the socially optimal degree of transfer are likely to be absent and then the system cannot attain the first best. Our simple model developed in the next section highlights this problem. The second section deals with possible remedies and associated difficulties.

I
Model

Think of a guru who has two disciplies, his son and somebody else. As discussed earlier, the teacher can confer his acquired knowledge onto his disciples. The extent of transferred knowledge is assumed to be directly proportional to the amount of teaching or attention devoted to the particular disciple. We index the total teaching hour by T, which has to be derived between the two students. Let T_i, be the respective allocation, i = 1, 2. i = 1 stands for the outside disciple, henceforth called the outsider, and the teacher's son is indexed by '2'. The guru would optimally choose T_1 and T_2. Once the knowldge is transferred, both of the disciples absorb the training according to their endowment of talent and hard work. We assume that both of the disciples put in equal amount of effort. In the second stage, the guru is no longer there and the two disciples become the representatives of the particular school of music. However, they confer musical benefits to the society according to their respective abilities. If R_i is the social return from acquired training, then,

$$R_i = a_i \ln T_i \qquad (1)$$

with $a_1 > a_2 > 0$. At this stage, we rule out any competition between the two disciples and focus R_1 and R_2 as separate entities. $a_1 > a_2$ implies that the outsider is more talented than the insider and therefore given the same degree of training, the outsider will deliver greater social utility than the insider. At this stage assume that transfer is costless so that the outsider does not pay anything for the training. Implicit also the assumption that there is a single guru who can bestow the specialised knowledge. Thus, the social benefit is measured by

$$S = R_1 + R_2 \qquad (2)$$

The society only cares for the total utility from such training. It is obvious that given $T_1 + T_2 = T$, the socially optimal allocation of T would be determined by,

$$T_1 = \frac{a_1}{a_1 + a_2} . T \qquad (3)$$

$$T_2 = \frac{a_2}{a_1 + a_2} . T \qquad (4)$$

(3) and (4) are derived by setting $(dS/dT_2) = 0$. However, the guru may think otherwise.

Suppose the guru is also concerned about the contribution of the insider subsequent to the training There are two interpretations of such considerations (a) The guru might be concerned about the insider's material well being when he is in the market (b) The guru might want the name of the particular school of music and its further glorification to be associated with the name of the insider rather than with that of the outsider In this case, we focus on (b) and turn to (a) later At the same time the future of the music also depends on the quality of the future representatives of the school Therefore a socially conscious guru might try not to load the entire training in favour of an unworthy insider

The following describes the guru's optimisation exercise

$$\underset{T}{\text{Max}} \; [\lambda S + (1 - \lambda)\, a \ln \Gamma_1] \quad 0 < \lambda < 1 \qquad (5)$$

or

$$\lambda \left[-\frac{a_1}{T_1} + \frac{a_1}{T_1} \right] + \frac{(1-\lambda)}{T} a_1 = 0$$

$$\rightarrow \frac{T_1}{T_1} = \frac{\lambda a_1}{a_2} < \frac{a_1}{a_1} \qquad (6)$$

(6) shows that so long as the guru puts some weight $(1 - \lambda)$ on the welfare of an insider, the transfer will imply a private bias in favour of a less worthy insider *vis-a vis* the outsider For $\lambda = 1$, the social allocation and private allocation rules yield similar results In case $\lambda = 0$ the guru would be unwilling to train an outsider

The failure to achieve the first best arises because somehow the guru believes that the socially optimal pay off for the insider might not be good enough In other words

$$\ln \left(\frac{a_2}{a_1 + a} \quad 1 \right)$$

must be less than a satisfactory social reservation pay off to the insider that the guru is looking for The greater a_1 is relative to a the higher is the possibility that the guru chooses socially distorted allocation of training effort

If one introduces some sort of market competition between the two disciples, the situation alters considerably First of all no longer would the social utility and individual returns be equivalent As long as T_1 and T are allocated by the guru the society continues to enjoy a benefit S But each individual disciple takes into account the loss of market share due to competition and the concept of private returns comes to the forefront

Let us define r_1 and r as the private returns to the outsider and insider respectively

$$r_1 = A_1 \ln \Gamma_1 - B \ln T_1 \qquad (7)$$

$$r = A_2 \ln T \quad B \ln T_1 \qquad (8)$$

$A_1 > A_2 \Rightarrow$ the outsider can earn more than the insider given the same level of training Also note that $A_1 > B$, $A_2 > B$, $B > 0$ In this case the socially optimal allocational rule continues to be $(T_1/T_2 = a_1/a_2)$ because by definition the social welfare criterion does not include market determined categories The society recognises the contribution of the disciples to the extent they enrich the social value of music However the guru might be interested in increasing r and should be interested in optimising (assuming r_1 and R_1 have comparable units of measurement)

$$\lambda [a_1 \ln I_1 + \ln \Gamma_1] + (1 \quad \lambda) [a \ln \Gamma_1 + A_2 \ln I \quad B \ln \Gamma_1] \rightarrow \ln T \qquad (9)$$

It is easy to derive the optimal allocation rule by setting the derivative of (9) with respect to T_1 equal to zero

$$\frac{\Gamma_1}{T_1} = \frac{\lambda a_1 - (1 \quad \lambda) B}{a_1 + (1 - \lambda) A_2} \qquad (10)$$

Since (10) is less than $(\lambda a_1/a_2)$ there is further distortion in allocation These results do not depend on the particular functional specifications In the appendix, we derive similar results under more general conditions

II
Implementing the First-Best

In this section we try to look at the institutional arrangements that would help in implementing the first best (a) A straightforward way of solving the problem at least in the domain of competition, is to provide state patronage to the guru and the insider so that the guru can be assured of some sort of royalty payment by the state compensating the subsequent financial loss to the insider This is not to say that such intervention would eliminate the problem completely But it is a step towards the right direction The feudal or princely patronage of North Indian classical music in the 17th and 18th centuries [McNeil 1992] probably helped the masters through a long-term relationship between the Court and the generations of insiders Greater exposure to the market in the later years coupled with inadequate protection of property rights might have accentuated the problem of knowledge transfer

(b) The role of capital market becomes quite important in this context It could be argued that a brilliant guru could quote a high enough training fee from the outsider and the talented outsider would likely pay the price in expectation of higher returns in the future Such a pricing mechanism would in fact compensate the loss of an unworthy insider and hence a better allocation of resources An *ex post* contractual arrangement between the guru and the outsider would be impossible to enforce Therefore, an upfront payment is the likely solution The outsider may have to borrow in the market and with rampant adverse selection problem as well as the tremendous uncertainty in the market for musicians, he must face an extremely imperfect capital market with a fair degree of credit rationing and interest premium All of these make the required upfront payment nearly impossible

(c) An unworthy insider may be quite good in performing some other economic activities with fairly high rate of return and self-selection mechanism might help the guru in concentrating on worthy outsiders However, such opportunities would be severely restricted in a stagnant economy Acquiring specific human capital would be difficult due to the imperfections in the capital market Above all, the guru might like the insider to be associated only with music Expansion of market based opportunities would certainly help in providing the incentives for better allocation

The purpose of the article has been to highlight the problems associated with personified knowledge transfer We have argued that interpersonal knowledge transfer, the characteristic of traditional art forms, would not yield socially desired outcome in the presence of insider - outsider distinction by the transferor Concerned about the future prospects of an unworthy insider, a guru might be reluctant to transfer the required knowledge to a talented outsider Such problems are difficult to overcome without a broad-based state patronage or a significant development of market based opportunities

We have used a standard analytical model in this context which is of course, not in the tradition of research in this area But we hope that interesting issues such as the one here, can be modelled properly to get to the right intuitions and explanations of these phenomena

Appendix

Deriving the results under more general specifications

$$\text{Let } R_i = a_i f(T_i) \text{ into } f' > 0,\ f'' < 0, \quad i = 1, 2 \qquad (A1)$$

$$S = a_1 f(T_1) + a_2 f(T_2) \qquad (A2)$$

Therefore, $(dS/dT_2) = 0$ implies,

$$f(T_1) = \frac{a_2}{\quad} \; f(T_2) \qquad (A3)$$

Since $f'' < 0$, (A3) $\rightarrow T_1^0 > T_2^0$ as $a_2 < a_1$ where T_i^0 solves (A3), $i = 1,2$

The guru's optimisation will lead to,

$$f(\tilde{T}_1) = \frac{a_2}{\lambda a_1} \; f(\tilde{T}_2) \qquad (A4)$$

(A4) implies $\tilde{T}_1 < T_1^0$, $\tilde{T}_2 > T_2^0$ as $0 < \lambda < 1$

Let $\phi_1 (T_1, T_2)$ denote the return function for the ith disciple with,

$$\frac{\partial \phi_1}{\partial T_1} > 0, \quad \frac{\partial \phi_1}{\partial T_2} < 0, \quad \frac{\partial \phi_2}{\partial T_2} > 0, \quad \frac{\partial \phi_2}{\partial T_1} < 0$$

(A4) then changes to

$$f(\hat{T}_1) = \frac{a_2}{\lambda a_1} f(\hat{T}_2) + \frac{(1-\lambda)}{\lambda a_1} \frac{\partial \phi}{\partial T_1} - \frac{\partial \phi}{\partial T} \qquad (A5)$$

It is obvious that $T_1 < T_1 < T^0_1$ Note that we are using $T_1 + T_2 = \bar{T}$, and the second order conditions in (A5) are assumed to be satisfied

Notes

[I am indebted to Adrian McNeil for stimulating discussions]

1 The reference to the son' rather than to the daughter' is made to capture the fact that in classical vocal music women were not particularly encouraged to be the torch bearers of the tradition However this does undermine the rise of eminent female vocalists In the classical dance forms women were particularly influential The salient note of 'sexual discrimination is to be excused keeping in mind the theoretical objective of the paper

2 Similar issues in the literature on international technology transfer in the absence of property rights have been discussed by Kabiraj and Marjit (1992 1993)

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Lisu World

T V Sathyamurthy

Au sud des nuages. Mythes et contes recueillis oralement chez les montagnards lissou (tibeto-birmans) by William Dessaint and Avounado Ngwama; Gallimard (L'aube des peuples), Paris, 1994, 647 pages and 10 illustrations.

THIS is a monograph about the Lisu, exceptionally tough and deeply egalitarian highlanders. They number about a million, speak a Tibeto-Myanmar language, and live in an extremely remote area at the eastern extremity of the Himalaya, close to the meeting point of the borders of Myanmar, Tibet and Yunnan (in China). A few small groups of Lisu have ventured into Indian territory and Thai territory along the Myanmar borders. "This superb monument to the glory and to the memory of the Lisu world" (Condominas) consists of a description and analysis of Lisu society and culture, followed by more than 150 myths and tales, all narrated by a couple whose daughter and son-in-law, the authors of this book, have very carefully and beautifully translated these texts. This collection of myths and tales has already attracted a great deal of praise from French anthropologists (e g, Condominas, Balandier) and mainstream journalists (e g, Rollin) alike.

Tibet, where a great and unusual civilisation flourished and survived into the present century, has held a fascination for the people of western countries as well as for the Chinese and the Indians for a long time. With the expulsion of the Italian Catholic missionaries from Lhasa in the 18th century, foreigners were denied access. As a result, Tibet became even more 'mysterious' and its fascination grew. In addition to the awe-inspiring physical barriers that defended its access, even more insuperable political fences were built in order to keep foreigners out.

The British colonial empire, wishing to surround India with a series of buffer states beyond the reach of other European powers, was most enthusiastic in its support for Tibet's self-imposed isolation. Explorers, adventurers, missionaries, merchants and mad men from different countries, however, attempted to enter Tibet and reach Lhasa, using every trick in the book, and even some not to be found in any book. In the event, only 9 or 10 of such interlopers succeeded.

Among them were Father Huc and Father Gabet (France) in 1846; and Alexandra David-Neel (France) in 1924. Although extremely strict in respect of potential trespassers not accredited by the British or Indian governments, the colonial authorities nevertheless despatched a number of agents to explore the country and bring back topographical surveys made with instruments hidden in their luggage or in their clothing. Some of the most daring and adventurous British officers of the Indian Army volunteered to undertake such risky expeditions, although the most efficient agents of the Raj in Tibet happened to be Indians, the so-called 'pandits' who played a major role in the Great Game.

The eastern Tibetan borderlands were even more difficult of access, both for geographical and for political reasons. At least two areas were shown as white spots on the map and could be said to have remained unexplored until the eve of the second world war: the Ngolo country to the north-east (in the neighbourhood of the Amne Machin mountain range which some believed to be among the highest mountains in the world), and the Lisu country to the south-east (overlapping the then undemarcated border between China and Myanmar, including the incredibly rugged mountains on either side of the Salween). Therefore, the danger and mystery attached to the unknown applied to these areas even more than to central Tibet.

The Chinese called the valley of the Salween, stretching between the mountain ranges occupied by the Lisu, 'the Valley of Death'. The American and British Protestant missionaries, frustrated by the failure of every attempt on their part to penetrate the area in order to save souls, named it 'the kingdom of Satan'. A leading French geographer wrote that it was "one of the last strongholds of savagedom". Thus, Lisuland was virtually inaccessible, defended as it was not only by some of the most forbidding mountains in the world, but above all by the 'ferocious' Lisu people whose poisoned arrows stopped dead every intruder into their territory.

Throughout history, strong imperial governments in China have tended to adopt a policy of territorial expansionism. All neighbouring lands belonging to 'barbarians' or 'savages' were good game for conquest and annexation to the Middle Kingdom. Punitive expeditions and pacification campaigns were despatched to quell armed resistance by local people. These included looting, rape, pillage and massacre by Chinese troops. From the Lisu point of view, ill-disciplined foreign (i e, Chinese) soldiers were no different from ordinary highwaymen. The Lisu put up such fierce resistance that Lisuland remained unadministered until the arrival of the People's Liberation Army of China (PLA) in 1953, followed by the establishment of a Lisu Autonomous Region in 1954.

On the Myanmar side, however, Lisuland was left largely to its own devices by the British authorities and treated as 'unadministered tribal territory'. After Myanmar became independent, the Lisu area was included as a part of the Kachin state and given a high degree of autonomy. Thus, Lisuland has remained "the last stronghold of total independence in respect of invaders as well as adventure-mad scientists" (Condominas, Preface).

Yet, two French explorers (Andre Guibaut and Louis Liotard) did enter Lisuland in September 1936 and succeeded in leaving the place alive three months later. They were more fortunate than the two German explorers who entered Lisuland in 1908-1909, only to be killed. Liotard himself was killed during a subsequent expedition to the Ngolo country in 1940. Events during the following decades made further expeditions into this area completely impossible. The situation prevailing in Myanmar before, during and after the war contributed to the closing of all approaches to Lisuland.

It was not until 50 years later that Dessaint "the first scientific traveller, Chinese or western, to follow in the footsteps of Guibaut and Liotard, succeeded in going up the Salween and in roaming throughout Lisuland proper...on the ill-defined footpaths that scale the abrupt slopes of these terrifying mountains" (Condominas, in the Preface). Indeed, for the last 30 years, William Dessaint has studied the Lisu and produced a number of important papers about these previously virtually unknown people.

In 1962, Dessaint had heard of a Lisu chief famed for his sagacity and for his knowledge of the oral traditions of his people, their myths and their poetry. Dessaint eventually contacted the chief and discovered that he and his wife were bards of great talent in their own right and that they possessed deep knowledge of their own people, who were still out of reach of administration living as they did on either side of the Myanmar-Thailand border. Eventually Dessaint, an anthropologist and linguist, became a part of the Lisu world. Many years later, he wedded his field "by taking as wife the daughter of a bardic couple, heiress to the guardians of Lisu oral tradition. He was adopted, [he] observed, participated, and above all, listened. With the help of Avounado, his wife, Dessaint recorded on tape, put down in writing, interpreted and translated. After decades of work, he has now opened the access to Lisu society and civilisation" (Balandier in *Le Monde*).

Dessaint and Avounado have offered the only complete description so far of Lisu society and civilisation.

The work presented here involved a gigantic task of transcription and translation. The first part of the book consists of a monograph on the Lisu which is of outstanding quality for the reason that it combines together an insider's view provided by Avounado with Dessaint's view as an outsider. As Condominas has pointed out in the preface, its importance stretches beyond the confines of the Lisu society because it throws light on other Tibeto-Myanmar societies (e g, the Yi or Lolo) and allows a better understanding of the cultural history of south-western China (and, especially, Yunnan).

The oral literature of the Lisu is presented in the context of the authors' account of their society and culture. The section on Lisu society and civilisation and the texts of Lisu oral tradition are linked together by a chapter on the characteristics of Lisu oral literature within its social and cultural context. Such an organisation of their material will enable readers to appreciate Lisu myths and tales in a rich narrative tradition. The flavour of these literary creations of Lisu oral tradition is effectively captured in the translation which has managed to preserve the poetic qualities of the texts. But it is worth emphasising that the authors have maintained a strict balance between maintaining the poetic qualities of the tradition and the claims of rigorous anthropological science. At least four major qualities can be discerned in this work – excellence of field research and linguistic proficiency, in addition to scientific rigour and literary depth.

This book should be of interest to Indian readers for a number of reasons. As has already been pointed out small groups of Lisu highlanders crossed over the Indian border into Tirap district in Arunachal Pradesh from about 1947. But it was not until May 1961 that a detachment of the Assam Rifles was dispatched to explore this sensitive border area The Indian armed forces discovered several Lisu villages that had already been established in the upper ranges of south-eastern Tirap (which protrudes into Myanmar territory towards Putao). After the army's visitation, a small administrative centre was established at Daodi (over 7,500' in altitude) which was re-named Vijayanagar and made the headquarters of a new administrative circle. The Lisu were moved into one of the villages, Sidhi, which was re-named Gandhigram. Gurkha veterans and their families were brought in to re-settle the abandoned Lisu villages located near the sensitive border.

In December 1965, an American Protestant missionary family, based in Putao in the extreme northern corner of Myanmar, was expelled because they were alleged to have made repeated (though unsuccessful) attempts to foment local Lisu rebellion against the Myanmar regime. The expelled family persuaded a large number of Lisu and other highlanders to follow them into India. Many highlanders died during the jungle trek from epidemics, famine, accidents, snakes, tigers (38 were said to have been killed by tigers in a single night) and generally from the hardships endured during the trek. The Indian authorities, predictably, would not allow the survivors to join the Lisu people already settled in Tirap district. Most of the refugees had to trek back to the Putao area, whilst a few settled in Myanmar territory close to the Indian border and a very small number did manage to slip through the border into India.

We have in this book the result of work which combines many virtues, not least the story of a living people vibrant with the myths and tales of their past captured *in situ* as they were being told with verve and vitality by an aged bardic couple.

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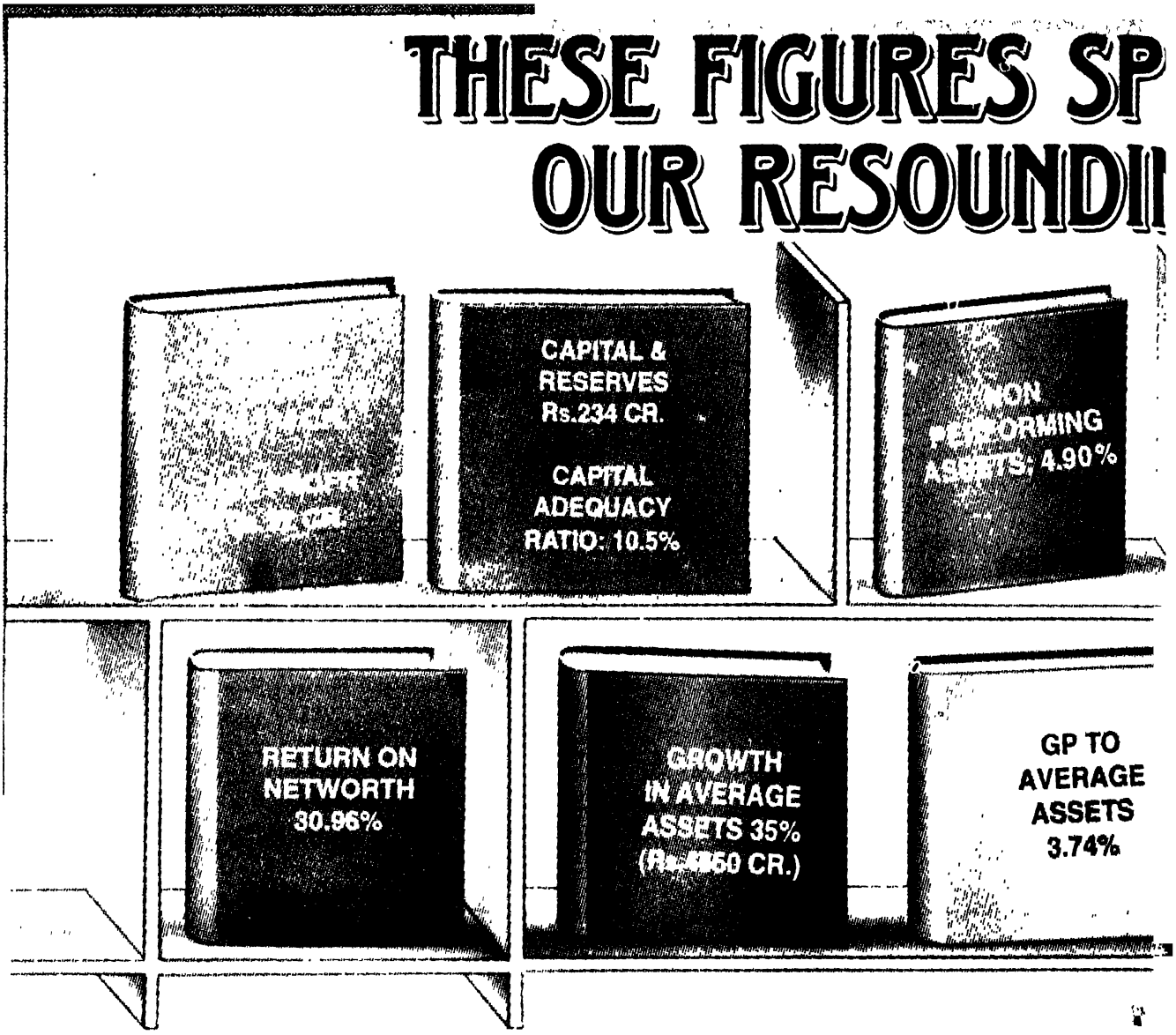
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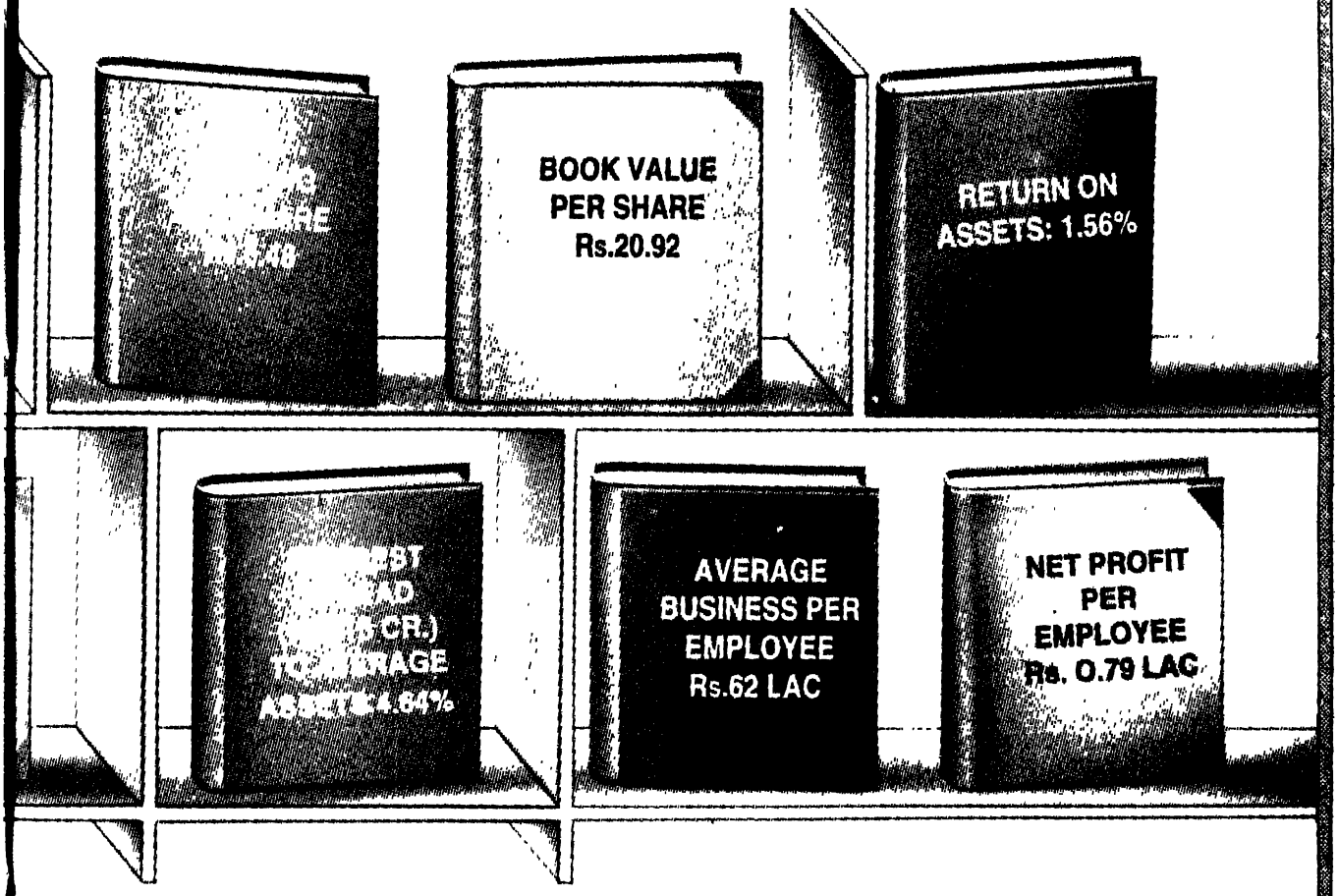
31st March 1994	LIABILITIES	31st March 1995	31st March 1994	ASSETS	31st March 1995
112.00	Capital	112.00	507.39	Cash Balance with RBI	1864.62
52.75	Reserves & Surplus	122.29	68.94	Balances with Banks & Money at Call & Short notice	412.42
4116.43	Deposits	6136.28			
163.13	Borrowings	163.29	2376.15	Investments	2507.04
190.3.	Other Liabilities & Provisions	567.00	1423.26	Advances	2065.59
			26.27	Fixed Assets	38.32
			334.86	Other Assets	212.87
4636.87	TOTAL	7100.86	4636.87	TOTAL	7100.86

ABRIDGED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, '95

Rs. in Cr.

31 MAR 1994		31 MAR 1995
	I. INCOME	
382.93	Interest income	518.95
80.20	Non-Interest income	97.53
463.13	Total	616.48
	II. EXPENDITURE	
253.43	Interest expenditure	303.16
101.49	Non-Interest expenditure	139.30
354.92	Total	442.46
81.17	III. PROVISIONS & CONTINGENCIES	101.48
27.04	IV. NET PROFIT	72.54
1.00	V. DIVIDEND/. PROPOSED DIVIDEND	2.00
26.04	VI. APPROPRIATIONS TO RESERVES	70.54

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Victim of Trivialisation

G Jagathpathi

The Politics and Philosophy of Political Correctness by Jung Min Choi and John W Murphy; Praeger, Westport, Conn and London, 1992; pp xiv + 169.

'POLITICAL correctness' (or PC, as it is usually referred to even in serious writing), a post-modernist development, is, unsurprisingly, little known in the conservative bastion that is India. What is indeed surprising is that it has not caught on much either in Europe or elsewhere outside the US. This is perhaps due to the fact that, in president Johnson's 'affirmative action', the PC movement found some pegs to hang its ideas on and thus got to be well known in the US whereas, to the outside world, it got known only through trivialising kinds of occasional notice in the media – such as the recent report on the 'politically correct' kiss and, notably, *inter alia*, the (London) *Sunday Times's* report of some years ago on *The Official Politically Correct Dictionary* by Christopher Serf and Henry Beard (Random House, New York, 1992). But even this report, unfortunately for PC, starts with amusing examples of 'correctness' like 'alternative body image' for 'fatness', 'follicularly challenged' for 'bald', 'terminally inconvenienced' for 'dead' and someone who is 'cerebrally challenged' and 'sobriety-deprived' for a 'stupid drunk'. A more promising attempt could be *Politically Correct Bedtime Stories* by James Finn Garner (Souvenir); this was cited fifth among 'bestsellers' (Hardbacks: General) in the books section of the (London) *Sunday Times* of March 5, 1995; these are supposed to be "traditional tales carefully re-written to express no opinion at all".

The authors are aware that PC has been a victim of trivialisation. "Although some of the complaints raised by PC'ers may sound trite – such as whether the title 'chair' or 'chairperson' should be used – the thrust of PC should not be trivialised". But a substantial part of the blame for making PC look trivial has got to be borne by PC'ers themselves because a large number of 'politically correct' transformations of ordinary words are just comic and/or irritant etymological acrobatics without any noticeable improvement in 'correctness'. If 'fat' is not 'correct' because it makes one laugh at, or dislike, a fat person, is 'alternative body image' going to improve matters? For one thing, it is vague; it can mean 'thin', 'fat', 'short', 'tall' or any of the many alternatives possible. Making meanings vague is bad semantics and using three or four words instead of one and making things worse is unwise. 'Dead', again, is not value-laden and does not need etymological purification. Unfortunately, to PC'ers, provocativeness has long seemed to be the better part of evangelical zeal – an age-old weakness of the proselytiser, evidenced in our own country during the heyday of proselytisation by neophytes being made to do things which would have been abhorrent to them in their abandoned faiths. This is a pity because PC does have its heart in the right place and, to my mind, the most convincing evidence of this motivational rectitude is PC's immensely elevating and brilliant rendering of 'disabled' into 'differently abled'. What then has gone wrong? Why is it PC has come to be considered subversive and desirably *verboten* or, by the less intolerant, as only verbally radical but, in the long run, likely to be detrimental to societal fundamentals?

For all the high scholastic credentials of the authors, there is no recognition by them of this central issue: how have PC'ers managed to make something serious look silly and why do others think it could be destabilising? The title they give to their book promises a thoughtful and incisive exigesis that would dispose of this central issue by the power of its argument. But what we are treated to is in fact a tiresomely repetitive and disjointed refutation of their principal *betes noires* – Alan Bloom, Dinesh D'Souza and Roger Kimball. It is more politics than philosophy.

Dinesh D'Souza is an American citizen of Indian origin who, while very young, rose to an important position in Regan's ensemble of political appointees. The authors repeatedly attack his book, *Illiberal Education* (The Free Press, New York, 1991), a brilliant and well-researched discussion of the rather mixed, confusing and even topsy-turvy kind of impact that the loftily intentioned 'affirmative action' programmes of president Johnson have had on educational standards and campus life in many Amerian universities, Harvard, Michigan, Howard, Duke, Stanford and the University of California at Berkeley, among them. (Incidentally, D'Souza's expose reminds one of the similarities between the American experience and the constitutionally privileged and politically well-entrenched job-reservation policies and special assistance programmes in India in terms of aims and consequences; that D'Souza, a quondam Indian, does not at all mention these similarities even in passing is puzzling because the Indian policy-package for the backward sections of the population is a great deal anterior in time to the American.)

PC, as such, hardly engages D'Souza's attention – actually, there is only one reference to it in the whole book. The reason why, even so, the authors worry about D'Souza and other such critics is that, at one level, PC'ers – rather than PC as such – tend to be supportive of attitudes that find Shakespeare and Milton, for example, merely words that can mean many different things and, therefore, nothing in particular. The philosophical basis of such attitudes needs careful unravelling but the authors are not as helpful in this regard as they ought to be.

PC has to be understood at least at three levels. At one level, it is a campaign to identify in language all words and phrases which are much too value-laden and polysemic and either modify or replace them. Whatever is (but, of course, everything is) "mediated through language", as of now, is inconstant and multi-hued and therefore what is thought to be reality is a "linguistic invention". PC has emerged as an action-committed variant of post-modernism and the logic of action renders it political. But any programme of political action aimed at getting across to large masses of people radically new ideas about the human condition cannot naively climb on the bandwagon of post-modernism because the confident delineation of a reasonably unambiguous vision in post-modernist terms is inherently infeasible; for, according to the avowedly post-modernist authors, "due to the fragile and indeterminate nature of interpretation, the linguistic reality envisioned by post-modernists is never finally settled and is always susceptible to revision. Interpretations can always be reworked". But this is infinite regress – pure and frustrating – and the escape provided by post-modernists is that "the anchor for norms is a series of interpretations" and "social reality" should be looked upon as a "chain enterprise". On the other hand, the high degree of stability that the life around us does seem to have, and the quite unambiguous existentiality that the 'object-world' around does seem to exhibit, have been, are and presumably shall continue to be, sufficiently long-term phenomena and, though mediated by language, cannot be dismissed as mere hermeneutical fancy. Physically and biologically engendered impermanence ('naswarata'), which apparently is in the world's 'genes', and 'reality', which is made highly variable by interpretation, which is just playing ('lila') with words, between them land us in an illusory world ('maya') and make the post-modernist view-set look very much like the vedantic perception.

At another level, post-modernism – and PC – question the tenability of standards, norms, 'eternal' values and other 'foundationalist' concepts on at least three clear grounds. First, all these are mediated

by language and therefore cannot pretend to objective validity of any kind independent of language. Second, culture is a product of social intercourse and, as a result of a multitude of biological, geographical, diachronic and (the already mentioned) linguistic factors being operative during such intercourse, humanity's cultural artefacts come up in an infinite variety and each of them is a *Ding an sich* ('thing in itself'). There can be no question, therefore, of a 'single' (meaning 'western' most of the time) culture equipping us with eternal standards to judge artefacts of other cultures by. Multiculturalism – the linguistic, cultural, sociological and political manifestation of the incessant change taking place in Society – makes the recognition of several cultures as autonomous, self-validating entities logically inevitable and democratically obligatory. This has led to the questioning and unsettling of curricula, standards, the 'objectivity' criterion and other concepts associated with educational, literary and cultural praxis. Thus: you cannot test the African-American applicant for admission to a college or a university by standards appropriate for – and only for – American whites. The folk art of the Red Indian is as valid a cultural artefact on its own terms as Shakespeare is on his own and curricula should therefore reflect this multicultural diversity. Impeccable as a genuinely democratic tenet – yes? But let D'Souza be heard:

> Virtually all American universities have changed their admission rules so that they now fill a sizeable portion of their freshman class each year with students from certified minority groups – mainly blacks and Hispanics – who have considerably lower grade point averages and standardised test scores than white and Asian American applicants who are refused admission. Since it is often difficult for minorities admitted on the basis of preferential treatment to compete, most universities offer an array of programmes and incentives, including cash grants, to encourage these students to pass their courses and stay in school. The coveted perks of so-called affirmative action programme have sometimes been extended to other groups claiming deprivation and discrimination, such as American Indians, natives of third world countries, women, Vietnam veterans, the physically disabled (now sometimes called the "differently abled"), homosexuals, and lesbians [Dinesh D'Souza, op cit, p 2].

Much of this is a stark repetition of recent Indian history in the US. It will be some time before, out of this chaos of problems pressing for solutions and of solutions creating probelms, some *modi vivendi* of enduring meliorative capability emerge such as would ensure that multiculturalism – a particular stage in cultural evolution – harmonises rather than disintegrates. It is in this context of confluent cultures that PC has become a politically significant movement and has in the process become much less than wholly negativist like post-modernism.

At a third level, PC questions prevalent epistemological procedures which proceed on the assumption that there are truths to be discovered and that objectivity is not impossble. The paradigm here is of course modern science. Assumptions of this kind have done mankind proud and neither PC'ers nor even post-modernists have dared to dismiss science as a mere 'linguistic invention' of no consequence; it is much too credible and palpably beneficent an existential entity to be dismissed away as linguistically manufactured 'maya'.

This reviewer doubts whether, notwithstanding the many valid points made by PC and post-modernism, they really sort of add up to an acceptable 'weltanschauung'. The fact that the more you keep searching for the 'essence' the more it keeps retreating does not invalidate the search itself nor can there be a denial of the possible existence of an 'essence'. Values and standards may change over time but there is in them a semantic core stable enough for some time to make social intercourse possible. There is no imminent danger of 'tomorrow' meaning 'yesterday' or of 'death' meaning something else when it stares us in the face and often makes us all disheartened beyond endurance. Surely, 'love' and 'marriage' mean to post-modernists and PC'ers what they mean to others and seldom is there any thought of stopping to consider the many possible meanings of love before proceeding to the riskier stages of involvement. That there are many words in every language each of which means many different things evidences the utter inadequacy of the linguistic effort of man; nobody has prevented the improvisation or creation of different words for different meanings. How difficult it is on the other hand for a new word describing a new, distinct and definable development in behaviour to get into the lexicon is evidenced by roughly the year it took for 'bodyline' to enter the sacred precincts of the Oxford English Dictionary. It is also a fact that 'double entendre' is the staple food of poets, diplomats and writers who often want what they say to mean less or more than what it seems to mean. So, to keep things going in this world of ours, we seem to need vagueness, imprecision and polysemy as much as clarity, precision and univocality.

The name, 'post-modernism', itself is no model of precision; it is not much of a help by way of telling us what it is all about – it begs far too many questions. Would the designer who happens to design the successor to (the modern) jeans be a post-modernist too? The debunking of pretentious philosophising – indeed of whatever is pretentious – is the concomitant obverse of the incessant effort to man to theorise about the world around him – and himself – but debunking by itself does not amount to a theory or a philosophy or even a hypothesis. There can be no denying of the brilliance of much post-modernist thought but, as Gurpreet Mahajan observes:

> Consequently, to retain at least some of the philosophical insights of post-modernism, we need to make a distinction between its potentialities of negation and its norms of affirmation. We need also to rethink the concepts through which anti-foundationalism is given a positive content [*Economic and Political Weekly*, Vol XXX, No 4; pp PE-45-46].

This is an impossible proposition. Critic can't turn creatior; as G K Chesterton says in another context, "The criminal is the creative artist; the detective only a critic". It is true that every great philosopher is critical of preceding philosophers but that kind of criticism is only a prolegomenon to the exposition that follows.

The authors do not do justice to the quite big task that they took on. Post-modernism and PC will finally end up only a guide-post or two on the paths that contemporary science, philosophy and culture build. Even so, they certainly deserve a more systematic appraisal than a somewhat repetitive and unsure plea in self-defence. In any case, there is a good deal in a name and post-something-or-the-other is hardly a name that a self-respecting intellectualism should let itself be known by

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BANQUE NATIONALE DE PARIS

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

(Amounts in thousands of Indian Rupees)

BALANCE SHEET AS AT MARCH 31, 1995

	NOTES	1995	1994
CAPITAL AND LIABILITIES			
Capital	2	10,000	10 000
Reserves and surplus	3	1 296,907	797,946
Deposits	4	3,317,021	4 016 430
Borrowings	5	567,918	107 195
Other liabilities and provisions	6	481 562	482,410
		5,673,408	5,413 981
ASSETS			
Cash and balances with Reserve Bank of India	7	429,456	315,231
Balances with banks and money at call and short notice	8	125 633	57 035
Investments	1(c) & 9	1,135,148	1,916,939
Advances	1(d) & 10	2,951,335	2,510,524
Fixed assets	1(e) & 11	741,248	399,994
Other assets	12	290,588	214,258
		5,673,408	5,413,981
Contingent liabilities	13	15,996,344	12,984,712
Bills for collection		1,028,466	578,960

The accompanying notes are an integral part of this statement

Arthur Andersen & Associates
Chartered Accountants
Sd/-
Vijay Sahni
Partner

Bombay
June 29 1995

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995

	NOTES	1995	1994
INCOME			
Interest earned	14	941,144	921,473
Other income	15	91,356	106,414
		1,032,500	1,027 887
EXPENDITURE			
Interest expended	16	460,589	358,109
Operating expenses	17	151,391	142,973
Provisions and contingencies		259,130	353,998
		871,110	855,080
PROFIT			
Net profit for the year	1(a)	161,390	172,807
Profit brought forward		107 513	45,395
		268,903	218,202
APPROPRIATIONS			
Transfer to statutory reserve		32,300	34,560
Transfer to remittable surplus retained account		56,700	49,633
Remitted to head office		–	26,496
Balance carried forward		179,903	107,513
		268,903	218,202

The accompanying notes are an integral part of this statement.

Banque Nationale de Paris
Indian Branches
Sd/-
Henri Quintard
Chief Executive and
Country Manager

BANQUE NATIONALE DE PARIS

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31 1995

(Amounts in thousands of Indian Rupees)

1 Summary of Significant Accounting Policies

(a) General

The accompanying financial statements are prepared under the historical cost convention (as modified by note 1(e) below) and conform to statutory provisions and practices prevailing within the banking industry in the country

(b) Transactions involving foreign exchange

(i) Monetary assets and liabilities are translated at the exchange rates notified by the Foreign Exchange Dealers' Association of India ('FEDAI') at the year end except in the cases of deposits accepted under the Reserve Bank of India's (RBI) Foreign Currency Non Resident Accounts scheme (FCNRA) which are valued at the relevant rates notified by RBI and deposits under the Foreign Currency Non Resident Banks scheme (FCNRB) which are swapped into rupees at the spot rate prevailing on the date of acceptance The profit/loss on the swaps arising out of the difference in the exchange rate on contract date and maturity date is reported under other liabilities and pro rated over the tenor of such FCNRB deposit All resulting profits/losses on year end revaluation are included in the profit and loss account

(ii) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction

(iii) Outstanding forward exchange contracts and spot exchange contracts are revalued at rates of exchange notified by FEDAI prevailing at the year end and the resulting profit or losses are included in the profit and loss account

(c) Investments

(i) To accord with the instructions of the Reserve Bank of India (RBI) relating to the valuation of permanent investments the Bank has changed its method of valuation as at March 31 1995 Investments in Government and other approved securities and bonds intended to be held to maturity are valued at the lower of cost or face value In case the cost price is higher than the face value such premium is amortised over the period to redemption Where the cost price is less than the face value such discount is ignored instead of being recognised as was done in the previous year

Had the Bank not revised its method of valuation, the value of investments and the net profit for the year would have been higher by Rs 279 000

(ii) Government securities not intended to be held to maturity are valued at the lower of cost or market value Market value is determined on the basis of market quotations at year end as indicated by the RBI

(iii) Treasury bills and commercial paper are valued at carrying cost

(d) Advances

Doubtful advances are identified by periodic appraisals of the portfolio by management and appropriate provisions are made The related interest on such doubtful advances is credited to an interest suspense account and not accrued to profits until received Advances are stated after deduction of provisions and interest in suspense

(e) Fixed assets and depreciation

(i) Fixed assets other than premises are stated at cost less depreciation

(ii) Premises at Bombay have been revalued at March 31 1995 and are stated at their market values determined by a Government registered valuer The surplus arising out of such revaluation has been credited to a revaluation reserve Depreciation on the revalued amount related to premises at Bombay will be provided in subsequent years

The Bank had revalued its entire premises at March 31 1993 by Rs 373 369 million and the surplus arising out of such revaluation had been credited to revaluation reserve An amount of Rs 79 000 (1994 Rs 6 086 million), representing additional depreciation arising out of revaluation has been transferred from the revaluation reserve to the profit and loss account

(iii) Depreciation is provided at 1 63 per cent per annum on the original cost of premises on a straight line method Depreciation is provided on all other fixed assets on the diminishing balance method at rates ranging between 10 and 25 per cent per annum Depreciation on additions made upto September 30 1994 is provided for the full year while depreciation on additions after September 30 1994 is provided for half the year

(f) Staff benefits

The Bank has created separate recognised funds for pension and gratuity benefits to employees Staff benefits to employees are based on actuarial valuation

(g) Net profit for the year

The net profit disclosed in the profit and loss account is after accounting for *inter alia* provision for income tax provision for doubtful advances and other necessary provisions

	1995	1994
2 Capital		
Capital	10 000	10 000
Deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act 1949	112 000	77 000
3 Reserves and Surplus		
Statutory reserve		
Opening balance	94 075	59 515
Additions during the year	32 300	34 560
Closing balance	126 375	94,075
Remittable surplus retained account		
Opening balance	229 075	179 442
Additions during the year	56 700	49,633
Closing balance	285 775	229 075
Revaluation reserve		
Opening balance	367 283	373 369
Additions during the year	337 650	-
Transfer to profit and loss account	(79)	(6 086)
Closing balance	704 854	367,283
Balance in profit and loss account	179,903	107,513
	1 296 907	797 946
4 Deposits		
In India		
Demand deposits		
From banks	4 761	13 478
From others	1 245 315	1 051 040
Savings bank deposits	168 401	126 108
Term deposits		
From other than banks	1 898 544	2 825 804
	3,317 021	4 016 430

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INDIAN BRANCHES

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1995

(Amounts in thousands of Indian Rupees)

	1995	1994
5. Borrowings		
In India		
Reserve Bank of India	549,500	100,000
From banks	–	43
Outside India	18,418	7,152
	567,918	107,195
Secured borrowings included above	–	–
6. Other Liabilities and Provisions		
Bills payable	171,970	152,991
Inter-office adjustments (net)	124,595	100,414
Interest accrued	55,746	74,369
Others (including provisions)	129,251	154,636
	481,562	482,410
7. Cash and Balances with Reserve Bank of India		
Cash in hand (including foreign currency notes)	7,149	6,973
Balances with Reserve Bank of India		
In current account	422,307	308,258
	429,456	315,231
8. Balances with Banks and Money at Call and Short Notice		
In India		
Balances with banks		
In current accounts	10,282	3,143
Outside India		
In current accounts	115,351	53,892
	125,633	57,035
9. Investments		
In India		
Government securities	991,730	934,265
Other approved securities	24,825	24,825
Shares	410	410
Debentures and bonds	50,101	101
Commercial paper	68,082	957,338
	1,135,148	1,916,939
10. Advances		
(a) Bills purchased and discounted	668,232	386,298
Cash credits, overdrafts and loans repayable on demand	2,282,981	2,122,621
Term loans	122	1,605
	2,951,335	2,510,524
(b) Secured by tangible assets	2,052,643	1,816,435
Covered by bank/ Government guarantees	802,339	406,093
Unsecured	96,353	287,996
	2,951,335	2,510,524
(c) Advances in India		
Priority sector	928,874	242,709
Others	2,022,461	2,267,815
	2,951,335	2,510,524
11. Fixed Assets		
Premises		
At book value		
Beginning of year	380,390	380,390
Revaluation during the year	337,650	–
Deductions during the year	(308)	–
	717,732	380,390
Depreciation to date	(7,681)	(7,661)
	710,051	372,729
Other fixed assets (including furniture and fixtures)		
At book value.		
Beginning of year	63,957	56,475
Additions during the year	12,335	12,065
Deductions during the year	(848)	(4,583)
	75,444	63,957
Depreciation to date	(44,247)	(36,692)
	31,197	27,265
Net book value	741,248	399,994
The surplus of Rs 337.65 million arising on revaluation of premises at March 31, 1995 has been credited to revaluation reserve.		
12. Other Assets		
Interest accrued	53,892	44,178
Tax paid in advance/tax deducted at source (net)	72,413	33,990
Stationery and stamps	221	430
Others		
Advances to employees	87,761	70,701
Prepaid expenses	44,269	24,817
Deposits	23,650	31,600
Others	8,382	8,542
	290,588	214,258

BANQUE NATIONALE DE PARIS

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INDIAN BRANCHES

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31, 1995

(Amounts in thousands of Indian Rupees)

	1995	1994
13. Contingent Liabilities		
Claims against the Bank not acknowledged as debts	15,336	15,333
Liability on account of outstanding forward exchange contracts	9,810,983	7,427,889
Guarantees given on behalf of constituents in India	798,473	1,159,378
Acceptances, endorsements and other obligations	3,104,483	2,036,044
Other items for which the Bank is contingently liable	2,267,069	2,346,068
	15,996,344	12,984,712
Demands raised in relation to past income tax assessments which are considered unsustainable in appeal have, accordingly, not been provided for in the financial statements		
14. Interest Earned		
Interest/discount on advances/bills	631,053	676,227
Income on investments	274,113	221,519
Interest on balances with Reserve Bank of India and other inter-bank funds	32,438	20,954
Others	3,540	2 773
	941,144	921,473
15. Other Income		
Commission, exchange and brokerage	68,441	50,439
Net profit on sale of securities	1,072	13,265
Net (loss)/profit on revaluation of securities	(3,809)	1,439
Ner profit/(loss) on sale of land, buildings and other assets	425	(753)
Net profit on exchange transactions	21,380	29,319
Miscellaneous income [includes bad debts recovered Rs 18,000 (1994· Rs 12,636,000)]	3,847	12,705
	91,356	106,414

	1995	1994
16. Interest Expended		
Interest on deposits	202,649	161,986
Interest on Reserve Bank of India/ inter-bank borrowings	166,025	90,474
Others	91,915	105,649
	460,589	358,109
17. Operating Expenses		
Payments to and provisions for employees	56,611	44,005
Rent, taxes and lighting	14,682	11,489
Printing and stationery	3,204	8,658
Advertisement and publicity	1,287	1,545
Depreciation on the Bank's property	8,163	7,266
Directors' fees, allowances and expenses	13	22
Auditors' fees and expenses	520	951
Law charges	961	1,112
Postage, telegrams, telephones, etc	2,021	3,897
Repairs and maintenance	13,412	12,193
Insurance	2,645	2,297
Cost of voluntary retirement scheme	–	8,281
Head Office charges	27,601	19,586
Other expenditure	20,271	21,671
	151,391	142,973

18. Prior Year Comparatives

Prior year amounts have been reclassified wherever necessary to conform to the current year's presentation

BANQUE NATIONALE DE PARIS

(Incorporated in France with Limited Liability)

INDIAN BRANCHES

Auditors' Report on the Financial Statements under Section 30 of the Banking Regulation Act, 1949

We have examined the balance sheet of Banque Nationale de Paris – Indian Branches ('the Bank') as at March 31, 1995 and the related profit and loss account for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have also obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our examination and have found them to be satisfactory.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not, drawn up in accordance with Schedule VI to the Companies Act, 1956. The financial statements are, therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of the Bank as at March 31, 1995 and of its profit for the year then ended.

Furthermore, in our opinion,

(a) the transactions of the Bank which have come to our notice have been within its powers;

(b) the balance sheet and the profit and loss account are in agreement with the books of account, and give the information required by the Companies Act, 1956 in the manner so required for banking companies; and

(c) the Bank has maintained proper books of account as required by law insofar as appears from our examination of those books.

Arthur Andersen & Associates
Chartered Accountants
Sd/-
Vijay Sahni
Partner

Bombay
June 29, 1995

Some Notes on International Monetary Reform

Ranjit Sau

This paper reviews and reconciles three models of international monetary reform structuralist, monetarist and volatilist They are shown to be underdeterminate In a three market economy they each equilibrate only one market

There are three problems misalignment of currencies, volatility of exchange rates, and movement of hot money The situation requires flexible relative prices of goods, appropriate money supplies and a Tobin tax on currency transactions

Money demand functions have become unstable In the absence of global co ordination of national money supplies there is a case for an international agency to issue bond denominated in a basket of currencies and to engage in open market operation for world monetary stabilisation

I
Introduction

THE present world financial regime displays three major problems persistent misalignment of currencies volatility of exchange rates and abrupt massive movement of portfolio capital Eminent economists have made several proposals for reform Three classes of models are now available to address these issues they may be called structuralist monetarist and volatilist One may include Williamson (1985) and Krugman (1987) in the first category Mundell (1983 1987) and McKinnon (1984) in the second and Tobin (1978 1984 1994) and Eichengreen and Wyplosz (1993) in the third

In this context the world economy is best visualised as having three markets that deal with respectively goods capital and money[1] By Walras Law it is necessary and sufficient to establish equilibrium conditions for any two markets It will be shown here that the above-mentioned models are individually *underdeterminate* for each of them equilibrates only one market However since they focus on different markets at a time, they are mutually complementary rather than contradictory Accordingly this paper will make an attempt to conceptually incorporate the three classes of models into a general one

The structuralists see the need for adjustment of relative prices of goods, that is, the *real* exchange rate The monetarists as is expected assign prime importance to maintaining the appropriate *nominal* exchange rate by keeping the world money supply under control The third school is concerned about excessive fluctuation in exchange rate that induces speculative capital movements and thereby distorts economic signals In a perceptive, but controversial, scheme Tobin has suggested a 0 5 per cent levy on spot transaction of foreign exchange (including deliveries pursuant to futures contracts and options) to discourage quick round tripping which is essentially a zero sum game with dubious economic merit As a consequence of the tax the cost of long term capital may go up a little he concedes but such a rise will be much less than that of short-run speculative hot money So the Tobin tax in effect would increase the weight market participants give to long range fundamentals relative to immediate speculative opportunities' While the end result is accepted we shall show below that the cost of long term capital may not go up at all instead it may even fall as the dampening of speculative currency transactions would release *money* that would now be available for use in the 'real' sector of the economy This finding would strengthen the case for Tobin tax

Money demand functions are known to have been destabilised But the money supply process does not seem to have risen to the occasion there is no trace of any global co ordination for regulating the aggregate money supply *a la* McKinnon This paper will argue that there is a case for an international agency such as the International Monetary Fund (IMF) to issue bonds as close substitutes of national moneys and to engage in open market operation with them for world monetary stabilisation These bonds would be denominated in a basket of currencies

In what follows Section II reviews a structuralist model and Section III a monetarist model reconstructed by us Section IV deals with the main ideas of what we have called the volatilist school Section V attempts a synthesis of the three views

II
Target Zone

Exchange rates among the world's principal currencies have now floated for over two decades That is sufficient time to have established beyond doubt that floating rates show a great deal of variability and that the adoption of exchange rate flexibility does not resolve all balance-of-payments problems The demonstration that floating is viable has not been matched by a consensus that it is desirable Indeed, more and more observers have been alarmed by the violent swings in exchange rates – swings dramatically bigger than anything experienced by the Canadian dollar in the 1950s which provided the experiment with floating that, in turn nurtured support in the 1960s

Misalignment means a persistent departure of the exchange rate from its long-run equilibrium value while volatility refers to the amount of short run variability from hour to hour day to day, week to week, or month to month These two patterns of variability are distinct in nature, for rates can be volatile around an equilibrium level of competitiveness or stable over long periods while misaligned

Williamson (1985 14), the chief architect of the structuralist theory and policy, defines the fundamental equilibrium exchange rate (FLER) as one which is expected to generate a current account surplus or deficit equal to the underlying capital flow over the cycle, given that the country is pursuing 'internal balance' as best as it can and not restricting trade for balance of payments reasons" As a first step to quantify the FEER one has to measure the underlying capital flows that reflect real forces, namely, thrift and productivity A country with a high rate of investment (in reflection of a high productivity of capital) relative to the level of domestic savings will find it advantageous to import capital Conversely, a country with a high net savings rate and relatively few investment opportunities can benefit by using a part of its savings to acquire investment abroad The inflow and outflow of capital that results from such considerations will normally be beneficial,

to all, whether by augmenting domestic savings to permit a higher level of investment to be sustained, or by allowing savings to be invested abroad in a more productive way. But realisation of that potential gain requires that the capital flow be matched by a corresponding transfer of real resources. "That is, it requires a matching current account surplus or deficit, so that the overall balance of payments is in equilibrium. Thus current account targets are the mirror image of underlying capital flows" [Williamson 1985:23].

There are three factors that have a major systematic impact on current account: (a) terms of trade, (b) relative pressure of demand at home is against that in foreign markets, and (c) price competitiveness as indicated by the real exchange rate. Williamson writes:

current balance = f(terms of trade, relative pressure of demand, real exchange rate) (1)

He defines the terms of trade as the price of exports divided by the price of imports and the real exchange rate as the price of home-produced tradable goods divided by the price of competing foreign products. These two concepts he says would reduce to the same thing in a simple exportables-importables model of trade theory. But they are, he insists, very different in the real world. And in the absence of any published data of GNP gap on an internationally comparable basis, he assumes that the best figures to assess relative demand pressures would be the unemployment statistics.

Note that the terms of trade itself is a function of relative demand pressure and the real exchange rate. So, the current balance may be considered to depend upon only two variables, namely the relative pressure of demand and the real exchange rate. Given an estimate of current balance, and of the relative demand pressure which is cyclically normal, (1) can be solved for the real exchange rate. It is this value of the real exchange rate which is called the FEER, provided the predetermined current balance is set at the level dictated by 'underlying capital flows'. Williamson has devised a method for computing the FEER. With the FEER as a central rate he constructs a target zone, perhaps 20 per cent wide with soft margins. To succeed, the country must have a convincing alternative anchor to control inflation with appropriate macroeconomic policy. In this scheme the IMF is called upon to preside over international negotiations for drawing up a matrix of FEERs among major currencies and the associated target zones. The IMF will also supervise the consistency of countries' monetary-fiscal policies with their target zones.

The Williamson model, in our view, is underdeterminate as it leaves out too many variables unaccounted for. For instance, it ignores the rate of interest. When so much of international capital seems to be chasing interest rate differentials it is hard to abstract from such a crucial factor. This point can be clarified further if we take the excess of investment over saving as a measure of the 'relative pressure of demand'. Then (1) can be rewritten as

$$(X - X^*) = F\ \{(I-S),\ E\} \qquad (2)$$

where X is export, X* import, I investment, S saving, and E the real exchange rate. Recall that the terms of trade is a function of the other two arguments in (1). Sure enough it follows from the national accounts that

$$X^* - X = I - S \qquad (3)$$

is an identity. But that does not take away the significance of (2). Indeed, (2) is a meaningful statement, for it identifies a transmission mechanism for identity (3).

Although an economy must respect accounting identities, looking at these identities can never be the full analysis' [Krugman 1987:5]. Evidently (2) says that the identity between trade balance and the investment-saving gap is established through the mechanism of real exchange rate.

In order to formalise the structuralist viewpoint we introduce the following functions:

$$I = I(i) \qquad (4)$$
$$S = S(Y) \qquad (5)$$
$$X = X(E,) \qquad (6)$$
$$X^* = X^*(Y) \qquad (7)$$

where i is interest rate and Y income. Here (2), (4), (7) form a system of five equations with seven unknowns. To be sure, equations (4)-(7) are added by us to formally complete the structuralist model. Income Y may be specified exogenously at full employment level as required for internal balance. Even then the model will have one degree of freedom. Conceivably it can be closed with a liquidity preference function:

$$M = M(i,Y) \qquad (8)$$

where M is the money demand function. (The price index is set at unity.) And the supply of money is exogenous.

But it will soon transpire that (8) raises fundamental questions. Such a money demand function as (8) might have been valid in a regime of adjustable peg of the Bretton Woods era. Now with floating exchange rates it is no longer stable. There are evidence that, for example, the US money demand function of the form (8) had been unstable, having shifted once in the 1970s, and again in the 1980s [Hafer and Jansen 1991, Miller 1991].

McKinnon (1984.14) strikes a distinct note with his categorical statement. *With smooth functioning capital markets, little or no change in the 'real' exchange rate is necessary to transfer saving from one country to another* (italics in the original).' In each industrial country, he maintains, the central bank should de-emphasise purely national monetary indicators, such as interest rates or growth in domestic money, and increase the weight assigned to stabilising the exchange rate against a hard currency trading partner. Such an outward-looking monetary policy need not conflict with domestic macroeconomic goals. For the exchange rate is a robust indicator of changes needed in the nation's money supply to prevent unexpected inflation or deflation.

To stabilise the world economy, however, more is required of the monetary authorities of different countries. They have to co-operate to hold the absolute purchasing power of their currencies. Proper joint control over their aggregate money stock would dampen worldwide economic cycles. The analytical framework of this proposal can be put as follows. While McKinnon has estimated several equations with growth rates of variables we reconstruct his theory with the following equations using level variables:

$$Y\ P = Y(M,e) \qquad (9)$$
$$M/P = M(i,\ Y,\ e) \qquad (10)$$
$$e = P/P^* \qquad (11)$$
$$P = P(W,\ e) \qquad (12)$$
$$Y^*P^* = Y^*(M^*,\ e) \qquad (13)$$
$$M^*/P^* = M^*(i^*,\ Y^*,\ e) \qquad (14)$$
$$P^* = P^*\ (W,\ e) \qquad (15)$$
$$M + M^* = W \qquad (16)$$

where P is price and W is world money supply.' An asterisk means that the variable belongs to the rest-of-the-world. Clearly, (11) assumes the absolute purchasing-power-parity theory.

The central message of this model is that world money supply W is the policy-instrument for the target of exchange rate, which in turn ensures price stability. According to McKinnon, three major industrial countries – Germany, Japan, and the United States – should jointly regulate their aggregate money supply, consistent with the maintenance of absolute purchasing power of their national currencies.

The monetarist model, as formulated above, is underdeterminate. It has eight equations, (9)-(16), with nine endogenous variables: Y, Y*, M, M*, P, P*, i, i*, and e, given W as exogenous. Of course, another variable, say, M, can be taken as exogenous, and thus the model be closed.

McKinnon looks at the capital market while Williamson concentrates on the goods

capital inflow:

$$X^* - X = K \qquad (17)$$

Clearly, (3) and (17) are two sides of the same coin the trade balance is equal to the capital inflow, as well as to the excess of investment over saving In this sense the structuralist and the monetarist views are possibly complementary instead of being contradictory However then differences cannot be ignored For example, money demand functions (8) and (10) are not identical

IV
Casino Capitalism

Capital moves ever more freely across national borders both by direct business investments and by purchases and sales of financial assets However the capital flows needed to achieve efficient allocation of world savings are today a minuscule fraction of worldwide transactions in currency markets which are estimated to run at one trillion dollars a day The bulk of these trillions of currency exchanges are speculations and arbitrages seeking to make quick money on exchange rate fluctuations and on international interest rate differentials They contribute little to rational long term investment allocations Exchange rates are at the mercy of the opinions of private speculators commanding vast sums Their activities distort the signals that exchange markets give for long range investments and for trade

Interest rate arbitrage makes it difficult for national central banks to follow monetary policies independent of those of major foreign central banks Only a full fledged global currency union can prevent speculations on exchange rates but that is outside the realm of possibility in the foreseeable future So Tobin proposes a realistic second best alternative an international uniform tax on spot transactions in foreign exchange, including deliveries pursuant to futures contracts and option A 0 5 per cent tax on foreign exchange transactions is equivalent to a 4 per cent difference in annual interest rates on three-month bills a considerable deterrent to persons contemplating a quick round-trip to another currency The intent is to slow down speculative capital movements, and it would be too small to deter commodity trade or serious international capital commitments The revenue potential is immense, over $ 1 5 trillion a year for the 0 5 per cent tax

This proposal for international monetary reform is certainly not as radical at it may appear at first sight It has a close parallel in that of transaction tax on securities in stock market [Hubbard 1993, Ross 1989, transaction tax on securities. In Japan, for instance, such a tax raises $ 12 billion a year [Roll 1989, Stiglitz 1989] In the US the Bush administration studied a securities transaction tax as a possible means of raising revenue to help close the budget deficit [Kiefer 1990] Undoubtedly there are strong *economic efficiency* arguments for taxing short-term trading

Emphasising the volatility of exchange rate and the consequent rise of speculative casino capitalism Tobin has added a new dimension to the issue of international monetary reform The Tobin tax is not necessarily inconsistent with either the structuralist or the monetarist proposal However, by itself it is not a complete solution to the three major problems of the present world financial regime that we have noted above

V
A Synthesis

Let us recall that, by virtue of (3) Williamson focuses on the goods market and that in view of (17), McKinnon seems to concentrate on the relatively medium or long term capital market The short term money market with high frequency volatility is not under scrutiny of either It is Tobin who is concerned about hour to hour day to day, or month to month variation in exchange rates, and the enormous volume of speculative currency transactions that it generates The world economy has three markets for respectively goods, capital and money So a synthesis of Williamson McKinnon, and Tobin is not entirely implausible

One dividing line between Williamson and McKinnon is the controversy on real exchange rate versus nominal exchange rate as a means of international adjustment Krugman (1987 8) echoes Williamson when he writes 'In a world of perfectly flexible prices nominal exchange rate changes could neither produce nor facilitate changes in relative goods prices, and thus could have no role in the international adjustment mechanism ' His "one definite conclusion' emphasises the role of the real exchange rate *Reducing external imbalances requires real depreciation by deficit countries real appreciation by surplus countries* [Krugman 1987 24, italics in the original] However, it is followed by his "one strong presumption' *Nominal exchange rate changes can help facilitate real exchange rate adjustment* [Krugman 1987 24, italics in the original]

The real exchange rate, we know, is defined by

$$E = eP^*/P \qquad (18)$$

So, unless e and P*/P always move in the [illegible] would affect E. Following Krugman's "one strong presumption", therefore, one can say that the difference between Williamson and McKinnon on this score can be narrowed.

If trade moves by the real exchange rate as Williamson and Krugman hold, it is also true that capital is motivated by the nominal exchange rate The real return, r, of investment of one dollar in domestic asset is given by

$$1+r = (1+\imath)/(1+\pi) \qquad (19)$$

where π is the rate of inflation at home On the other hand, the real rate of return, r^*, of investment of one dollar in a foreign asset is given by

$$1+\imath^* = e_1(1+\imath^*)/(1+\pi)\, e_0 \qquad (20)$$

where e_0 of the exchange rate of the currency in terms of dollar in period 0, and e_1 is that in period 1 Interestingly, the foreign rate of inflation, π^*, does not appear anywhere in (19) or (20) The nominal exchange rate is there in (20), but the real exchange rate is not When an investor compares (19) and (20) for portfolio allocation it is the expected change in the nominal exchange rate that is of importance [Adler and Dumas 1983 930]. In a word, then, the nominal exchange rate cannot be ignored in any scheme of international monetary reform

We notice that (11) represents the absolute purchasing power-parity theory. Williamson is sceptical about this particular doctrine, which assumes an invariant real exchange rate Empirically the PPP theory does not seem to fare well Perhaps (11) should be modified into a softer version of the relative PPP theory No doubt, adjustment in the trade balance requires change in relative prices

We now turn to an apparent conflict between McKinnon and Tobin McKinnon (1984 15) believes in a 'basic complementarity between free commodity trade and unfettered capital flows", and he is opposed to the Tobin tax proposal which, he seems to suspect, would "disrupt international payments on capital or current account" On the other hand Tobin regards the incompatibility of pegged exchange rates, full international capital mobility, and national policy autonomy" as "a basic axiom of international economics" [Eichengreen, Tobin and Wyplosz 1995 162, Eichengreen and Wyplosz 1993 122] McKinnon calls for international co-operation in joint control over the world money supply so as to stabilise currencies at their respective purchasing power, while Tobin is a second-best solution proposes a small tax on currency transactions to discourage speculative bubbles Tobin is by no means against free flow of capital following productivity differences across countries He is concern

about the zero-sum (or even negative-sum) game of quick round-trips in currencies that pervade the money market Thus these two economists are dwelling at two different planes, and they are certainly not working at cross purposes

We shall now proceed to analyse some aspects of international finance that are relevant here Keynes (1930 217) divides the economy into two sectors industry and finance He defines *industry* as the business of maintaining the normal process of current output distribution and exchange and paying the factors of production their income' By *finance* on the other hand, he means the business of holding and exchanging existing titles to wealth including stock exchange and money market transactions speculation and the process of conveying current savings and profits into the hands of entrepreneurs Then, Keynes makes a remarkable observation Each of these two branches of business utilises a certain part of the total stock of money Finance indeed uses a large sum of money as an input into its business [5] The ratio of the money held as asset by finance and that by industry in the US is currently over 75 per cent while finance produces less than 5 per cent of the GDP [6] Finance creates as well as consumes money Evidently its propensity to consume money is rising fast over time This fact points to an interesting direction Should the activities of the finance sector be moderated without adversely affecting production in industry a vast sum of money may be released for use elsewhere Instead of creating liquidity problem as apprehended by Stiglitz (1989 110) [7] now more money given the total supply will be available to the real sector of the economy namely industry [8] So interest rate would fall contrary to the fear of Tobin that the long term interest rate might rise albeit mildly Of course McKinnon and Williamson do not address this aspect of the problem

Considering the enormous volume of currency transactions in response to exchange rate variations that we observe the money demand function in today s world can be better represented by

$$M/P = M(i \quad Y \quad e \quad \sigma_e) \qquad (21)$$

where σ_e^2 is the variance of e In a sense (21) encompasses (8) as well as (10) Once (21) is accepted a general framework emerges where all the three approaches structuralist, monetarist and volatilist can be reconciled

So long as the goods market capital market and money market have different speed of adjustment – presumably increasing in that order – volatility of exchange rate is inevitable [Dornbusch 1976 Krugman 1989] In other words σ is relatively large and partly exogenous, to begin with Now, high volatility of exchange rate, manifested in a large value of σ_e^2, creates scope for currency speculation The present-day practice of stop-loss speculation – as distinct from the Friedmanite stabilising speculation of always buying low and selling high – makes the exchange rate fluctuate even more rather than getting it steady [Summers and Summers 1989 268 69] 'That is to say, in the first place, speculation is triggered off by σ_e^2 and in turn, it raises the magnitude of σ_e^2 It is a self reinforcing destabilising process A large sum of money gets absorbed in this game of financial speculation leaving less for industry' So interest rate i rises and income Y falls In other words to the extent exchange rate fluctuations generate speculative currency transactions and use up money as an input in that process the real sector is deprived of a part of the money supply The Tobin tax would discourage quick round trips across currencies and thereby restore part of that money supply which is engaged in such financial business Furthermore reduction in the degree of uncertainty will be an additional favourable factor for investment decision in industry [Dixit 1992] [9] In any case bulk of the currency transactions evidently do not effect any cross border capital flow at all [Feldstein 1994]

The problem of proper alignment of currencies still remains Without fully subscribing to a strict monetarist position it can be said that the money supply does have a significant bearing on exchange rates There is yet no trace of international co ordination of money supplies to preserve purchasing power of currencies as visualised by McKinnon Under the circumstances it is possible to imagine a more practical second best solution An international agency such as the IMF can be called upon to assume the role of regulating the world money supply through the issue of bonds denominated in a basket of currencies Such bonds would be very close substitutes of money If the Tobin tax forces speculation to spill over into bond market [Gerber and Taylor 1995] these bonds may become useful instruments to moderate that market These bonds would not add to any country s money supply yet through open market operation by that agency the aggregate world money supply as well as the composition thereof can be optimised

Notes

[This paper was written during my visit at Washington University in Spring 1995 on leave from Indian Institute of Management Calcutta The generosity of the Department of Economics to me and the intellectual ambience greatly facilitated this project I am most grateful to David Kelly and William Newman for their help in many ways. I am responsible for the errors and the opinions expressed here]

1 Capital market trades in relatively long term financial assets of bonds and equities, while the money market deals with short term assets such as treasury bills and foreign exchange

2 Referring to this proposition Krugman (1987 15) says 'What is wrong with this argument should be immediately clear It confuses the question of whether a change in the savings rate will be reflected in a change in the distribution of world expenditure with the question of whether a change in that distribution necessitates a change in relative prices The latter question is a question about goods market not capital markets

Williamson (1985 14) notes that the concept of an equilibrium rate relates not to nominal exchange rate but rather to the real rate i e the exchange rate adjusted for inflation at home and in competitor countries

3 Our (9) is implied by McKinnon s (1984 42 43) equation (4 2) and our (12) by his equation (4 3) in ibid 56 His equations are in terms of growth rates we have expressed them in level variables

4 In an *analysis* model an instrument variable is exogenous while in the corresponding *policy* model it is endogenous [Tinbergen 1955]

5 Cf Usually it takes a lot of money to push around the $ 1 trillion a day foreign exchange market *The Wall Street Journal* March 10 1995

6 From the data of money holding as an asset in the flow of fund studies published by the Federal Reserve Board Felix et al (1995) find that the annual average ratio between the finance and the non financial business sectors holdings was 13 per cent during 1945 49 it steadily increased to 18 per cent 24 per cent 25 per cent and 29 per cent in the following four decades and remained at 29 per cent during 1990 94 This money consists of currency and checkable deposits that corresponds to the Fed s M_1 If money is defined to include also time and saving deposits (which resembles Fed s M) then the steep rise of the ratio becomes even sharper from 13 per cent in 1945 49 to 16 per cent 21 per cent 38 per cent and 68 per cent in the following four decades and to as much as 77 per cent during 1990 94

The US Department of Commerce has estimated that finance and insurance generates 4 5 5 0 per cent of GNP and occupy about 5 per cent of the employed labour force They account for 7 5 per cent of after tax corporate profit If the inputs of goods and services purchased from other industries are included Finance and insurance use about 9 per cent of the GNP [Tobin 1984 284]

7 A turnover tax leads to a thinner market Thinner markets have a bigger spread

between buying and selling prices, and in that sense are less liquid. Buyers and sellers do not in general arrive in the market at the same time. With thinner markets, it may take a longer time for, say, a seller to be matched up with a buyer. Market makers make the market by buying from the seller, then holding the security in inventory until the buyer arrives. The market makers need to be compensated for performing this function both for the capital which is tied up and the risks which are borne [Stiglitz 1989: 110].

Should the market become thinner with the Tobin tax it would tend to be less liquid *ceteris paribus*. But other things would not remain the same. To the extent the volume of turnover is curtailed the total requirement of liquidity (money supply) may indeed decline.

8 Felix et al (1995) have found with the US data over the period 1945-94 a *parabolic* relationship between the relative size of the financial sector and the growth rate of the real sector of the economy. The relative size of the finance sector is measured by the ratio of money held as asset by 'finance' and that by 'industry'.

9 In considering the relationship between speculation and volatility it is helpful to distinguish between two types of strategies. The first type which might be called 'value investing', involves *negative* feedback. Traders who purchase stocks on the basis of stock prices in comparison with some relatively stable estimate of fundamental values will normally find themselves selling when prices rise and buying when they fall. This strategy will tend to reduce volatility by returning stock prices to the fundamental value of the underlying company. It resembles the gross substitutability condition for stability of a Hicksian general equilibrium model of commodities.

There is another situation where stabilising negative feedback will occur when traders rebalance their portfolios, following a risk-reducing strategy of buying and selling equity in order to maintain specified fraction of their assets in the form of equity versus debt, and when they trade against the market on the theory that the market typically over-reacts to news in either direction.

The second type of trading strategy involves *positive* feedback. Traders following such a strategy buy when markets rise and sell when they fall. Such positive feedback trade tends to increase volatility. Strategies based upon the slogan 'the trend is your friend', the placement of stop loss orders, and the use of certain complex dynamic hedging strategies to provide 'portfolio insurance' all contribute to the destabilisation of market prices.

The negative feedback strategy does not require trading frequently—portfolio assets are expected to earn high returns in the course of a month or more likely years, not in days or weeks. By contrast, frequent trading is the essence of the positive feedback strategy.

Perceived in this light, Summers and Summers (1989: 269) conclude "as an empirical matter the evidence [of stock price movements] does suggest the possibility that trading itself may be a source of volatility". They also remind us "Indeed, Keynes was at pains to argue that excessive liquidity actually encourages destabilising speculation".

10 Frankel (1979) argues that the existence of forward markets, under certain conditions enables a multinational firm to diversify all exchange risks, see also Broll (1994), Broll and Zilcha (1992, 1995), and Kawai and Zilcha (1986). All such models assume an exogenously given risk free rate, such an assumption may be reasonable for a firm. In the case of a national macro-economy, or the world economy however there is no such exogenous rate.

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Searching for New Development Strategies

Challenges of Social Summit

Ignacy Sachs

A widespread social crisis in different forms and with different degrees of intensity is affecting third-world countries, eastern Europe and the former Soviet Union (today known as countries in transition), and even industrialised countries. The indiscriminate opening of the economies of the South has created the risk of intensifying the process of the dualisation of the economy and society. The countries in transitions face the three fold challenge of stabilising their economies, creating institutions for the functioning of market led economies and of undertaking a thorough restructuring of their productive capacities. The most important challenge in the coming years will be that of the renewal of development thinking and a search for new development paradise.

THE United Nations has convened a World Summit for Social Development in Copenhagen in March 1995 a symbolic date as 1995 marks the 50 anniversary of the dropping of the atom bomb on Hiroshima, the end of the second world war and the establishment of the United Nations. The Summit provides a special opportunity to draw up a balance sheet both positive and negative of the past half century and ask how it may be possible to influence the course of events over the next 50 years and achieve results that will be more satisfactory in terms of the two essential goals of the United Nations peace and development.

The minuses of the balance sheet outweigh the pluses since the period following the second world war has been marked throughout by a succession of bloody conflicts waged on political ethnic even religious bases and by institutionalised violence numerous violations of fundamental rights the imposition of authoritarian regimes and sham democratic practices.

During the cold war the balance of terror between the two superpowers averted catastrophes such as a world conflict and consequent nuclear holocaust. The end of the Cold War has not permanently removed this danger but considerably reduced its probability. At the same time there has been a big increase in the number of local conflicts. Our century is coming to a close with a new wave of genocidal acts in Africa and in the very heart of Europe which is thus experiencing a revival of the horrors of the two world wars the extermination campus and the Gulags.

At the same time there have been two major upheavals at the geopolitical level firstly, the decolonisation and emancipation of colonised and dependent countries [1] and secondly, the collapse of real socialism in 1989 followed by the break up of the Soviet Union. To this must be added the end of the apartheid regime in South Africa in 1994 and the still uncertain hopes of lasting peace in the Middle East.

Decolonisation and the collapse of real socialism are two irreversible historic turning points with consequences and sequels that continue to weigh heavily upon our present world. Beyond exaggerated simplifications that seek to replace the bipolar pattern of the Cold War by a so called shock of civilisation it must be said that the search for identity is a fertile breeding ground for the rise of dangerously anachronistic forms of ethno nationalism and fundamentalism. The Polish historian Witold Kula (1960) defined underdevelopment as a *coexistence of asynchronisms*. From this viewpoint we may speak of a fairly widespread process of involution or underdevelopment that is simultaneous with the manifestations of globalisation whose economic and social impact in its differentiated forms both positive and negative calls for in depth assessment. To cast a uniformly positive light on globalisation processes would smack of a theology of the market and cannot be part of any scientific analysis.

The period that we have just lived through has seen an unprecedented expansion of technological power the production of goods and services as well as trade. Consumption patterns and lifestyles have been profoundly transformed for a majority of the inhabitants of industrialised countries and a minority of those of the third world countries, but the economic improvements indicated by growing statistical average have not been broadly distributed. In as rich a country as France, a societal fracture is now creating a divide between the two thirds constituting the winners and the third who are the losers and are increasingly excluded from consumer society and deprived of their (nonetheless fundamental) right to work. In other words, France too has its 'Fourth World' and the South is present in the North. The privileged minority in the third world countries, on the other hand form a presence of the North in the South without there being any territorially demarcated enclaves. The North and the South are in contact and are interpenetrating each other, especially in the big cities.

The world has shrunk because of the improvements in transport and to an even more significant extent, because of the communications revolution. These technical advances are the basis of the already mentioned manifestations of globalisation that are occurring at an uneven pace in fields as varied as those of finance economics technology and culture.

We are living through a period of the decoupling of the financial economy from the real economy [Drucker 1986] the consequence of which is the establishment of circuits of financial speculation that drain away capital which could otherwise have financed productive investment and helped create jobs. Transnational firms have become the main agents in the economy and in trade so much so that production and international trade statistics in the form of national aggregates have been made obsolete.

The media everywhere are propagating an identical picture of the good life based on unbridled consumption and the Hollywood dream. A small minority of men and women travel with ease all over the planet, to the extent that tourism and travel have become a major sector of the economy [3]. However, the majority of the inhabitants of our planet continue to live as if they were *glebae adscripti*. There is a striking contrast between the restrictions on the international mobility of labour and the increasing mobility of other factors of production.

Science and technology are very imperfectly controlled. Prometheus got entangled, to borrow a metaphor from Jean-Jacques Salomon (1984) [4]. The destructive power of technologies whose use continues to be subordinated to the search for short-term financial and economic profit has furthermore brought about the deterioration of the environment, the wise management of which has become an imperative for the world as was seen at the Earth Summit in Rio de Janeiro in 1992.

Above all, scientific and technical progress has not kept its promise of widespread well-being for the whole of mankind. In 1930,

Keynes expected that mankind's economic problem would be definitively resolved within a century Man, for first time since his emergence on our planet, would then be able to face his real, his permanent problem

How to use his freedom from pressing economic cares, how to occupy the leisure which science and compound interest will have won for him, to live wisely and agreeably and well" [Keynes 1972 328]

We henceforth have the technological ability to provide each and every individual with a reasonable degree of material comfort According to World Bank data the world's average per capita income was nearly $ 4 300 in 1992 By comparison the per capita income in the UK was $ 4 593 in 1900 and that of the US at the same period was $ 4 096 [Maddison 1994] However the inequality that characterises the distribution of income among different countries and within each country divests this statistical average of any meaning In 1991 the richest fifth of the world s population appropriated 84 7 per cent of the world s GNP while the share of the poorest fifth was limited to 1 4 per cent Within a span of 30 years the disparity between the incomes of these two extreme groups went up from 30/1 to 60/1 Even more significant is the fact that in modern societies exclusion is gaining ground over exploitation The rich no longer need the poor This is very probably why they tend to forget them [5]

The increasingly unequal distribution of the products of technical and economic progress arises out of faulty social and political organisation and not out of any scarcity of goods It throws up a challenge to the political establishment which is incapable of making efficient use of technological power [Ruffolo 1988] We are here at the very heart of the notion of maldevelopment [Sachs 1984] which is not incompatible with economic growth even at high rates The fact of the matter is that growth and development are not synonymous So long as huge social disparities persist, growth will be certainly a necessary but in no way sufficient condition of development, for the distributive and qualitative aspects cannot be overlooked It is false to say that the exorbitantly high social and ecological costs of certain forms of economic growth are the unavoidable 'ravages of progress'

Progress for Whom?

This question will be touched upon at the Copenhagen Summit in the discussion of the three points on its agenda the struggle against poverty, social integration and the creation of productive jobs It is neither acceptable nor necessary that financial and economic progress should be paid for by structural unemployment and underemployment which are leading to increasingly widespread manifestations of social exclusion and poverty

The way in which the agenda for Copenhagen has been structured, and this was also the case with the Earth Summit in 1992, is an implicit rejection of the economicist theories that make growth the central if not the only goal It also tolls the knell of the belief that the benefits of economic growth will almost automatically spread to the whole of society In the words of Louis Emmerji (1994), no one can question the fact that economic growth is in the long term effective in achieving social goals and combating poverty but three to five generations may be necessary to reach this goal In other words, the transition period will be humanly unbearable and politically irresponsible

This is why it is necessary to deal with the five themes of peace economy environment justice and democracy all at once in taking social conditions as the starting point for efforts towards development ' The present text is far more limited in its aim It seeks only to analyse those aspects of the problem of development that appear to merit special attention In the following pages after examining the world wide social crisis with special emphasis on integration into the production process through employment and self employment we shall look at the search for new paradigms of development through the following issues going beyond economicism the need for a universal axiology the relations between the economic the ecological and the social the democratic regulation of mixed economies the redefinition of the role of the state new forms of partnership among the different social sectors science and technology in the service of social development and reforms in the international system

The Copenhagen Conference will be faced with a widespread social crisis which in different forms and with different degrees of intensity is affecting (with few exceptions) the third world countries eastern European countries and the former Soviet Union (today known as countries in transition), and even the industrial countries

In the third world, the poor, who are the victims of the under-development of production capacities have been joined by the new poor who are the victims of a mimetic concept of modernity built by means of a transposition of the latter techniques coming from the industrialised countries It is true that there is need for a selective use of such techniques However, the indiscriminate opening up of the economies of the South creates the risk of intensifying the process of the dualisation of the economy and society with a resulting increase in the numbers of those excluded and a threat, in the long run, of social apartheid

The countries in transition have to cope simultaneously with a threefold challenge. They have to stabilise their economies, create from scratch all the institutions necessary for the functioning of market led economies and finally, carry out a thorough restructuring of their productive capacities in order to increase their efficiency, competitivity in international markets and performance in the management of the environment In many respects therefore, the problems of the countries in transition resemble those of the countries of the third world [7]

A transformation of this nature cannot be achieved without high social costs However, the choice of a strategy based on the illusion that it is possible to achieve the instant establishment of capitalism and the sovereign rule of the market economy seems to have increased these costs and furthermore, to have prolonged their existence beyond what is necessary The worsening of social relationships the deterioration of health, education and welfare services, the emergence of a high level of structural unemployment which will be difficult to absorb the vulnerability of the countries in transition to the shock of a far too sudden opening up of their economies, the permissivity in regard to the practices of savage capitalism are all so many factors that weigh down on the negative side of the balance sheet of the great transformation, at least for the time being

The most astonishing aspect of the social crisis is the deterioration of the condition of the industrial countries after decades of fast economic and technical progress It might almost be said that we are seeing these countries slide into a third world status. Indeed the intellectual tools that were earlier fashioned to study the economic and social dualisation of the post colonial countries and account for the phenomena of social exclusion and spatial segregation have returned in a big way to the heated debate, now going on in most of the industrialised countries Unemployment, the precariousness of jobs and the various forms of exclusion resulting therefrom have become endemic No one is hoodwinked by the euphemism two speed society Marshall Wolfe (1994) distinguishes several forms of exclusion relating to the means of livelihood, social services, protection services and security networks consumer

Table 1

	1990	2000	2010	2020
Less developed regions	360		383	352
More developed regions	29		11	04
World	389		394	351 5

Note ILO projections in millions

culture; the process of making political choices; the bases of popular and solidarity organisations and finally the capacity to understand what is happening.

Events therefore are all running counter to what the optimistic theories of development led us to believe. What we are witnessing is not the disappearance of the traditional sector by the gradual transfer of its redundant labour force to the modern sector but the expulsion of surplus workers from the modern sector into the 'informal', 'grey' or quite simply 'black' sectors of the economy, or even their pure and simple reduction to marginal status, condemning them to the pangs of enforced idleness and to the status of dole recipients—in some cases from the cradle to the grave.

At a time when we have greatest need of it, the welfare state is under attack and is even being partially dismantled on the pretext of its excessive cost and bureaucratic unwieldiness and the supposed efficiency of alternative formulas, postulating the commodification of social services. It is true that the methods by which welfare states function must change. However, it must not be forgotton that they are the only truly positive contribution that Europe has made to the world in the 20th century, being the result of a century and a half of social struggle, and also of competition with real socialism at a time when the latter still enjoyed credibility in the eyes of a significant part of Western public opinion.

More than ever, the goals of full employment and of comprehensive and adequate social protection represent a basic part of the European identity. Instead of defending welfare entitlements and other social rights in their present form, it is necessary to place a thorough reform of the welfare states on the agenda without, in any way, thereby relieving them of responsibilities and relying solely on market mechanisms. The direction that this reform should take is clear Societies have to be helped to take responsibility for themselves, with the assistance of the state. This must be done through a search for many varied forms of partnership for the production of social services between users, the civil society represented by associations and the other components of the social economy (co-operatives and mutual benefit societies), administrative bodies at all levels from the local to the national and, finally, business firms.[8]

The three points on the agenda of the Copenhagen Conference are closely interlinked. It would seem however that, logically, priority should be given to the implementation of proactive policies that strike at the very root of the problem by integration into the productive process through employment or self-employment. Policies of assistance in which the poor are cared for are certainly necessary, given the size and urgency of the problem of poverty. However, such policies by themselves will not bring lasting solutions. The excluded receiving assistance will continue to be excluded so long as they have not found a place in the economy.

Similarly, social integration which brings numerous cultural factors and forms of social organisation into play depends to a major degree on the capacity to provide all the different components of the population, beyond their social, ethnic or religious differences and their level of education, with the conditions that will enable them to earn a decent livelihood by their work.

The population explosion is often presented as the main cause of the acute underemployment and unemployment prevailing in the countries of the south. However, this thesis needs to be qualified by a closer look at the population-development loop. So long as the populations of the south have not acquired security in terms of food and social protection, have high infant mortality rates and continue to receive inadequate education, especially in the case of girls, it will be difficult to convince them that birth control policies are well-founded. Their partial rationality limited to the family unit, will continue to run counter to global rationality. The demographic transition cannot be achieved without social development based on integration into the productive process.

The priority that must be attached to the problem of employment and self-employment is all the greater as enforced idleness[9] is an irreversible form of destruction of human life, for time lost can be neither stored nor retrieved. The real challenge is to break the dynamic chain of unemployment and exclusion and replace it with the dynamics of employment [Brunhes 1993]. The scale of the problem can be seem from reading of the available statistics and projections.

The ILO has prepared projections of the economically active population (EAP) for the period 1985-2025, which we shall use to assess the magnitude of the number of jobs that have to be created and are necessary to absorb newcomers to the job markets in the present decade and the next two decades without taking account of the need to absorb existing unemployment [ILO 1986].

Indeed, as Table 1 shows, from 1990 to the year 2000, the active population should increase by 389 million and then, in the first million and 35.15 million respectively. Most of the new jobs to be created are likely to be in the less developed regions: 92:5 per cent of the total increase between 1990 and 2000, 97 per cent between 2000 and 2010, more than 100 per cent between 2010 and 2020, since during this latter period the EAP of the most developed regions will be reduced by 400 million.

The data do not take already existing unemployment and underemployment into account. About 30 per cent of the world's active population is in this condition according to UN estimates. The absorption of this section would require the creation of very many additional jobs. According to the International Commission for Peace and Food, to ensure full employment, it would be necessary to create about a billion new jobs during the present decade (1994:71).

According to the ILO data, the condition of the most developed regions appears to be comfortable at first sight since the annual growth rate of their EAP will be barely 0.49 per cent during the present decade and 0.34 per cent during the next decade. Creating some three million jobs a year should not raise any problems given that, according to World Bank data, gross investment in high-income countries in 1991 amounted to $ 3,750 billion (as compared with $1,010 billion for the rest of the world).

However, this does not at all represent the true picture. Instead of creating jobs, investment in productive capacities is tending rather to replace men by machines. In many branches of industry, the relationship between growth and employment is becoming a negative one. The race for competitivity is resulting in rates of growth in productivity that are higher than rates of growth in production. To take only one especially telling example, between 1980 and 1992, Spain doubled its GDP without creating a single additional job. We are therefore in a structurally novel situation that is the result of a combination of several factors. We shall mention four of them.

The facts have belied the optimistic expectations of those who, in preaching the virtues of the permanent race for technological innovation [Riboud 1987], promised a growth in employment in the modern services sector that would exceed the loss of direct jobs in factories through automation. Recent advances in office automation point to the same trend towards replacing men by machines in the tertiary sector.

TABLE 2

	The Economical	The Social	The Ecological
1 Savage growth	+		
2 Socially benign growth	+		
3 Environmentally sustainable growth	+		
4 Development	+		

The link between production and employment is loosening and intensive growth is taking precedence over extensive growth. As far as France is concerned, E Malinvaud expects a growth rate of 3 per cent in the long term accompanied by an annual 1 per cent increase in employment and an annual 0.5 per cent drop in unemploment (Interview in *Le Monde*, November 16, 1993). This major trend in the present phase of technological development goes hand in hand with a decoupling of the real economy from the financial economy whose explosive expansion marks the end of the 20th century [Drucker 1986]. As already pointed out, the capital that could have been invested productively is being diverted by the lure of spectacular gain to the gambling tables of the 'global casino' that the financial markets have become. The sterilisation of this capital is slowing down the growth of the real economy.

The industrial societies, dominated by the ideology of consumerism, have been unable to take advantage of the growth in productivity to carry out the drastic reduction of working time, which is a social necessity. It is true that whereas work took up 200,000 hours in the lifetime of a Frenchman at the end of the 19th century, it now takes up only 70,000 hours [Rigaudiat 1993]. However, the objective conditions for accelerating this trend now exist. From Kropotkin to Gorz and Illich, not to mention Betrand Russell and Keynes, many thinkers have made proposals for a revolution of liberated time anda reorganisation of society enabling people to work less in order to procure work for all, to paraphrase the title of a recent book [Adret 1993].

The present crisis seems to favour a resumption of this debate whose ethical and cultural dimension go beyond the technical modalities of an initial reduction of working time. The implementation of a policy of the equitable redistribution of the socially needed work calls for a genuine cultural revolution and for profound institutional changes.[10] The situation can, however, be improved through a modification of the fiscal and parafiscal policies that increase the cost of labour through social security contributions. These contributions could be financed in other ways, for example by a tax on equipment or by an appropriatly modulated VAT.

The recent trends in economic thinking dominated by neo-liberal theories explains the inadequacy of employment policies and, more generally, of public policies concerning development.

The decline and then the collaps of real socialism have been interpreted as the green light for returning to an unbridled form of capitalism whose success is measured by rising stock exchange indexes and volumes of profits, and no longer by the creation jobs. Stringent rules on adjustment of macro-economic and monarchy balances and on liberalisation have been laid down by the IMF and the World Bank, protecting the creditors of the debtor countries. Notwithstanding disclaimers by the IMF and the Bank, the austerity policies dictate heavy sacrifices on the part of the most underprivileged social classes.[11] Deregulation, privatisation and budgetary austerity have been used, with the pretext of curbing the excesses of statism, to restrict the field of action of states and buttress the position of large private companies, both national and foreign. The same strategy, barring a few details, has been proposed for the countries in transition towards the market economy.

The failure of the industrialised countries to reduce unemployment despite the financial resources at their disposal provides a measure of the scale of the challenge facing the less developed countries. During the present decade, they will have to create 12 times as many jobs merely to absorb newcomers to the job market with a gross fixed capital formation that is four time smaller! One immediate conclusion needs to be drawn. It is quite unthinkable that the models of the North can be reproduced in the countries of the south No longer can these countries, in the name of competitivity and of integration into the global economy, accept the infernal pace of 'creative destruction' that even the richest countries are unable to keep up with.

And yet this is the path chosen by the elites of the third world. We can understand the vehemence with which Kothari (1993) has criticised them in his already quoted book, where he proposes that India should take an approach to development based on social empowerment, decentralised planning and job promotion, rather than on growth as such, an approach based on the development of the countryside and the expansion of the internal market rather than on giving excessive priority to exports.

Of his proposals, we would single out the emphasis laid on the need to consider employment as a key variable in development strategies. A finely tuned employment policy, prepared on the basis of field data, would therefore appear to be an essential part of the public policies to which we shall return further below.[12] While recognizing the seriousness of the situation, we feel that there is room for manoeuvre in this field, provided that a thorough review is made of the goals and methods of development. When Alice in Wonderland politely asked the Cheshire-cat to please tell her where she was to go from the place she was in, the cat replied: "That depends a great deal on where you want to get to".

The already cited report by the International Commission for Peace and Food (1994), rightly considers the search for new development paradigms to be among the major priorities of the present time. East European statism has collapsed but there is no place for undiluted capitalism either. "Rather than searching for a victor and vanquished, the urgent need is to find a successor that combines and synthesises the enlightened values of both system" (p 154). The well-being of all individuals should determine social policy and the market economies should undertake to guarantee the right of every citizen to employment.

The Report adopts the UN Secretary General's view that the most important intellectual challenge in coming years will be that of the renewal of devlopment thinking. The world had sufficient experience and information to formulate an integrated theory of development seen as a social process centered on man as a whole and on all men. The Social Summit should be set the ball rolling.

The task is a difficult one. It requires firstly, recognising the fact that there is a widespread social crisis which, as we have already seen, affects in different ways and with different degrees of intensity, every group of countries, including the industrialised ones.

> Comprehensive, human-centred theory of development An important shift in thinking has taken place from regarding development primarily in terms of economic growth to greater emphasis on the human welfare and development of people. But development is not only a set of goals or material achievements - it is a social process by which human beings progressively develop their capacities and release their energies for higher levels of material achievement, social and cultural advancement, psychological fulfilment. A new theory is needed that focuses on the dynamic role of information, attitudes, social institutions and cultural values in the development process. An international effort should be initiated at the forthcoming UN Social Summit to evolve a comprehensive, human-centred theory of invidiual and social development that will lead to the formulation of more effective strategies to accelerate the development process From *Uncommon Opportunities: An Agenda for Peace and Equitable Development*, Report of the International Commission on Peace and Food, London, Zed Books, 1994:201.

Going beyond Economicism

Furthermore, this task makes it necessary to go beyond economicism which is still the dominant thinking and is expressed by the explicit or implicit acceptance of the trickle-down theory. According to

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The Globalization Project at the University of Chicago is a three year program established to promote an international research network on the cultural, legal and aesthetic dimensions of globalization, with a focus on urbanization processes, migration and global media. During 1995-96, the Project's theme is **Rights and Representation**. The Project anticipates awarding a Senior Fellowship (three to four weeks) of upto $4,500 and a Post-Doctoral Fellowship (three to four months) of upto $6,000, to cover roundtrip airfare and stipend. Both fellowships are residential. The Project especially encourages applications from scholars based in Latin America, Africa, The Middle East and Asia. Successful applicants will make one formal presentation of their research and participate in the Project's activities. All applicants should submit a c.v., a published article, and a research statement (1-3 double-spaced pages). Applicants for the Post-Doctoral Fellowship should also arrange for three letters of recommendation to be submitted. **The deadline for applications is September 15, 1995.**

Address all material to: The Globalization Project, Chicago Humanities Institute, The University of Chicago, 1100 East 57th Street, Chicago IL 60637, USA Tel: (312) 702-8274; Fax: (312) 702-0775.

theory, it is the economy that rules. What needs to be done essentially therefore is to ensure the macroeconomic controls that enable reasonable growth, and the rest will follow of its own accord The benefits resulting from this growth will ultimately flow into the entire fabric of society and spread to the very base of the pyramid The agenda of the Earth Summit and, even more so, that of the Social Summit implicitly deny the trick-down theory, but the practice of many governments continues to be based on this theory and the most extreme neo-liberal currents of thought preach it openly

Another element of mainstream thinking overestimates the importance of competitivity, which has been raised to the status of a real ideology, based on a superficial theory of globalisation, presented purely in its positive aspects as if increases in financial, commercial and technical flows always occur in such a way as to benefit each and every partner including the weakest The concept of interdependence is often pushed to the fore in order to avoid any analysis of the degree of asymmetry, even domination, that exists in the relationships between strong partners and weak partners The Report of the Lisbon Group (1993) has come out strongly against the ideology of competitivity and has demonstrated its limits [13]

As for globalisation, we may note first of all that it is occuring unequally in different fields As historians have shown, the microbial unification of the world took place before the birth of the world market

We have already pointed out that the financial markets, working round the clock and seven days of the week, put in motion monetary flows quite out of proportion to the needs of the real economy The lure of easy, albeit risky, gains ultimately sterilises a substantive part of the resources that could have taken the form of productive investment It is currently estimated that the transactions made on the international money markets amount to a thousand billion dollars a day James Tobin's ingenious proposal, made as early as 1978, for taxing currency transfers at a rate of 0 5 per cent, would bring in more than $1,500 billion per year which could be used for international purposes Despite the obvious advantages of this prposal and its adoption by the influential UNDP *World Report on Human Development* (1994, p 75), there is no great likelihood of its being seriously looked at in Copenhagen, or elsewhere

Globalisation is taking great strides in the field of communications Identical television programmes are reaching all corners of the globe with a tendency towards a homogenisation of culture that is raising problems [Ortîz 1994] and even, more seriously, paving the way for a telecracy, a term invented by the French daily, *Le Monde*, in the aftermath of [illegible] election victory in Italy

The post-war period was marked by an expansion of trade and technological exchanges that was greater than the economic growth rates, and therefore also by an opening up of economies Once again, the picture needs to be qualified, since the degree of opening differed greatly from one country to another In particular, continent-sizes countries compensate for relatively low level of foreign trade by internal trade The place of the US in world trade is a result, not of a high degree of opening up, but of the size of its GDP

Certain ideologists of globalisation like John Naisbitt (1995) strive to show that the advance of globalisation gives an increasingly significant advantage to networks of small partners which enjoy a degree of flexibility that states and large firms do not possess There is some truth in Naisbitt's approach whenhe speaks of the retreat, in terms of identity, of the nation state towards what he calls 'the tribes' According to him one of the aspects of the global parodox is precisely the fact that the more universal we become, the more tribal we act (p 24) In the course of his explanation, the author underestimates the increasingly dominant role in the world economy, of the transnational corporations which are constantly increasing their power while the influence of States gets blurred and while international institutions have practically no way of controlling the practices of these companies

The ultimate thrust of his book lies, however in its unexpected extrolling of the advent of the age of individualism marking the end of politics as we know them, and hence in its minimising or even its elimination of the state s responsibility with respect to its social functions, notably as regards employment 'Now with the electronics revolution, both representative democracy and economies of scale are obsolete Now everyone can have efficient direct democracy" (p 47) The communications networks are supposed to take care of this

Yet, as Oliver Dollfus (1994) has stressed, the system that produces the world space creates forms of participation in as well as exclusion from the process of globalisation [14] Furthermore, globalisation is based on a vision that underestimates the variety of historical experiences and the plurality of humankind This is why in most places it is arousing its contrary, namely the development of particular issues In reality, as Bertrand Badie [1994, see also Badie and Smouts 1992] has persuasively shown, we are moving towards a New World Disorder because of a threefold break markedby globalisation, the crisis of the nation-state and the end of bipolarity Today's forms of opposition are no longer ideological but cultural The present-day world is characterised by the failure of three fetish concepts of modern international relations sovereignty, territoriality and security Insofar as nationalism is being weakened in favour of micro-communalism and macro-social forms of solidarity (inter alia of a religious type), the 'international' order enters a stage of crisis

Another characteristic of dominant economic thinking is that it considers itself to be universally valid This actually gives it an ahistoric and atopic character In practice, this amounts to denying a field proper to the theories of development and to maintaining, in the face of all evidence to the contrary, that the mimetic transposition of the experiences of the industrial countries to the rest of the world constitutes the right path to development The prohibitive social costs of the structural adjustment policies applied uniformly throughout the planet are once again denying this claim without there being any change in the practices of the international organisations based on the 'Washington consensus' [15]

The plurality of the paths is more than ever on the development agenda The development strategies must take account of certain specific characteristics common to several countries (for example large countries and countries rich in natural resources as opposed to small countries and countries poor in natural resources) thus making it possible to establish certain heuristic typologies [16] On the other hand, they must account for the singular features of each country

— the historical and cultural context, it being necessary to understand development as a dynamic process [17]

— the ecological context, since climatic and biological diversity, when well interpreted, yield a potential of resources that can be used for development without destroying the capital of nature, the link between natural diversity and cultural diversity being very close After all, an important aspects of culture is the knowledge that a society has of its natural environment,[18]

— finally the institutional context, in the broad sense of the term, reflecting the organisation of human society

In the face of the multiple paths of the past, present and future, what can be expected of a theory of development other than a comparative analysis of accumulated experiences, both positive and negative, capable of stimulating the social imagination without delivering ready made models for all that

We feel that a normative discourse is indispensable in order to specify a mobilising *national project* that is based on an explicit axiology, recognising the living burden of the past but oriented towards the future A project of this kind will accessorily have a

very important function of serving as a criterion for the assessment of policies proposed and of paths taken. The notions of rationality and efficiency lose their precision when there is no strategic planning oriented towards the medium term and the long-term. Without repeating, yet again, the errors of comprehensive planning made by the centralised economies it is necessary, on the contrary, drawing upon all the lessons of past failures, to undertake flexible dialogue-based,[19] context-related and contractual planning.

Search for a Universal Axiology

In a world where, as we have seen, particular cultural identities are assuming increasing importance, the question is whether it is possible to set up an axiology on the basis of certain universal principles.

Our answer would be affirmative, in the light of the debate inaugurated by the Stockholm Conference in 1972 and resumed by the Rio Earth Summit in 1992. We feel that development, in the full sense of the world, should have a social purpose justified by the ethical postulate of intra-generational solidarity and equity, taking the form of a social contract. While the social disparities between nations and within nations have only increased, everything needs to be done to reduce them. This requires privileged groups to ask the question: "how much is enough?"[20] The development of man as a whole and of all men can become widespread only through the building of a civilisation of being in a balanced sharing of having to quote. L J Lebret.[21] By contrast, the extrapolation of the current major trends can only accentuate the drift towards social apartheid.

Furthermore, development requires ecological prudence in the name of inter-generational solidarity expressed in terms of a natural contract [Serres 1990].

Finally, at the instrumental level, the principle of economic efficiency is a necessary one. However, it must be measured by the macro-social yardstick and no longer solely in terms of profitability at the firm level. Furthermore, two other principles may be mentioned: cultural acceptability without, for all that, obandoning the idea of change in the name of respect for tradition and territorial balance.[22]

Development is thus seen as a pluridimensional concept.[23] This fact is reflected in the abuse of the adjectives that accompany the world 'development': economic, social, political, cultural, sustainable, finally human,[24] to mention but a few. It is not too soon to spare ourselves all these attributes by concentrating on a redefinition of the content of the world development', based on the proposed hierarchical structure where the social is in control, the ecological is an accepted constraint and the economic is reduced to its instrumental role.

Beyond semantics, a far more formidable problem as regard practice is that of bringing into harmony goals which, at first sight, may appear to be contradictory and here led to painful trade-offs.

The debate on development and the environment has concentrated essentially on the characteristic situations of a zero-sum game. In the course of this debate, there has been no sufficient exploration of win-win situations which nevertheless exist and could have increased if a search had been made in this direction. The examples that could be given are those of the various cases of recycling, the so-called regenerative agriculture and especially the energy strategies that considerably reduce the consumption of fossil energy and at the same time save financial resources.[25] The same reasoning can be applied to other resources. The members of the Factor 10 Club call for a tenfold increase in the average productivity of the resources in the industrial economies, in the next half-century, as a prerequisite for sustainable development on a world-wide scale.[26]

The agenda of the Copenhagen Conference brings into play the relationship between the economic and the social while the earlier pattern tacitly assumed that the economic and the social went hand in hand. But we must now turn to the *triple-win (or win-win-win)* situations which enable progress on all three fronts together: the economic, the social and the ecological, and therefore bring about development in the full sense of the world.

We propose that the term 'development' should be reserved only for these cases by opposition to the different forms of mal-development or of lopsided development. All the relevant situations are summarised in Table 2.

To achieve triple-win solutions, we have to rethink the institutional framework in which development is conceived and achieved. Once the two extremes of the pure market economy (a liberal utopia in the etymologicalaa sense of the word) and of the centralised economy are set aside, all the real situations that exist in the world belong to the category of mixed economies, characterised by a wide variety of labour, commodity and service markets, in which there operate private profit-making firms, public undertakings and more generally States at all levels, from the central to the local, to different agents of the social economy (co-operatives, mutual benefit societies, associations and non-profit-making private organisations) and all the groups engaged partly in non-market economic activities carried out in the households.[27] For Shigeto Tsuru (1993), the mixed economy is the only mode of production that is still in the race. Jean Saint-Geours (1984) has gone a step further and refers to 'mixity' as a characteristic of our societies beyond the economic field.

Of course, the mixing of the public and private sectors can take many varied forms. Quite significantly, the search for new forms of articulation between the different social agents concerns nowadays practically every country of the globe, given the vacuum created by the collapse of real socialism, the crisis in the welfare states and the more than modest balance-sheet of development/maldevelopment in the South.

The problem is located at the level of what Paul Streeten (1989) calls the mesoeconomy, as the neo-liberal theories have overestimated, firstly, the role of macro-economic controls (of course necessary, but in no way sufficient) and, secondly, that of the microeconomic activity of the entrepreneurs. Now, in many places, even today events are all taking place according to a pattern that contradicts the one set forth by Schumpeter: the initiative and the risks are taken by the State, while privatisation at a discount subsequently benefits a class of entrepreneurs who have nothing Schumpeterian about them. The three central questions are:

- What state, for what development?
- What content should be given to democracy beyond mere compliance with the rules of the game of representative democracy?
- How to achieve new forms of partnership among the State, the civil society and the business world so as to enhance and bring out the full potential of local initiatives and citizen actions?

The questions shall be examined in turn.

What State?

For several reasons, the current debate on the state addresses the wrong questions. It starting point is the opposition between the State and the market whereas any market mustbe regulated by the State, especially if it is desired that the market economy should also fulfil a social function. The criticisms made against statism, which rightly lash out at its excesses and the weight of the bureaucracy, oversimplify the problem by calling for *less* of the state whereas the real point is that the state should be more efficient and at the same time cost less. It is fashionable to concentrate on the State failures and overlook the market failures, attimes equally numerous, as the market is incapable of grasping the long-term and the interests of society. It is legitimate to propose a reduction of the role of the entrepreneurial state, especially when the public sector consists of firms nationalised at a time when they were bankrupt and when the state, by intervening, furthered the particular interests

of some private groups serving clear aims with the establishment. However there still remain the functions of the developmental State, as in the example of Japan, South Korea and Taiwan,[28] and last but not least the functions of the regulating state. The challenge in the years to come will be to find truly democratic forms for the regulation of the mixed economies. This brings us to the second question.

Respect for political rights alone is not sufficient to define a democracy in the full sense of the world. The effective exercising of all political, civic, social, cultural and economic rights should be extended to the entire population, especially to those who are now excluded from enjoying them These include the right to individualand collective development and, of course, the right to work or to self-employment that provides a decent livelihood earned in dignity. As we have already pointed out, only integration into the productive process is capable, in the immediate future, of striking at the roots of exclusion. Assistancial policies are of course very necessary, given the predicament of the unemployed and the excluded, but they do not provide, by themselves, a lasting solution. While there is no question of abandoning income-redistribution policies, it is the income distribution which is inherent to the mode of production that should be the primary focus of our attention.

Beyond measures relating to employment, it is urgent to provide the dispossessed and marginalised populations with the means by which they can more efficiently claim their rights. To achieve this goal, it is necessary to promote education in citizenship,[29] namely to:

– raise the consciousness of all populations (children, young people and adults) and notably of groups discriminated against (women, children when applicable, cultural minorities) about their rights and duties;

– train them as regards action they can take when their rights are not respected or violated: how to get organised, where to look for effective aid, whom to call on at the practical and moral levels, how to mobilise public opinion.

At the same time, to ensure real, day-to-day participation by populations in the decision-making and management process, it is necessary to carry out an in-depth analysis of the institutional context and of the relationships among the social agents concerned, namely the organised civil society (citizens' associations and social movements), the social economy, government authorities at all levels and the world of enterprise. Special attention has to be paid to:

– institutions that play a mediatory role between the populations and the State beyond those of representative democracy alone (ombudsmen, forums and consultative councils, advocacy planning, forms of institutionalised co-operation between governmental bodies and citizens' associations);

– the practices of direct democracy (referenda, opinion polls, interactive media);

– positive discrimination policies (and their often perverse effects).

New Forms of Partnership

Participation plays a major role in the rhetoric of development. However, the reality often takes the form of strategies elaborated at the central level and imposed from above. It is necessary to rehabilitate the opposite approach favouring bottom-up initiatives, notably as regards the identification of the real needs of the population and of the hierarchy of urgent needs.[30] This means strengthening the ability of the populations to assume responsibility for a large part of the decisions that concern them, in a word, their *empowerment*. Two dangers, however, need to be avoided.

Firstly, there are knowingly manipulated ambiguities around this concept. John Friedmann (1992) has rightly made empowerment the cornerstone of the search for alternative development strategies. However, it should not be forgotten that this very same world was frequently uttered by President Reagan and, coming from him, it meant that the state was giving up certain of its responsibilities and passing them on to the local government institutions. A weak interpretation of the concept lies at the basis of the community program proposed by A Etzioni (1993). The same type of ambiguity hovers over the concept of subsidiarity cherished by the European Commission. A decision that can be taken at a lower level ought not to go up to the upper level. But then the question is who is to take a decision on this point

Furthermore, it would be vain to expect that the complexity of today's world would make it possible for us to be satisfied with a mere juxtaposition of a multitude of local strategies. The linkages among the spaces of development, from the local to the regional, national and transnational levels, constitute a major area of concern for political action. The present imbalance in favour of the central level and its incapacity to think out strategies that are finely tuned to local contexts makes it necessary to encourage initiatives from the bottom. And yet, such initiatives need to be harmonised and assisted by making available to them critically necessary resources that cannot be mobilised on the spot.

In other words, public policies and citizens' actions need to be harmonized. This major theme for the Social Summit was debated in the International Conference on Public Policies, People's Actions and Social Development organised by UNESCO in December 1994 in collaboration with the City and University of Bologna. The conference reviewed several specific examples of the linkage between citizens' movements and State policies, notably the programme of the fight against hunger and for citizenship in Brazil,[31] the solidarity programme in Mexico, the role of citizens' organisagions in the struggle against exclusion in Poland. It also discussed the prospects ahead following the end of apartheid in South Africa and European research on the reform of welfare states, with a view to establishing a "caring society"[32] through partnership among the parties concerned. The development of the social, educational and health services, as well as of the services related to making use of the time released from work provides a vast field for the setting up of new structures of partnership among users, citizens associations, local government authorities and private firms.

This area is a particularly promising one for the countries of the South and the East where the general level of wages is presently low. Indeed, since the 'productivity' of teachers, nurses of social workers is approximately the same in every country in the world, in absolute terms the cost of producing such services in these countries is low in comparison with their cost in countries where the average level of salaries is high. With a slight modification at the margin of allocation of resources to social services in the broad sense of theterm, it would therefore be possible to obtain a substantial improvement in the quality of life in the poor countries. Instead of awaiting prosperity in order to begin developing social services, it is necessary on the contrary to hasten to do so immediately.

The final Round Table in Bologne was devoted to urban experiments in Italy. It showed the wealth, variety and scale of the concrete experiments carried out at the municipal level. The cities whose almost infinite diversity has been so well brought out by Italo Calvino (1974) are indeed the crucible for the emergence and shaping of new forms of citizenship. In this field, Italy has been a stupendous laboratory for centuries. The development of urban citizenship will be necessary if we truly wish to make our cities liveable in the 21st century. This goal will not be a greater burden on our economies, especially in the industrial countries, than the cathedrals were in the middle Ages. The urban crisis needs to be treated on a priority basis. It is also in the urban framework that the question is being raised, in all its stark reality, of the inter-ethnic, inter-cultural and inter-religious relationships that are a source of numerous conflicts and endemic violence especially in situations where the mixing of different social and cultural

groups is overlaid on a context of social exclusion.[13]

S and T for Social Development

Technology is a key variable for the bringing of social, economic and environmental policies into harmony. The question is whether it is conceivable to put a brake on the present dominant trend in which technological progress means jobless growth and the role that could be played in this field by the reorientation of scientific research.

This question was put to researchers at the International Conference on Science and Technological for Social Development organized in Delhi in December 1994 by UNESCO and the National Institute for Science, Technology and Development Studies (NISTADS). They were asked in particular what was the potential contribution by science and technology to the three aspects of a potential development strategy centred on the exploration of three sources of employment which are briefly described here below:

1 The working of economies is presently characterised by the wasting, in varying degrees, of energy, water and other natural resources. Considerable progress remains to be made in the recycling of wastes and materials. Moreover, a more methodical maintenance of equipment, structures and installations that would prolong their useful life is one way of saving capital. These activities, which are major sources of job-creation, are self-financing, at least partly so, through the saving of physical resources and of capital that they bring about.

2 In rural areas, the devise battle for jobs will be fought around the future of the small farms. The small farm is destined to disappear in the long term, if we extrapolate from the presently observed dominant trends of technical progress in agriculture. However, provided that it is properly managed, the new phase of the green revolution makes it possible to envisage the modernisation of agriculture for the benefit of the small farmer. It may be added that a better use of available agricultural land is in the interest also of the industrialised countries inasmuch as they might wish to avoid being turned into urban archipelagos in a rural desert.

Furthermore, efforts should also be made to create non-agricultural rural jobs, which can be obtained in two ways:

– through the growth of biomass-transforming agro-industries and through the substitution of fossil fuel energy by bioenergy;

– through the redeployment of industries and tertiary activities, made possible by advances in telecommunications and the growing importance of flexible specialisation.

3 Finally, we must mention the classic case of public works where technical choices are not dictated by international competition. The needs in terms of infrastructure are especially urgent in countries whose systematic competitivity leaves much to be desired. So long as this competitivity has not been improved, piece-meal investment to increase productivity in firms will, to a large extent, be lost.

The discussions in Delhi concentrated above all on the first two aspects. The papers presented by the participants showed the importance attached in the world's two most populous countries (China and India) to the devising of development strategies heavily geared to the creation of rural jobs, both agricultural and industrial, and also characterised by the saving of scarce resources such as agricultural soil and water In both cases, the goal is, as far as possible, to reduce city-country migrations. Hyper-urbanisation, as in Latin America, would lead to an economic, social and ecological disaster.

A great many Indian studies, as well as field experiments undertaken by the ASTRA group of the Indian Institute of Science in Bangalore, the Swaminathan Foundation in Madras and the Development Alternatives Group in Delhi, to mention only a few of them, have shown that it is possible to use biotechnologies in very small family farms,[14] to design integrated village systems for the production of food and energy from the biomass[15] and to create industrial jobs in the countryside with exceedingly low investment and reasonable productivity. The pioneering experiments, as yet small in number, carried out by Development Alternatives have resulted in the creation of sustainable jobs in small companies, dam construction work and soil and water management requiring in certain cases, barely $ 200 to $ 300 per job created.

The Chinese programme SPARK for the spreading of modern science and technology in a rural environment has, according to the paper presented by its representative, already helped create one hundred million non-agricultural rural jobs. Ashok Jain, Director of NISTADS presented a very fine analysis of the prospects for decentralised modern industrialisation in India in the light of the experience of the *terza Italia*.[16]

The importance of the Delhi meeting lies in the fact that it has shown the existence of acurrent of thought and action that runs counter to the dominant tendency. This enables a certain degree of equanimity to be maintained when contemplating the extremely complex challenges that face the densely populated countries of the South. This message can be clearly seen in a major collective work on science, population and development organised by V Gowariker (1992), suggestively entitled The Inevitable Billion Plus.

The condition of success is that research in the countries of the south should not be made subservient to the dominant modes in the laboratories of the North and that there should be no passive waiting for the transfer of technologies developed in other latitudes and other contexts. The ambition to leapfrog the industrial countries in certain fields of research is qauite ligitimate. This is why it is the strengthening of local capacity in terms of science, technology and the training of highly qualified cadres that is the essential feature of development strategies based on the ability to think independently and carry out national projects.

The authors of the already mentioned report of the International Commission for Peace and Food, consider as viable a strategy to provide a billion new jobs in the countries of the south within barely 10 years (pp 198-99). This proposal generalises from the results of a study proposing to achieve full employment in India in one decade, thus raising the entire Indian population above the poverty threshold (op cit pp 122-24). To achieve this end, it would be necessary to create 100 million new jobs, including 45 million in agriculture, 10 million in rural agro-industries and 45 million rural and urban jobs due to the multiplier effect of increased consumption by the rural masses, agriculture being both a source of food and biomass and an outlet for industrial products and services. According to the authors of this strategy, which has been incorporated in India's VIII Plan, the country could achieve this spectacular result without resorting to external resources other than direct investment by agro-industrial firms. The condition for this however is that the country should be able to export its agricultural surpluses without any hindrance of its access to the markets of the industrial countries. The report therefore sharply criticises the agricultural protectionism of the developed countries and suggests a world strategy of development of the South through the expansion of its agricultural or forestry exports. At present, 58 per cent of the economically active population in the countries of the South, namely 1.1 billion men, women and children, work in agriculture whereas there are only 35 million working in this sector in the industrial countries. This entire reasoning is based on a controversial assessment of the potential of agriculture for the future. According to the authors of the report, the availability of soil and water for agriculture could easily be doubled at the planetary level and productivity per hectare could also be very considerably increased.

What may be retained from this surprisingly optimistic exercise is above all the idea that, contrary to a very widespread

prejudice, agriculture could be an engine of growth in development, at least in certain countries of Asia, Africa and Latin America, provided that the efforts are concentrated on labour-intensive crops and on a careful management of soil, micronutrients and water using knowledge-intensive techniques.

A complement of this strategy consists in exploring biodiversity and cultural diversity to find new resources and manage them in a socially useful and ecologically prudent way so as to increase the capacity of the ecosystems on a lasting basis. This requires making simultaneous use of knowledge accumulated by populations and of the conquests of modern science.[17]

This analysis would be incomplete without mentioning the need to rethink the working of the UN system and of the Bretton Woods[18] institutions to create an international environemnt that is more propitious to development, notably by recalling the fact that equity in international relations requires that the rules of the game should be biased in favour of the weaker partners. This principle was complied with when the UNCTAD was created. Will this be true also for the future World Trade Organisation.

What can be done to give to social movements and citizens' associations a role more active than the one that they presently have in the working of the major international organisations. In the context of the Copenhagen Conference, two aspects of this question need to be raised. Firstly, the associations could take on the responsibility of preparing citizens' reports on the world's social condition, following the example of what was done for the environment in India. Secondly, it is necessary to think about the creation of an institution enjoying unquestionable moral authority, to which citizens' organisations could appeal, alerting in this way public opinion about violations of politicla, civic, social, cultural and economic rights and thus influencing the functioning of governmental and intergovernmental institutions.

By Way of a Conclusion

By its vocation, its past and its potential, UNESCO is destined to play a major role in the co-ordination of research and in the implementation of new paradigms and policies of development. One step that could contribute to this goal has been the creation of the MOST programme within the Organisation in 1994.

Among the subjects that we have mentioned, there are some on which work is already going full steam ahead, notably as regards education and culture where two international commissions have been created by UNESCO.[19] Others need to be taken up in collaboration with other international organisations, governmental institutions and communities of researchers. The most immediate task will be to establish a detailed follow-up of the implementation of the recommendations of the Social Summit in permanent interaction with citizens' organisations and to prepare a programme of activities corresponding to the priorities that will be set in Copenhagen.

Notes

1 The main dates to be noted are 1947: Indian independence, 1949: the victory of the Chinese Revolution, 1955: the Conference of Solidarity of Asian and African countries in Bandung, 1960: African decolonisation.

2 The almost exclusive attention paid to advances in the audio-visual sector has diverted attention from the second Gutenberg revolution which is taking place under our very eyes and is opening up extraordinary possibilities for the production of school books and textbooks. We refer to the very substantial drop in the cost of production of books printed on a large scale. Italian editions of 100 page books selling for 1,000 lire have been followed by English and then French editions of major classics of several hundreds of pages, selling for £ 1 and 10 francs.

3 According to Naisbitt (1995, pp 132-33) tourism and travel provide employment to 204 million people throughout the world and correspond to 10.2 per cent of the world's GNP. Nearly 11 per cent of expenditure by consumers is allocated to tourism and travel. Naisbitt very optimistically puts the number of new jobs that will be created in these sectors up to the year 2005 at 144 million. Nearly half of these jobs correspond to the Asia-Pacific region.

4 See also, by the same author Le destin technologique (1992) and the essay by Giorgio Ruffolo (1988).

5 This is what has been denounced by Rajni Kothari (1993). For his part, Jacques Delors has said: "We are already living, alas, in a society that gets upset about injustice and from time to time takes part in televised charity shows, gives money and then for the rest of the time is complacent. This is ghastly but it is what we are increasingly threatened with". Interview with *Le Monde*, Novem-ber 15, 1994. See also Marshall Wolfe (1994, p 1) for whom the word "exclusion" indicates the superfluity of the excluded as opposed to their incorporation into the economy under conditions of exploitation and of the absence of all power. In a very recent and seminal work on the disintegration of the wage-earning society and to the metamorphoses of the social question, Robert Castel (1995, p 22) prefers the term social disablement.

6 On this subject, see the report by the UN Secretary General, 'Development and International Economic Co-operation – An Agenda for Development', document A/48/935 dated May 6, 1994 as well as the Position Paper by the Director-General of UNESCO: Towards the Preparation of the World Summit for Social Development, UNESCO, July 29, 1994.

7 In its analysis of the global economy published in its edition dated October 1, 1994, *The Economist* lumped together the economies of the Third World, the Eastern European countries and the former Soviet Union under the term "developing countries" as opposed to the "rich industrial countries".

8 Cf Laura Balbo (1994), 'From Welfare State to Caring Society', contribution prepared for the International Conference on Public Policies, Peoples' Actions and Social Development organised by UNESCO, the University and City of Bologna, Bologna, December 2-3, 1994.

9 Enforced idleness is quite the opposite of the revolution of liberated time released through advances in productivity inasmuch as this revolution implies a reduction in the heteronomous working time of people who have already been socialised by work. Ivan Illich (1977) and Andre Gorz (1988) have very well shown how this released time could be used for autonomous economic and non-economic activities and thus contribute to cultural enrichment and the fullness of life. However, the deliberately provocative title of Illich's book, *Creative Unemployment*, lends itself to confusion. For a discussion of the revolution of liberated time, see also Echanges and Projets (1980), Sachs (1984) and Aznar (1993).

10 Nor are there any grounds for expecting a major creation of jobs through the replacement of wage-earning work by forms of workers' participation in profits (the notion of the sharing economy) as postulated by J Meade (1986) or M L Weitzmann (1985). In this respect, see R Brunetta (1994).

11 As Anizur Rahman Khan has prudently stated (1993, p 67): it is very difficult to offer convincing proof that the programmes of adjustment have succeeded in protecting the interest of the poor.

12 For more details, see I Sachs (1994).

13 See also Ricardo Petrella (1994). Contrary to R Reich (1992), Paul Krugmann (1994) is, among American economists, the one who has most clearly seen the danger of giving excessive importance to competition for external markets to the detriment of the fundamental question of the development of the domestic market.

14 Dollfus has written: "A new form of exclusion arises with the world economy and market: the exclusion of the "useless", of those who cannot or do not wish to sell their abilities and their labour force, who, because of their poverty, do not have purchasing power that is sufficiently worthwhile for the market. "Useless" individuals are localised in entire regions of the world as well as right within societies that are considered to be prosperous" (p 9).

15 For an analysis of the most striking characteristics of policies based on the principles of the Washington consensus in the Indian context, see: Deepak Nayyar (1993) and Lance Taylor (1994). See also Christian

Comeliau (1994).

16 These typologies should serve as a referential system for an examination of concrete historical cases and must not be taken as a set of boxes in which different countries may be separately classified.

17 The historian and the developer have much in common, except that the historian interprets the past which has already taken place while the developer seeks to influence the course of the future. The interdisciplinarity and comparative approaches of the kind practised by historians contain precious lessons for the developers

18 "Resourcefulness" is a key concept in eco-development

19 The Polish economist J Hausner (1995) speaks of the "negotiated strategy" among the social agents. The experience of French planning has the same thrust.

20 Here is a truly Gandhian question that applies, nevertheless, primarily to the industrial societies and is found also in a somewhat different form among certain Catholic thinkers; see in particular the Encyclicals of John-Paul II (1994) This question has raised a sharp debate in Sweden (see *What Now*? 1975).

21 For a selection of his writings, see *Economie and Humanisme* (1986).

22 For more details see I Sachs (1993).

23 Henri Bartoli's work (1991) on the multidimensional economy starts with a reference to Blaise Pascal's view that not only it is impossible to know the parts without knowing the whole, but also to know the whole without knowing specifically the parts.

24 It is unfortunate that the UNDP has chosen the word 'human' rather than 'humane'

25 In this respect, see notably the pioneering book of Goldemberg et al (1988) and the work of Benjamin Dessus (1995).

26 For more details and notably for recommendations on policies to be followed, see the Camoules Declaration reproduced in *Development Alternatives Newsletter*, Vol 4, No 12, December 1994 (New Delhi).

27 The extra-market economy should not be mistaken for the "informal economy" which is a part of the market economy.

28 In this respect, see the books by Chalmer Johnson (1982), Christian Sautter (1987) and Robert Wade (1990), the already cited articles by Deepak Nayyar and Lance Taylor and the presentation by Robert Delorme (1955) of the approach put forward by the so-called evolutionary economics school.

29 The search for new forms of education in citizenship and of the learning of social roles from the primary school stage are additions to the many, so-to-speak classical functions of education and training in development strategies See the already mentioned document by the Director-General of UNESCO prepared for the Copenhagen Summit (cf Note 6).

30 This brings us back to the debate on "basic needs", their weak version prepared by the authorities and their strong version when it is the concerned parties that establish the hierarchy of these needs. In this respect see B Wisner (1988) and the fundamental contribution by A K Sen (1986) to the theory of the satisfaction of needs showing the multiplicity of forms that could come into play (entitlements).

31 One of the first measures taken by Brazil's new President, Fernando Henrique Cardoso, was to set up an ambitious programme called "Solidarity Community" based on the principle of partnership between the state and citizens' movements

32 In this respect see the study by Laura Balbo presented at Bologna (see Note 8), the recent work by Pierre Rosanvallon (1995), and for the antecedents of these debates, the study prepared by the Secretariat of Future Studies in Sweden (M Lagergren, et al, 1984). The growth of the third sector in the world has been the subject of a set of reports organised by Civicus, World Alliance for the Participation of Citizens (see for Latin America, Rubem Cesar Fernandes, 1994 and for Eastern Europe, E, Les, 1994).

33 The UNESCO programme on the 'Management Of Social Transformations' (MOST) concentrates its activities of research and of proposing new policies specifically on these questions.

34 On the prospects and dangers of the growth of biotechnologies for the countries of the South, see notably, *Biotechnology Revolution in the Third World* (1988), Ahmed (1992) and Sasson (1993).

35 On this subject see Moulik (1988) and Sachs and Silk (1990).

36 For an analysis of the determinants of the success of the Italian experience in decentralised modern industrialisation, which has brought wealth in North-East Italy, see notably Bagnasco (1988), Pyke, Beccatini, Sengenberger (1990) and Pyke, Sengenberger (1992) Trigilia (1992) examines the reasons for the failure of the mimetic transposition of this model to Southern Italy.

37 This goal is being pursued by the UNESCO South-South co-operation programme for environmentally sound socio-economic development in the humid tropics. See *Perspectives Sud-Sud*, No 1, October 1994, information letter by UNESCO.

38 On this subject see notably Holland (1994).

39 The International Commission on Education for the 21st century, presided over by Jacques Delors and the World Commission on Culture and Development set up under the chairmanship of Javier Perez de Cuellar.

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BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

BALANCE SHEET AS ON 31ST MARCH 1995

	Schedule	As on 31 03 95 Rs (000)	As on 31 03 94 Rs (000)
CAPITAL AND LIABILITIES			
Capital	1	2 000	2,000
Reserves and Surplus	2	137,141	87,880
Deposits	3	1,879,000	1 980,105
Borrowings	4	235,651	86,701
Other Liabilities and Provisions	5	175,664	169,945
TOTAL		2,429,456	2,326,631
ASSETS			
Cash and balances with Reserve Bank of India	6	294,079	486,124
Balances with Banks and Money at Call and Short Notice	7	53,406	24,351
Investments	8	834,751	932,139
Advances	9	1,151,199	811,833
Fixed Assets	10	18,836	6,311
Other Assets	11	77,185	65,873
TOTAL		2,429,456	2,326,631
Contingent Liabilities	12	704,500	367,374
Bills for Collection		211,232	212,548

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1995

	Schedule	Year Ended 31 03 95 Rs (000)	Year Ended 31 03 94 Rs (000)
I. INCOME			
Interest earned	13	256,707	240,624
Other income	14	34,962	18,619
TOTAL		291,669	259,243
II. EXPENDITURE			
Interest expended	15	120,032	118,836
Operating expenses	16	39,106	30,757
Provisions and contingencies		83,271	72,533
TOTAL		242,409	222,126
III. PROFIT			
Net profit for the year		49,260	37,117
Profit brought forward		64,179	34,485
TOTAL		113,439	71,602
IV. APPROPRIATIONS			
Transfer to statutory reserve		9,852	7,423
Remitted to Head Office		–	–
Balance carried over to Balance Sheet		103,587	64,179
TOTAL		113,439	71,602

As per our report of even date attached

For KALYANIWALLA & MISTRY
Chartered Accountants

Sd/-
Ermin K Irani
Partner

Bombay. June 29, 1995

For BANK OF BAHRAIN AND KUWAIT B S.C
INDIAN BRANCHES

Sd/-
K S Krishnakumar
General Manager &
Chief Executive Officer–India

Sd/-
Prakash R Desai
Manager—Operations

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1995

	As on 31 03 95 Rs (000)	As on 31 03 94 Rs (000)
Schedule 1—Capital		
Capital		
The amount brought in by Bank by way of start-up capital as prescribed by RBI (The amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949 (including capital) is Rs 26,900,000)	2,000	2,000
TOTAL	2,000	2,000
Schedule 2—Reserves and Surplus		
1. Statutory Reserve		
Opening Balance	23,702	16 278
Additions during the year	9 852	7 423
Deductions during the year	-	-
	33,554	23 701
2. Balance in Profit and Loss Account	103,587	64,179
TOTAL	137,141	87 880
Schedule 3—Deposits		
A. 1 Demand Deposits		
i) From Banks	2,737	3,786
ii) From Others	70,884	83,465
	73,621	87,251
2 Savings Bank Deposits	106,281	59,196
3 Term Deposits		
i) From Banks	-	-
ii) From Others	1,699,098	1,833,658
TOTAL	*1,879,000	1,980,105
* In India		
Schedule 4—Borrowings		
Borrowings in India from		
i) Reserve Bank of India	212,100	53,800
ii) Other Banks	11,901	12,101
iii) Other institutions and agencies	11,650	20,800
TOTAL	235,651	86,701
Secured borrowings in above—Rs. 11,650 (Previous year Rs. 20,800)		

	As on 31 03 95 (Rs (000)	As on 31 03.94 Rs (000)
Schedule 5—Other Liabilities and Provisions		
1 Bills Payable	17,621	5,871
2 Inter-office adjustments (net)	11,520	17,756
3 Interest accrued	67,367	59,526
4 Others (including provisions)	79,156	86,792
TOTAL	175,664	169,945
Schedule 6—Cash and Balances with Reserve Bank of India		
1 Cash in hand (including foreign currency notes)	2,030	1,286
2 Balances with Reserve Bank of India		
i) In Current Account	292,049	484,838
ii) In Other Accounts	-	-
TOTAL	294,079	486,124
Schedule 7—Balances with Banks and Money at Call and Short Notice		
1 In India		
i) Balances with banks		
a) In Current Accounts	1,077	3,241
b) In Other Deposit Accounts	-	19,145
ii) Money at Call and Short Notice		
a) With Banks	-	-
b) With Other Institutions	-	-
TOTAL	1,077	22,386
2 Outside India		
i) In Current Accounts	52,329	1,965
ii) In Other Deposit Accounts	-	-
iii) Money at Call and Short Notice	-	-
TOTAL	52,329	1,965
GRAND TOTAL	53,406	24,351

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1995

	As on 31.03.95 Rs (000)	As on 31.03.94 Rs (000)
Schedule 8—Investments		
1 Investments in India in		
i) Government securities	554,962	646,942
ii) Other approved securities	13,900	13,900
iii) Units, Unit Scheme 1964 of Unit Trust of India	82,570	25,600
Commercial papers	183,319	245,697
TOTAL	834,751	932,139
Schedule 9—Advances		
A i) Bills purchased and discounted	387,088	282,126
ii) Cash credit, overdraft and loans repayable on demand	383,350	307,792
iii) Term loans	380,761	221,915
TOTAL	1,151,199	811,833
B i) Secured by tangible assets	861,508	587,149
ii) Covered by Bank/ Government Guarantees	157,420	195,253
iii) Unsecured	132,271	29,431
TOTAL	1,151,199	811,833
C I Advances in India		
i) Priority sectors	236,069	242,913
ii) Public sector	–	–
iii) Banks	157,420	140,454
iv) Others	757,710	428,466
TOTAL	1,151,199	811,833

	As on 31.03.95 Rs (000)	As on 31.03.94 Rs (000)
Schedule 10—Fixed Assets		
1 Premises	–	–
2 Other fixed assets (including furniture and fixtures)		
At cost as on 31st March of the preceding year	13,636	12,006
Additions during the year	18,733	1,686
Deductions during the year	(1,010)	(56)
Depreciation to date	(12,523)	(7,325)
TOTAL	18,836	6,311
Schedule 11—Other Assets		
1 Interest accrued	35,299	34,549
2 Tax paid in advance/ tax deducted at source (net)	16,541	10,173
3 Stationery and stamps	17	24
4 Others	25,328	21,127
TOTAL	77,185	65,873
Schedule 12—Contingent Liabilities		
1 Liability on account of outstanding forward exchange contracts	446,229	221,435
2 Guarantees given on behalf of constituents in India	57,891	61,398
3 Acceptances, endorsements and other obligations	200,380	27,059
4 Other items for which the bank is contingently liable	–	57,482
TOTAL	704,500	367,374

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT AS ON 31ST MARCH 1995

	Year Ended 31 03.95 Rs. (000)	Year Ended 31 03 94 Rs (000)
Schedule 13—Interest Earned		
1 Interest/discount on advances/ bills	122,699	112,173
2 Income on investments	111,693	103,749
3 Interest on balances with Reserve Bank of India and other inter-bank funds	20,824	21,238
4 Others	1,491	3,464
TOTAL	256,707	240,624
Schedule 14—Other Income		
1 Commission, exchange and brokerage	8,877	6,225
2 Profit on sale of investments (net)	15,421	(2,174)
3 Loss on revaluation of investments (net)	(88)	–
4 Profit on sale of assets (net)	448	100
5 Profit on exchange transactions (net)	4,069	3,762
6 Miscellaneous income	6,235	10,706
TOTAL	34,962	18,619
Schedule 15—Interest Expended		
1 Interest on deposits	112,010	116,004
2 Interest on Reserve Bank of India/Inter-bank borrowings	7,922	2,678
3 Others	100	154
TOTAL	120,032	118,836

	Year Ended 31 03 95 Rs. (000)	Year Ended 31 03.94 Rs. (000)
Schedule 16—Operating Expenses		
1 Payments to and provisions for employees	7,938	6,112
2 Rent, taxes and lighting	12,530	12,163
3 Printing and stationery	947	656
4 Advertisement and publicity	443	86
5 Depreciation on bank's property	6,080	2,092
6 Auditor's fees and expenses	125	70
7 Law charges	174	110
8 Postages, Telegrams, Telephones, etc	1,078	578
9 Repairs and maintenance	1,958	1,551
10 Insurance	1,331	1,144
11 Other expenditure	6,502	6,196
TOTAL	39,106	30,757

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Notes forming part of the accounts for the year ended 31st March 1995

Principal Accounting Policies

1 General

The financial statements have been prepared on the historical cost basis

2 Foreign Currencies

(i) Assets and Liabilities in foreign currencies are translated at the rates prevailing at the end of the year

(ii) Outstanding forward exchange contracts are revalued at the rates prevailing at the end of the year and the resultant gains or losses are accounted for However the contingent liability in respect of outstanding foreign exchange contracts is included at the contracted rates

3 Investments

In accordance with the Accounting Standards for Investments laid down by the Reserve Bank of India investment portfolio is classified into 'Permanent' and 'Current' categories

Permanent investments are stated at cost adjusted for any premium or discount amortised from the date of purchase to the date of maturity on a straight-line basis

Current investments are stated at lower of cost or market value

Treasury Bills and Commercial Papers are stated at carrying cost

4 Advances

Provisions for bad and doubtful advances have been made to the satisfaction of the Auditors

(i) In respect of identified advances, on the basis of norms laid down by the Reserve Bank of India for identification of and provisioning for non performing assets

(ii) In respect of other advances, as a percentage of the total pre tax profit for the year, after taking into account general factors that relate to latent doubtful debts which are not separately identified Loans and advances are stated net of provision made under (i) above

5 Revenue Recognition

(a) Interest income on all advances other than non performing assets is recognised on accrual basis

(b) Income from investments is accounted on accrual basis, except for dividend income from units of UTI

(c) Commission exchange and brokerage are accounted on accrual basis, except for commission on underwriting and Letters of Credit

6 Depreciation

Depreciation is provided for on fixed assets on the written down value basis at the following rates which are equal to/higher than those prescribed under Schedule XIV of the Companies Act, 1956

Office Equipment	25%
Office Furniture	18.10%
Computers	40%
Vehicles	25.89%

Depreciation on additions is calculated for the full year irrespective of the date of addition, and no depreciation is provided in respect of assets sold during the year

7 Gratuity

The liability for gratuity is accounted for on the basis of actuarial valuation

8 Net Profit

The net profit disclosed in the profit and loss account is after

(i) Provisions for taxes on income in accordance with statutory requirements

(ii) Provisions for doubtful advances

(iii) Transfers to contingency funds

(iv) Other usual or necessary provisions

The difference as at 31st March 1995 between the book value and the market value of permanent investments has not been provided for, since these investments are intended to be held upto maturity and, in the opinion of the management, the fall in the market value does not affect their realisable value at maturity

III Previous year's figures have been regrouped wherever necessary to make them comparable with the current year.

As per our Report of even date attached

For KALYANIWALLA & MISTRY
Chartered Accountants
Sd/-
Ermin K Irani
Partner

For BANK OF BAHRAIN AND KUWAIT B S C
INDIAN BRANCHES

Sd/-
K S Krishnakumar
General Manager & Chief Executive Officer – India

Sd/-
Prakash R Desai
Manager-Operations

Bombay June 29, 1995

BANK OF BAHRAIN AND KUWAIT B.S.C.

(Incorporated in Bahrain with Limited Liability)

INDIAN BRANCHES

Report of the Auditors

We have audited the attached Balance Sheet of the Indian Branches of Bank of Bahrain and Kuwait B S C as at 31st March 1995 signed by us under reference to this report and the relative Profit and Loss Account of the Indian Branches of the Bank for the year ended on that date

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with provisions of Sub-section (1), (2) and (5) of Section 211 and Sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with the notes thereon are not required to be and drawn up in accordance with Schedule VI to the Companies Act, 1956 The Accounts are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949

We report that subject to and read with the foregoing remark

a) We have obtained all the information and explanations which to the best of our ledge and belief were necessary for the purpose of our audit and have found them to be satisfactory,

b) The transactions of the Branches which have come to our notice have been in our opinion, within the power of the said Branches of the Bank,

c) In our opinion, proper books of account, as required by law have been kept by the Branches so far as appears from our examination of those books,

d) The Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account,

e) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Indian Branches of the Bank as at 31st March 1995 and the Profit and Loss Account gives a true and fair view of the Profit of the Indian Branches for the year ended on that date

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Sd/-
Ermin K Irani
Partner

Bombay: June 29, 1995

Cost Recovery in Diagnostic Facilities

Brijesh C Purohit
Tasleem A Siddiqui

Until 1982 public teaching hospitals in Rajasthan provided diagnostic facilities such as X rays, free of cost of patients. Budget constraints have compelled the institutions to introduce an auto financing scheme (AFS) aimed at recovering variable costs of the tests. The experience of the AFS scheme provides useful pointers about user-charge mechanisms.

UNTIL 1982 in teaching public hospitals of Rajasthan X rays were provided free of cost to poor patients, state government servants and certain other categories of indoor and outdoor patients. However due to budget constraints the availability of X-ray films fell short of requirements. As a result a large number of indoor and outdoor patients had to go to private clinics. To rectify this situation it was proposed to start a cost to cost basis scheme for X rays the auto financing scheme (AFS). After lengthy discussions the scheme was approved by the state government on January 9 1982 and actual implementation took place with effect from October 8 the same year.

Initially the scheme covered only X rays. Its scope was extended in January 1983 and again in June 1983 to cover new and special investigations. Over the years, it has grown to cover more departments. At present in any teaching hospital in Jaipur, it encompasses seven departments: radiology, cardiology, nephrology, nuclear medicine, pathology, bio chemistry and microbiology. The total number of tests under all these departments covered by AFS is 73. The AFS aims at recovering the variable costs of tests. Initially the rates were fixed to recover cost of materials, chemicals and consumables required to carry out a particular diagnostic test. Subsequent revision of rates were not based on economic criteria.

In a developing economy like India any scheme that aims at cost recovery through user charges mechanism has significant implications for financial self sufficiency and availability of hospital services. The experiences emerging from micro level studies of such a scheme (like AFS) could have useful implication in planning and implementing hospital facilities in future [Vogel 1991, Griffin 1987]. With this in view, the present study aims at evaluating the AFS in the light of established economic criteria and in exploring the usefulness of feasible alternative rate structures in enhancing the hospital's ability to undertake additional patient care. The data used for this study covered 19 diagnostic tests across four departments namely, radiology, cardiology, nephrology and nuclear medicine between 1985-90.

Cost Elements and Cost Computations

The cost elements contributing to the various diagnostic tests have been broadly categorised into fixed and variable costs. Fixed costs include staff salaries, maintenance of buildings and depreciation of machinery and equipment. The variable costs include medicines, materials, chemicals and power consumption for the major machines, equipment and the supporting plants like air conditioning. In order to compute these various costs, information was collected from the different departments, the concerned clinicians and technicians.

For variable costs, information pertaining to consumption of materials, medicines and chemicals emerged from the technical details of test procedures obtained through combining information from on the spot observation of the test procedure, discussions with the technician and perusal of records.[1] The consumption figures were multiplied by the respective prices to obtain the relevant costs. Variations in cost across years were incorporated by using the price indices related to medicines, materials and chemicals.[2] The power consumed by each of the machines and equipment (including air conditioning) used in the test were used to calculate the per test power consumption.

In case of fixed costs, *pro rata* allocation method was employed. For staff salaries, the total staff were categorised into teaching and non teaching. In the former, the time

Table 1 Tests Conducted under Auto Financing Scheme
(Rate and Cost Structure, 1991)

	Variable Cost (Rs)	Fixed Cost (Rs)	Total Cost (Rs)	Rate (Rs)	Variable Cost as Per Cent of Total Cost	Rate as a Per Cent of Variable Cost	Difference of Rate and Variable Cost as Per Cent of Fixed Cost	Rate as a Per Cent of Total Cost
Radiology								
14 x 17	46 18	2 37	48 55	25	95 12	54 13	-893 67	51 49
14 x 14	39 54	2 37	41 91	25	94 34	63 22	-613 50	59 65
12 x 15	37 14	2 37	39 51	25	94	67 31	512 23	63 27
10 x 12	21 39	2 37	23 76	25	90	116 87	152 32	105 21
10 x 8	21 25	2 37	23 62	25	90	117 64	158 22	105 84
6 5 x 8 5	17 37	2 37	19 74	25	88	143 92	321 94	126 64
Dental	11 97	12 72	24 69	7 33	48 48	61 23	-36 47	29 68
Nephrology								
Heamodialysis	211 54	324 45	535 99	200	39 47	94 54	-3 55	37 31
Peritonial dialysis	32 13	266 31	298 44	100	10 77	311 23	25 48	33 50
Nuclear medicine								
T3	3 45	4 26	7 71	40	44 74	1159 42	857 98	518 80
T4	3 49	3 980	7 470	40	46 72	1146 13	917 33	535 47
TSH	50 13	4 264	54 394	40	92 16	79 79	-237 57	73 53
HGH	108 69	27 670	136 360	100	79 70	92	-31 40	73 33
LH	96 72	22 460	119 180	50	81 15	51 69	-208	41 95
Cardiology								
TMT	13 58	412 38	425 96	40	3 18	294 55	6 40	9 39
CTMT	94 65	222 84	317 49	200	29 81	211 30	47 27	62 99
2D Echo	67 43	119 57	187 00	250	36 05	370 75	152 68	133 68
HMT	162 78	863 94	1026 72	200	15 85	122 86	4 30	19 47

Note a Since the rates in radiology department were revised in June 1991, the rates presented in these years represent an average of two rates (in the same year), which prevailed for six months duration each.
Source Hospital Records.

spent in patient care was separated from the time spent in teaching.[1] Of the time spent for patient care, a further classification was attempted in terms of in-patient and out-patient care. The time spent on out-patient care was allocated to the appropriate category of test. Where the same teaching staff was involved in a number of test categories conducted within a department, a priori *pro rata* distribution of OPD care time was made to each category of test. The time allocation of teaching staff arrived at in this manner was multiplied by the respective salary cost of the concerned teaching staff based on the existing pay scales and other allowances.

In case of non teaching staff, their entire working hours were distributed according to the number of tests carried out in a particular department and multiplied by the hourly salary cost computed as above.

Maintenance costs were estimated using the figures collected from local public works department (PWD), the agency responsible for the maintenance of the hospital. The average maintenance cost per square foot of the building structure was computed and was multiplied by the floor area of the department/unit relevant for a particular diagnostic test. This was then allocated *pro rata* according to the number of tests conducted in the department/unit during the year. The depreciation for instruments, equipment and machines was imputed using purchase cost of machinery and applying straight-line method. This was then allocated *pro rata* according to the number of tests done on that instrument/equipment/machine.

TABLE 2: NET GAINS IN DIFFERENT DIAGNOSTIC TESTS UNDER AFS (1987-91)

(Rupees)

Department	Years	Test	Difference in Revenue Based on	
		X Ray	VC and Rate	TC and Rate
		Size		
Radiology[a]	1987-91	14 x17	(-) 4609920	(-) 5107115
	1987-91	14 x14	(-) 1364991	(-) 1570765
	1987-91	12 x15	(-) 1165521	(-) 1387649
	1987-91	10 x12	(+) 162513	(-) 59585
	1987-91	10 x8	(+) 158889	(-) 63239
	1987-91	6·5 x8·5	(+) 482505	(+) 260377
	1987-91	Dental X Ray	(-) 103353	(-) 401980
Net Loss/Surplus			(-) 6439849	(-) 8329958
Cross subsidy (per cent)			11·10	1·62
Nephrology	1987-91	Haemodialysis	(+) 281	(-) 276932
	1987-91	Peritonial dialysis	(+) 74672	(-) 146795
Net Loss/Surplus			(+) 74953	(-) 423727

Department	Years	Test	Difference in Revenue Based on	
			VC and Rate	TC and Rate
Cardiology	1987-91	TMT	(+) 78691·84	(-) 1103845
	1988-91	CTMT	(+) 491530·40	(-) 547526
	1989-91	Echo Doppler	(+) 452137·40	(-) 162598
	1988-91	Holter Monitor	(+) 24135·93	(-) 343895
Net Loss/Surplus			(+) 1043486·60	(-) 2157864
Nuclear medicine	1986-91	T3	(+) 233673·30	(+) 206902·30
	1986-91	T4	(+)262094·90	(+)234055·30
	1986-91	TSH	(-) 34092·90	(-) 60933
	1986-91	HGH	(-) 197·71	(-) 1358·51
	1986-91	LH	(-) 1794·97	(-) 2736·95
Net Loss/Surplus			459688·62	375929·14

Notes The available figures for ECG test for the year 1991 only relating to difference in revenues based on VC and Rate and TC and Rate are as Rs 355191·30 and Rs 187719·46 respectively. Inclusion of ECG with one year figures leads to net loss/surplus in VC and Rate and TC and Rate respectively as Rs 1398776·90 and (-) Rs 1970114·50.

(a) The figures in radiology department cover the period up to November 1991.

1. VC = Variable Cost 2. TC = Total Cost 3. TMT = Treid Mill Test

4. CTMT = Computerised TMT

Source Hospital Records.

EXISTING RATE STRUCTURE

The existing rates for the AFS applicable tests covered by the study are presented in Table 1 along with the corresponding variable costs (VC), fixed costs (FC) and total costs (TC). Several characteristics of the existing rate structure emerge. Firstly, the existing rates, most of which have been prevailing since the inception of the AFS, often do not cover even the variable costs fully in a number of diagnostic tests. These include the larger X-rays (14" x 17", 14" x 14", 12" x 15") dental X-rays, heamodialysis, TSH test, HGH test and LH test. Total cost recovery does occur in the smaller X-rays (10" x 12", 10" x 8", 6·5" x 8·5"), 2D Echo, T3 and T4.

Secondly, the adherence to the AFS criteria (recovering variable costs) varies even within each department resulting in cross-subsidisation across tests in the department (Table 2). Consequently department-level performance on the AFS

TABLE 3: COMPOUND GROWTH RATES FOR DIFFERENT DIAGNOSTIC TESTS

(Nos)

Test	Growth Rate	Numbers for the Years			Growth Rate	
		1991	1995	2001	AVC	ATC
TMT	0·37	70	360	3704	0·28	0·28
CTMT	0·51	1260	4679	55464	0·41	0·41
2D Echo	0·23	687	1138	3939	0·49	0·46
Holter Monitor	0·30	91	128	2068	0·47	0·42
General X Ray Size						
14 x17	0·39	8694	16203	1168659	0·41	0·41
14 x14	0·39	20153	67060	483672	0·41	0·41
12 x15	0·39	20153	67060	483672	0·41	0·41
10 x12	0·39	20153	67060	483672	0·41	0·41
10 x8	0·39	20153	67060	483672	0·41	0·41
6'x8	0·39	20153	67060	483672	0·41	0·41
Dental	0·68	7823	143070	321662		
Heamodialysis	0·64	267	528	10275	0·40	0·39
Peritonial dialysis	0·32	209	826	4368	0·39	0·38
T3	0·59	141	2665	43063	0·38	0·42
T4	0·63	158	3297	61829	0·38	0·40
TSH	0·60	141	2733	45849	0·38	0·84
HGH	0·57	01	49	778	0·36	0·35
LH	0·57	01	18	273	0·36	0·35

Source Estimated

criteria differs considerably In radiology, for instance, one finds that going by variable costs, the three smaller X rays help cover 11 per cent of the loss incurred by the other four, bringing down the cumulative loss during 1987 91 to Rs 64 39 849 The scenario using total costs is much worse a net cumulative loss of Rs 83 29 958 with only one X ray (6 5 x 8 5) subsidising 1 62 per cent of the loss from the other six

The nuclear medicine department on the other hand is a surplus generating department on both variable and total costs with the surplus from 13 and 14 easily compensating for the loss from the TSH HGH and I H tests In the cardiology and nephrology departments all the AFS tests recover their variable costs but none recovers the total costs

It will be recalled that the AFS was conceived in response to budgetary constraints causing shortage in X ray availability Our analysis thus far has shown that currently adherence to AFS criteria varies across tests, consequently departmental performance varies The AFS tests in radiology department still have a net loss in variable cost terms those in nephrology and cardiology recover only variable costs and those in nuclear medicine recover the total cost Moreover the number of tests being done has been rising annually (charts 1 to 4) In the radiology department most of the tests have grown at the compounded annual growth rate of 39 per cent In other departments the rate has ranged from 23 to 68 per cent per annum (Table 3)

At the same time there has been no attempt to revise rates in tune with changing costs This has been due to the long procedures requiring sanction for revised rates from upper levels of bureaucracies in the health directorate Moreover upward rate revision would attract public criticism and is therefore avoided The effect of continuing this policy as shown in Table 4, highlights that given the rise in price index of chemicals and consumables presently being used in the various tests it will not be possible for the hospital to recover fully variable costs even in 1995 Only exceptions in this regard are TMT Echo doppler 13 and 14 tests As a consequence self financing status of the scheme is ruled out in the near future If one considers the fact that revenue surplus generated forms the basis of providing certain free tests to the poor and needy patients this possibility may not exist at all (Table 4 column 8 9)

Alternative Rate Structures

That the hospital is facing, and will continue to face budgetary constraints is

Table 4 Number of Free Tests Permissible with Existing Rates in Currently Surplus Generating Units 1995 and 2001 AD

Test	Year	Rate (Rs)	No	Revenue Based on Variable Cost (Rs)	Revenue Based on Total Cost (Rs)	Revenue Based on Existing Rate (Rs)	No of Free Test Permissible Based on Difference in Revenue between Existing Rates and	
							AVC (Rs)	ATC (Rs)
1	2	5	6	7	8	9	12	13
TMT	1995	40	560	19880	724192	22400	63	nc
	2001	40	3704	5474512	25339064	148160	nc	nc
CTMT	1995	200	4679	1749478	5866530	935800	nc	nc
	2001	200	55464	1 6E+08	5 5E+08	11092800	nc	nc
Echo Doppler	1995	250	1138	2569604	887640	284500	110 158	nc
	2001	250	3939	11344320	28568385	984750	nc	nc
Holter Monitor	1995	200	428	339147 2	1856920	85600	nc	nc
	2001	200	2068	13433728	83387757	413600	nc	nc
T	1995	40	2665	26650	45278 35	106600	1998 75	1533 04
	2001	40	13063	2977375	5999967	1722520	nc	nc
I	1995	40	3297	32772 18	2262731	131880	2477 69	nc
	2001	40	61829	9268167	6978639	2473160	38658 5	nc
Haemodialysis	1995	200	2528	1774024	4780422	505600	nc	nc
	2001	200	10275	54291147	1 4E+08	2055000	nc	nc
Peritonial	1995	100	826	89604 48	7034133	82600	nc	nc
dialysis	2001	100	4368	3417654	25691527	436800	nc	nc
X ray size								
10 x12	1995	35	67060	4452751	5081136	2347100	nc	nc
	2001	35	483672	2 5E+08	2 9E+08	16928520	nc	nc
10 x8	1995	35	67060	4426630	5054312	2347100	nc	nc
	2001	35	483672	2 5E+08	2 9E+08	16928520	nc	nc
6.5 x8 5	1995	35	67060	3617887	4246239	2347100	nc	nc
	2001	35	483672	2 1E+08	2 2E+08	16928520	nc	nc

Notes AVC – Average Variable Cost
ATC – Average Total Cost
nc – not computed because no surplus permissible without rate revision

Source Estimated

Table 5

Department/ Test	Existing Rate	Rate Based on AVC	Rate Based on ATC	Comparable Outside Rate or Its Range	2/4 x 100	3/4 x 100	1/4 x 100
	1	2	3	4	5	6	7
Radiology							
X ray size							
14 x17	25	46 18	48 55	70 100	65 97	69 36	35 71
14 x14	25	39 54	41 91	70 100	56 49	59 87	35 71
12 x15	25	37 14	39 51	70 100	53 06	56 44	35 71
10 x12	25	21 39	23 76	70 100	30 56	33 94	35 71
10 x8	25	21 25	23 62	70 100	30 36	33 74	35 71
6 5 x8 5	25	17 37	19 71	70 100	24 81	28 20	35 71
Dental	7 33	11 97	24 69	30 40	17 10	82 30	24 43
Nuclear medicine							
I	40	3 45	7 710	125 150	2 76	6 17	32 00
I	40	3 49	7 470	125 150	2 79	5 98	32 00
THS	40	50 13	54 394	150 200	33 42	36 26	32 00
HGH	100	108 69	136 360	350 400	31 05	38 96	28 57
I H	50	96 72	119 180	250 350	38 69	47 67	20 00
Cardiology							
TMT	40	13 58	425 96	300 00	4 53	141 99	13 34
CTMT	200	94 65	317 49	500 600	18 93	63 50	40 00
2D Echo	250	67 43	187 00	450 650	14 98	41 56	55 55
HMT	200	162 78	1026 72	na		–	–

an undeniable fact. Some degree of self-financing is, therefore, essential and it is clearly evident that the present policy cannot be continued for long However, it is also important to realise that public hospitals are set up to ensure that the poorest strata of society have necessary access to the facilities Justifying a rate revision then becomes a difficult issue The debate tends to revolve round concerns of equity and need, and acquires emotional as well as political overtones

At the same time, it is also widely accepted that public hospitals, especially the large teaching hospitals like the one studied, do in fact, cater to a wide cross-section of the society There is, therefore, a practice in many public hospitals in India to charge higher rates from the better-off patients while simultaneously ensuring that the poorer patients pay affordable rates, either by implementing a differential pricing policy or by a system of writing off the bills of deserving patients or both [4]

In this scenario, the decision maker would be better able to press for a rate revision if he or she could use cost as the basic rationale for setting rates show that a wide cross section of society are using the facilities demonstrate that the revised rates are in fact very reasonable and reassure the stake holders that the revision would in fact benefit the poor who come to the hospital This section demonstrates calculations that the decision maker could use to buttress the choice of rate structure It assumes that the money freed by "tightening" the AFS scheme would be available for the hospital to use as it pleases

Using costs as a rationale for setting rates would mean basing calculations on one of the following economic criteria [5] average variable cost (AVC) average total cost as well as a part of fixed cost (ATC), incremental variable cost (IVC) and incremental total cost (ITC) Of these, analysis showed that charges based on incremental variable or total costs (IVC and ITC) were unsuitable because they were sometimes quite high and also fluctuated widely across tests We will, therefore use only the AVC and ATC based rate structures in the analysis

TABLE 5 (1)

Department/ Test	Average Per Annum Revenue Gain through Basing Rates on Average Variable Cost: Hospital Per Month Budget Equivalent (Per Cent)	No of OPD	No of Inpatients	No of Corresp Free Tests	Average Total Cost: Hospital Per Month Budget Equivalent (Per Cent)	No of OPD	No of Inpatients	No of Corresp Free Tests
	1	2	3	4	5	6	7	8
Radiology								
X ray size								
14 x 17	14 22	7947	747	36879	12 29	8905	837	40817
14 x 14	5 69	2380	224	10920	6 35	2740	257	12566
12 x 15	4 80	2033	191	9324	5 38	2418	227	11101
Dental X ray	0 43	180	17	827	1 08	703	66	3216
Nuclear medicine								
TSH	0 12	50	05	142	0 21	88	08	251
HGH	0 0006			0 33	0 0004	02		02
LH	0 006	03		06	0 009	04		09

TABLE 6 NUMBER OF TEST TESTS PERMISSIBLE WITH THE EXISTING RATES (In Diagnostic Tests with Surplus Earnings)

Test	Numbers
EMI (1)	794
CEMI (2)	1298
Echo Doppler (3)	2235
Holter Monitor (3)	26
T (4)	9132
T' (4)	10129
X ray (10 x 12) (5)	6502
X ray (10 x 8) (5)	6355
X ray (6 5 x 8 5) (5)	19300
Colonial dialysis (5)	345

Notes 1 Average nos based on the total no of tests conducted between 1985 91
2 Average nos based on the total no of tests conducted between 1988 91
3 Average nos based on the total no of tests conducted between 1989 91
4 Average nos based on the total no of tests conducted between 1986 91
5 Average nos based on the total no of tests conducted between 1987 91

TABLE 7 POTENTIAL RESOURCE GENERATION WITH RATE REVISIONS IN THE CURRENTLY LOSS INCURRING DIAGNOSTIC TESTS — 1995 AND 2001 AD

Test	Year	Average Variable Cost (Rs)	Average Total Cost (Rs)	Rate (Rs)	No	Revenue Based on Variable Cost (Rs)	Revenue Based on Total Cost (Rs)	Revenue Based on Existing Rate (Rs)	Difference in Revenue Based on AVC and Rate (Rs)	Difference in Revenue Based on ATC and Rate (Rs)	Increment Hospital Budget PM (Rs)	10/12 (Per Cent)	11/12 (Per Cent)
		2	3	4	5	6	7	8	9	10	11	12	13	14
TSH	1995	146 52	161 75	40	2733	4001391	4411293	1093 20	2911191	3180934	37286780	0 78	0 06
	2001	1011 98	1117 16	40	45849	46398271	51370379	1833960	44564311	49536419	6 0E+08	7 39	13 86
HGH	1995	345 9	427 53	100	49	16949 1	20948 97	4900	12049 1	16048 97	37286780	0 03	0 04
	2001	2188 69	2588 02	100	728	1593366	1884078	72800	1520566	1811278	6 0E+08	0 25	0 30
LH	1995	304 95	370 46	50	18	5489 1	6668 28	900	4589 1	5 768 28	37286780	0 01	0 01
	2001	1929 58	2242 58	50	273	526778 3	612224 3	13650	513125 3	598574 3	6 0E+08	0 08	0 09
X ray													
14 x17'	1995	142 25	150 2	35	162031	23048909	24337056	5671085	17377824	18665971	37286780	46 60	50 06
	2001	1117 82	1180 25	35	1168659	1 3E+09	1 4E+09	40903065	1 3E+09	1 4E+09	6 0E+08	210 04	222 15
14'x14	1995	122 77	130 71	35	67060	8232986	8765412	2347100	5885886	6418312	37286780	15 78	17 21
	2001	964 7	1027 13	35	483672	4 7E+08	5 0E+08	16928520	4 5E+08	4 8E+08	6 0E+08	71 63	79 64
12 x15	1995	115 37	124 74	35	67060	7736712	8365064	2347100	5389612	6017964	37286780	14 45	16 13
	2001	906 62	980 23	35	483672	4 4E+08	4 7E+08	16928520	4 2E+08	4 6E+08	6 0E+08	69 97	75 86
Dental	1995	33 14	78 64	10	14307	4741339	1125102	143070	3310639	982032 4	37286780	0 887	2 63
	2001	271 67	592 1	10	321662	87385915	1 9E+08	3216620	84169295	1 9E+08	6 0E+08	13 97	31 07

Notes AVC = Average variable cost ATC = Average total cost
Source Estimated

In order to demonstrate that the rates are, in fact very reasonable we have compared the minimum market rates at nearby private diagnostic facilities with the rates as per the two different criteria (Table 5). Our recommendations are such that a considerable gap remains between the private and the public hospital rates. The private rate reflect the paying capacity of the relatively better off strata in society consequently the difference between the hospital and private clinic rates can be interpreted as the extent of consumer surplus available with them.

To reassure the stakeholders that the revision would in fact benefit the poorer strata we also simultaneously computed that the number of free tests the number of free OP patients and the number of free IP patients' would have been possible without additional burden to the hospital if the suggested rates had been implemented over the last few years.

In the loss making tests in radiology (14 x 17, 14 x 14, 12 x 15 and dental X rays) the difference between AVC and ATC is small. ATC rates could therefore be charged and even then the rates would still be 69, 60, 56 and 82 per cent of the lowest market rates respectively. The additional resources from charging ATC for the loss making tests would have been equal to 26.3 per cent of the total hospital budget. 14 766 out-patients or 1 387 in patients could have been treated fully free with these resources or 67 740 free X rays could have been done (Table 5a).

In the nuclear medicine department however the difference between ATC and AVC from the loss making tests are considerable. The AVC rate would therefore be preferable and would result in the charges being 33, 31 and 39 per cent of the private rate for the TSH, HGH and LH respectively. 53 out patients or 5 in patients could have been treated free of charges or 14 more tests done.

In the tests which are recovering at least average variable costs it can be seen that the existing hospital rates are generally around one third of the prevailing lowest market rate. Here the decision maker could either keep the status quo or recommend an increase in the permissible number of free tests (Table 6).

Implementing Suggested Rates

The implementation of rate structures as suggested in the preceding sections is likely to have significant impact upon utilisation decisions of patients and future expansion plans of the hospital. On the one hand the self sufficiency emerging from rate revision will enable the hospital to serve more patients in these diagnostic facilities. On the other hand the existing provision of free tests to the poorer and needy patients could be continued without extra financial burden to the hospital in the near future as well. Nonetheless an upward revision in the existing rates as suggested by us may discourage some of the poorer patients from utilising these facilities. Similar experiences in some other developing countries following such type of rate revisions (or imposition of new user charges) were noted as having discouraged frivolous use of diagnostic facilities [Widdington and Inyimavew I and II 1989]. It is also likely that some of the patients taking into account the non clinical components of the diagnostic facilities namely staff behaviour waiting

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arrangements, and observation room facilities (like privacy, etc), may consider the public hospital's facilities as of lower quality relative to the private clinics. Such perceptions, the experiences elsewhere suggest, may also lead to decline in number of patients utilising the public hospital's facilities [McPake 1993]. These apparent demerits of the rate revision however should induce rethinking in the hospital administration towards improving the public image of quality of these diagnostic facilities through better upkeep.

However, as pointed out earlier, the growth so far in the number of these tests has been appreciable (Table 3). Our projections based on these growth rates also suggest that rate revision would provide potential resources for maintaining the existing level of utilisation of facilities as well as future feasibility in providing free tests to poor patients. With the existing level of growth in demand for these facilities, the hospital through rate revision could have better scope in radiology department and benefit itself and the poor patients more (Table 6a). In fact, the additional generation of revenue based on our suggested AVC criteria comes out to be 86.04 per cent and around four months equivalent of hospital's incremental budget respectively in the years 1995 and 2001 AD (Table 7). Unlike this in nuclear medicine department the adoption of our suggested AVC criteria would correspondingly bring about only 0.82 per cent and 7.73 per cent of the incremental hospital budget.

Further from the point of view of diagnostic tests currently generating revenue surpluses, the review of existing rates would be necessary in future to maintain the number of free tests which are presently being permitted. This would be essential in view of rise in the average variable cost and average total costs of these tests. However, with the existing surplus position, the rate revision may not be suggested until 1995 for four of the tests including TMT, 2D Echo, T3 and T4.

Conclusions

The experience of the AFS scheme and the analyses we have presented have several lessons regarding user charge mechanisms for cost recovery in public services in general and public hospitals in particular. While the pressure on such services is increasing both in terms of increasing usage and decreasing finance, the management support that they have is poor and usually limited to clerical functions. Regular rate revisions, which are essential if partial self-financing is to be maintained, are difficult to implement because of stakeholder pressures. Typically, they tend to be postponed until they become inevitable and are then done arbitrarily.

The absence of management techniques like the economic criteria used in this study results in hidden and ill understood cross subsidies. In contrast, use of the economic criteria pinpoints weaknesses in the system and helps estimate the effect of rate rationalisations on the financial status. However, it is not enough that the management techniques used are theoretically sound. There is a need to take careful note of the context in which the decision maker works and then use the techniques such that they help the decision maker to not only fulfil the organisation's objectives but also to present his/her case in a manner which facilitates success.

Notes

[The authors wish to thank various officials at the study hospital for their co-operation. Thanks are due to Ford Foundation for sponsoring this study at IIHMR, Jaipur.]

1. For a detailed discussion of the technical procedures involved in each of the tests as well as the computations pertaining to individual cost elements in these tests, see for instance, Purohit and Siddiqui (1992).
2. For this purpose, we have utilised the price indices available from *IFS* (1991) and CMIE (1985-91).
3. The time devoted in the administration of a department dealing with the diagnostic tests is also included in the patient care component as far as the time allocation for a particular test is concerned.
4. Sometimes a differential pricing system based on the ability to pay principle has been advocated. However, in practice it does not work appropriately. For a discussion in this regard pertaining to two of the Indian states, namely, Maharashtra and West Bengal, see Giridhar et al (1987).
5. For fixing rate structure pertaining to health facilities in public sector hospitals, see for instance, Vogel (1991, 1988), Griffin (1987), Ellis (1987) and Lucy (1988).
6. These are based on budgetary figures and statistics relating to in-patient and OPD for the study hospital. In this context, see for instance, Purohit and Rai (1992a and b).

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DISCUSSION

Selective Readings of Feminist Scholarship

Anand Chakravarti

'FEMINIFICATION of Theory (March 25) by Dipankar Gupta (DG) suffers from two major limitations first it draws entirely from a restricted aspect of western experience, and that too in a highly tendentious manner, and second fundamentally, it is based on a one sided understanding of feminist scholarship that which revolves round the symbolic representation of the female body and associated bodily processes

The connection between western feminism and male bashing bra burning nude marches and the unabashed use of obscene language is not merely doubtful but possibly a major falsification a product of the media which has indulged in sustained feminist bashing, particularly in the west However what is most unfortunate is that such a purported link-up, which only serves to trivialise the women s movement is being made not by the media but by someone who would wish to be regarded as a serious social scientist

The most regrettable dimension of DG s essay is that it conveys a false and distorted picture of contemporary feminist scholarship, even in the western context, because it is premised on certain writings conforming to the post modernist genre It gives the impression that the principal concerns of feminist writings are with the female body and the poeticisation of various female biological processes DG thus yokes post modernism and feminism together as if they have no existence independent of each other This is a seriously flawed understanding of feminist scholarship because it ignores a whole range of writings that are certainly not confined to issues around the female body, and examine patterns of institutionalised male dominance (henceforth referred to as patriarchy) as a reflection of unequal power relations in various spheres of social life These writings which most unbiased scholars would recognise as having added substantially to the understanding of power, address gender issues from a broadly political economy perspective They include works that examine the historical roots of patriarchy (for instance Gerda Lerner, *The Creation of Patriarchy*, Oxford University Press, 1986), and the operation of this institution in spheres such as the family and the economy (for instance Christine Delphy, *Close to Home*, University of Massachusetts Press, 1984), legal institutions the state, and social policy (for instance, Linda Gordon (ed), *Women, the State and Welfare*, University of Wisconsin Press, 1990) Such studies underscore the concerns of the authors to tangible, real life problems of gendered subordination, including exploitation and discrimination which is in stark contrast to the concerns of those authors of the post-modernist persuasion whom DG cites liberally as valorising the symbolism of female bodily processes It is the former perspective that has made possible in recent times the meaningful incorporation of gender in the sociology of stratification

It should also be pointed out that DG has conflated the whole of feminist studies in the west with just one brand of post modernism He has thus ignored the writings of many feminist scholars who while writing within the post modernist framework analyse power and not bodily processes (for instance Joan Wallach Scott *Gender and the Politics of History* Columbia University Press 1988)

In the light of such studies among numerous others that centrally address the *unequal* interface between men and women I strongly disagree with DG s assertion that 'feminist scholarship will typically ignore those areas where women interface with men (p 620)

Two general observations are in order as a conclusion First I wonder why DG has totally bypassed feminist scholarship that has addressed issues rooted in the country to which he belongs A number of sensitive scholars both Indian and foreign have highlighted gender-based inequalities in various institutional spheres that are heavily charged with patriarchal norms, such as caste (Prem Chowdhry, *The Veiled Women*, Oxford University Press 1994), the economy (Maria Mies, *The Lacemakers of Narsapur*, Zed Press 1982), and legal institutions and the state (Bina Agarwal, *A Field of One s Own* Cambridge University Press, 1994) Second, DG s statement that "male partisanship with feminist studies actually stems from their post-modern inclinations" (p 620) is nothing short of incredible One outstanding scholar who is far from being a post modernist, but has nevertheless seriously incorporated the gender perspective in his recent work is Amartya Sen What DG needs to recognise is that a genuine student of social inequality will not hesitate to explore the full range of unequal power relations in society, *including those that are gendered* and this has absolutely nothing to do with being a man or a woman If male scholars have excluded themselves from the study of women s subordination in all its manifestations both historically and in contemporary society the fault lies in the one sidedness of their scholarship

It is indeed a pity that instead of addressing the serious issues generated by feminist scholars focusing on gender as a crucial component of stratification and pointing to the lacunae in theorising patriarchy, which would have creatively furthered the relevant debates DG has joined the ranks of those who have chosen to attack anything that disturbs the even tenor of so called mainstream academic writing

Undoing of Green Revolution

Priyatosh Maitra

I WOULD like to add two missing points to Meera Nanda s otherwise most illuminating paper Transnationalisation of Third World State and Undoing of Green Revolution (*EPW* January 1995 pp PE 20 30) The two missing points are (1) the aspects of transition from the green revolution (GR) to agro-business should have been looked at as an indispensable part of the globalisation process of capitalist production in its last two phases, i e the globalisation of investment via credit finance, aid and investment (1950s to 1970s) followed by the current process of globalisation of production (We all know of the first phase of the globalisation in terms of trade in goods and commodity capital (late 19th century to 1950s)) Nanda has rightly defined the GR belonging to an era of economic nationalism which characterises the second phase of globalisation as mentioned earlier This period helped the growth of capitalist sector in agriculture and industry [Maitra 1994 and 1995] which was required by world capitalism as a condition for its transition to the third or the last phase of globalisation of production which has begun since mid 1970s State intervention and economic planning characterised the economic policies and institutions to facilitate investment of the huge accumulated capital and technology of the western world and thereby stimulate capitalist productive forces It has benefited the developed capitalist world most by enabling it to achieve full employment which helped development of fuller potential of technological change, fuller development of productive forces, mass affluence, etc The growth and strengthening of capitalist sectors in the third world has been achieved

in this way but unfortunately, and as expected, without capitalist transformation of these economies Capitalism does not need it today, rather it deliberately plans it this way so that social consciousness of these people remain pre-industrial and communalism infested (India is a bright example of this success of capitalism)

(2) After two decades' state supported planned growth efforts, the capitalist sector in India became stronger, better organised and dependable for direct foreign investment, i e, for inclusion in the programme for the globalisation of production of western capitalism which needs today the dismantling of state intervention, privatisation and unrestricted markets (product, money and labour) National markets do not mean much when you have the world market as the target

The import substitution policy for domestic markets in all sectors (in agriculture, the GR) marked the second phase of internationalisation of capitalism, while export substitution, the current or the third stage Thus the rise and fall of GR followed by the transplantation of agro-business approaches in agriculture is an historical product of the process of the globalisation of capitalism that has been evolving since the late 19th century [Maitra 1993]

There is no doubt that these changes would create enormous opportunities for abysmally low income, self employment and family labour run low wage activities in redistributive sectors which mushroom in this atmosphere Therefore we will have to put up with so called full employment (2 per cent unemployment) with over 40 per cent of the population living under poverty line (see *EPW* 'Removal by Definition , January 28 1995 p 189) There is no economic reason why this proportion will not go on rising unabated in future under the present policy This is happening in the developed capitalist countries, too, although their unemployment problem is basically different from the one we are facing in India and other third world countries today But that is another story

References

P Maitra *The Globalisation of Capitalism in Third World Countries* Praeger Publishing, 1995, Connecticut and London, also see author's GATT-Uruguay Round Revisited' *Frontier*, Autumn Special, 1994, Internationalisation of Capitalism', *International Journal of Social Economics* Vol 20 No 9, 1993 and 'Internationalisation of Production and Capitalism's Crisis', *Society and Change*, Vol 14, No 2, 1994a and 'Technological Change, the Demographic Transition and Capitalist Transformation', *Indian Journal of Social Economics*, Vol 5, No 2 (1992)

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Poverty and Income Distribution

Edited by

K S Krishnaswamy

While there has been, over the years, a perceptible increase in per capita income and expenditure and possibly some decline in the incidence of poverty in India, what still remains is massive and of a kind that is not remedied quickly or smoothly Even with radical policies, the shifts in income and occupational structures to make a serious dent on it will take more than the rest of this century In the welter of recent exchanges between the government and the opposition as well as between planners and market advocates on the strategy of growth, these issues have been largely obfuscated It is therefore more than ever necessary today to recognise the magnitude of the problem and the inadequacy of the measures adopted so far to deal with it

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THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

BALANCE SHEET AS AT 31ST MARCH 1995

	Schedules	(Rupees in Thousands) 1995	1994
CAPITAL AND LIABILITIES			
Capital	1	150 000	150 000
Reserves and surplus	2	121,092	81 120
Deposits	3	603 427	266 154
Borrowings	4	634,822	364 959
Other liabilities and provisions	5	1 129 417	1 060 123
TOTAL		2 638 758	1,922 356
ASSETS			
Cash and balances with Reserve Bank of India	6	260,891	14 371
Balances with banks and money at call and short notice	7	202 373	173 027
Investments	8	430 372	389 582
Advances	9	1 680 251	289 074
Fixed assets	10	16 055	15 109
Other assets	11	48 816	41 193
TOTAL		2 638 758	,922 356
Contingent Liabilities	12	2 317,600	6,322 185
Bills for collection		386 990	153 729
Notes to accounts	17		

The Schedules referred to above form an integral part of this Balance Sheet

FOR S R BATLIBOI & CO
Chartered Accountants

Sd/-
RAJIV MEMANI
Partner

New Delhi
July 8, 1995

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995

	Schedules	(Rupees in Thousands) 1995	1994
INCOME			
Interest earned	13	227,974	201,632
Other income	14	8,432	7,210
TOTAL		236,406	208,842
EXPENDITURE			
Interest expended	15	106,245	71,838
Operating expenses	16	31,632	28,402
Provisions and contingencies		58,557	68,443
TOTAL		196,434	168,683
PROFIT			
Net profit for the year		39,972	40,159
APPROPRIATIONS			
Transfer to statutory reserve		7,994	8,032
Transfer to other reserves		31,978	32,127
TOTAL		39,972	40,159
Notes to accounts	17		

The Schedules referred to above form an integral part of this Profit and Loss Account

FOR THE SANWA BANK LIMITED
New Delhi Branch
Sd/-
K MURAKAMI
Chief Executive Officer, India
and General Manager

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

SCHEDULES TO THE BALANCE SHEET

	(Rupees in Thousands)			(Rupees in Thousands)	
	1995	1994		1995	1994
1. CAPITAL			**4. BORROWINGS**		
Capital	150,000	150,000	In India		
Deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	21,800	13,700	Reserve Bank of India	216,000	123,000
			Other banks	400,000	220,000
			Other institutions and agencies	18,822	21,959
				634,822	364,959
2. RESERVES AND SURPLUS			Secured borrowings included above	Nil	Nil
Statutory reserve					
Opening balance	20,214	12,182	**5. OTHER LIABILITIES AND PROVISIONS**		
Additions during the year	7,994	8,032			
	28,208	20,214	Bills payable	7,120	63,945
			Inter-office adjustments (net)	939,379	921,452
Capital reserve			Interest accrued	21,023	4,607
Opening balance	–	–	Others (including provisions)	161,895	70,119
Additions during the year	260	–		1,129,417	1,060,123
Revenue and other reserves					
Opening balance	60,906	48 721	**6. CASH AND BALANCES WITH RESERVE BANK OF INDIA**		
Additions during the year	31,718	32 127			
Deduction during the year (remittance to Head Office)	–	(19 942)			
	92,624	60,906	Cash in hand (including foreign currency notes)	2 116	2,118
	121,092	81,120	Balances with Reserve Bank of India	8 775	12,253
				260,891	14,371
3. DEPOSITS					
In India			**7. BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**		
Demand deposits					
From banks	232	8,474			
From others	198,472	80,036			
Saving bank deposits	33,271	15,625	In India		
Term deposits			Balances with banks		
From banks	—	—	In current accounts	200,598	168,076
From others	371,452	162,019	Outside India		
			In current accounts	1,775	4,951
	603,427	266,154		202,373	173,027

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

SCHEDULES TO THE BALANCE SHEET

	(Rupees in Thousands)	
	1995	1994
8. INVESTMENTS		
In India		
Government securities	430,372	389,582
9. ADVANCES		
(a) Bills purchased and discounted	146,322	139 315
Cash credits, overdrafts and loans repayable on demand	1,358,061	1,097,523
Term loans	175,868	52 236
	1,680,251	1,289,074
(b) Secured by tangible assets	1,121,644	1,086,070
Secured by Bank guarantees	–	–
Unsecured	558,607	203,004
	1,680,251	1 289,074
(c) Advances in India		
Priority sector	558,107	287 012
Public sector		–
Banks		–
Others	1,122,144	1,002,062
	1,680,251	1,289,074
10. FIXED ASSETS		
Leasehold improvements (at book value)		
Beginning of year	6,529	5,519
Additions during the year	1,783	1,010
	8,312	6,529
Depreciation to date	(3,568)	(2 334)
	4 744	4,195
Other fixed assets (including furniture and fixtures)		
Beginning of year	13,650	13,141
Additions during the year	1,491	1,095
Deductions during the year		(586)
	15,141	13,650
Depreciation to date	(3,830)	(2,736)
	11,311	10,914
Net book value	16,055	15,109
11. OTHER ASSETS		
Inter-office adjustments (net)		
Interest accrued	30,630	15,994
Tax paid in advance/tax deducted at source (net)	8,003	11,000
Others	10,183	14 199
	48,816	41,193
Others include		
Staff loans	6 588	9,989
Other items	3,595	4,210
	10,183	14,199
12. CONTINGENT LIABILITIES		
Liability on account of outstanding forward exchange contracts	,293,312	4,204,793
Guarantees given on behalf of constituents		
In India	59,453	49,589
Outside India	1,590	16,012
Acceptances, endorsements and other obligations	962,350	2,051,398
Other items for which the Bank is contingently liable	895	393
	317,600	6,322,185

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	(Rupees in Thousands)			(Rupees in Thousands)	
	1995	1994		1995	1994
13. INTEREST EARNED			**15. INTEREST EXPENDED**		
Interest/discount on advances/bills	177,607	167,773	Interest on deposits	19,479	12,852
Income on investments	45,050	31,428	Interest on Reserve Bank of India/ inter-bank borrowings	37,182	33,257
Interest on balances with Reserve Bank of India and other inter-bank funds	–	–	Others	49,584	25,729
Others	5,317	2,431		106,245	71,838
	227,974	201,632	**16. OPERATING EXPENSES**		
14. OTHER INCOME			Payments to and provisions for employees	5,729	5,066
			Rent, taxes and lighting	7,362	6,806
			Printing and stationery	951	1,640
			Advertisement and publicity	47	18
Commission, exchange and brokerage	16,812	17 276	Depreciation on the Branch's property	2,328	1,679
Profit on sale of investments	260	–	Auditors' fees and expenses	95	240
Profit on revaluation of investments	–	–	Law charges	570	320
Loss on revaluation of investments	(2,565)	–	Postage, telegrams, telephones, etc	3,455	4,656
Profit on exchange transactions	35,458	16 622	Repairs and maintenance	2,123	788
Loss on exchange transactions	(43,077)	(29 108)	Insurance	254	162
Miscellaneous income	1,544	2,420	Other expenditure	8,718	7,027
	8,432	7 210		31,632	28,402

SCHEDULE 17: NOTES ON ACCOUNTS

I ACCOUNTING POLICIES

(a) General

The accompanying financial statements have been prepared on the historical cost basis and unless otherwise stated conform to the statutory provisions, Reserve Bank of India s (RBI) guidelines and practices prevailing within the banking industry in the country.

(b) Foreign Currency Translation

Monetary assets and liabilities in foreign currencies are translated at the exchange rates specified by the Foreign Exchange Dealers' Association of India (FEDAI) at the balance sheet date, except for Foreign Currency Non Resident (FCNR) Account balances under the RBI scheme which are translated at the rates specified by the RBI Resultant gains or losses arising out of such transactions are recognised in the Profit and Loss Account

Income and Expenditure items during the year are translated into Indian Rupees at the rate current at the date of transactions

Contingent liabilities at the end of the year are stated at the exchange rates notified by FEDAI

Gain/Loss on forward contracts is accounted for in the Profit and Loss Account on the date of settlement

(c) Investments

Investments in approved Government Securities have been classified/reclassified under 'permanent' and 'current' categories as per the RBI directives and have been valued as under

The current investments are valued at the lower of cost and market rate

During the year current investments amounting to Rs 100,000 were reclassified as permanent investments

Permanent investments are valued at cost in terms of letter from the RBI, DBOD No BP BC 44/21 04 048/95 dated April 15, 1995

(d) Advances

Provision for doubtful advances are made on the basis of periodic appraisals by the management during the year Following such review no provision has been made in the accounts

THE SANWA BANK LIMITED

(Incorporated in Japan with Limited Liability)

NEW DELHI BRANCH

(e) Fixed Assets

Fixed assets are stated at cost less depreciation Depreciation is provided *pro rata* to the period of use on the straight line method at the rates specified in Schedule XIV of the Companies Act 1956 except for improvements on leased premises which are depreciated over the period of lease

(f) Staff Benefits

The Bank has taken a Group Gratuity Policy with the Life Insurance Corporation of India (LIC) under the Group Gratuity (Cash Accumulation) Scheme for the non expatriate staff which covers the full contractual liability towards gratuity in the event of death/ retirement of Branch's employees The premia paid for obtaining this cover is charged to the Profit and Loss Account

(g) Net Profit

The net profit disclosed in the Profit and Loss Account is after *inter alia*

(i) provision for taxes on income in accordance with statutory requirements

(ii) adjustment to the value of current investments and

(iii) other usual and necessary provisions

II Inter Office Borrowings from the Singapore Branch of the Sanwa Bank Limited (Incorporated in Japan with limited liability) amounting to Rs 944 850 (Previous Year Rs 941 175) and balances with other branches of Sanwa Bank Limited (net) amounting to Rs 5 471 (Previous Year (Rs 19 723)) have been consistently shown under Inter Office Adjustments (net) amounting to Rs 939 379 (Previous Year Rs 921 452) under Other Liabilities and Provisions (Schedule 5)

III In case of outstanding forward contracts loss amounting to Rs 3 897 (Previous year Rs 1 986) relating to the Revaluation of Forward contracts has not been accounted for

IV In case of Permanent Investments the differences between the cost and redemption price which had been accrued over the period from acquisition/April 1 1992 (in case of investments carried over from last year) to redemption date and had been recognised as income in earlier years in terms of letter from the RBI DBOD No 841/27 02 003/93 dated February 25 1993 [Phalguna 1914(s)] has been charged off to the Profit and Loss Account under the head of Income on Investments in the Schedule XIII relating to Interest Earned

V Other expenditure under Schedule 16 includes Rs 2 525 pertaining to travelling

VI Figures in Rupees have been rounded off to the nearest thousand

VII Previous year's figures have been regrouped/reclassified to conform to the current year's classification

AUDITORS' REPORT ON THE ACCOUNTS OF THE NEW DELHI BRANCH OF SANWA BANK LIMITED (UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949)

We have examined the Balance Sheet of the New Delhi Branch of The Sanwa Bank Limited (incorporated in Japan with limited liability) as at March 31 1995 and the related Profit and Loss Account for the year ended on that date

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with the provisions of sub sections (1) (2) and (5) of Section 211 and Sub Section (5) of Section 227 of the Companies Act 1956 the financial statements are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act 1956 The financial statements are therefore drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act 1949

Attention is drawn to Note No III appearing in Schedule 17 regarding non provision of Rs 3 897 thousand on account of loss on revaluation of forward foreign exchange contracts Due to the above the profits for the year are overstated to the extent of Rs 3 897 thousand

Subject to the above the accompanying financial statements in our opinion give a true and fair view of the state of affairs of the New Delhi Branch of The Sanwa Bank Limited as at March 31 1995 and of its profit for the year ended on that date Furthermore in our opinion

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them satisfactory

(b) The transactions of the New Delhi Branch which have come to our notice have been within the powers of the New Delhi Branch of The Sanwa Bank Limited

(c) The Balance Sheet and the Profit and Loss Account are in agreement with the books of account, and give the information required by the Companies Act 1956 in the manner so required for banking companies, and

(d) The New Delhi Branch has maintained proper books of account as required by law insofar as appears from our examination of those books

S R BATLIBOI & COMPANY
Chartered Accountants
Sd/-
Per RAJIV MEMANI
Partner

New Delhi
July 8, 1995

WE'VE COME A LONG WAY IN THE PAST YEAR. YOU CAN TELL BY THE MILESTONES.

The past year has certainly been a remarkable one for us. For even as our superior products help us remain undisputed leaders in the market place, our financial results also give our shareholders, and us, reason to smile. A turnover growth of 24%. Profits before tax at an all time high over Rs. 100 crores. And dividend at 50%. All a measure of the distance we've travelled over 70 years.

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✡Dividend up to 50%

RAYMOND LIMITED

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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31ST MARCH, 1995

(Rupees in la

Particulars	Financial Year ended 31.03.95	Financial Year ended 31.03.94
✡ Net Income from Sales and Services	71495.88	58112.68
✡ Other Income	1735.61	1338.19
✡ Total Expenditure	58896.17	46356.96
✡ Interest	3459.97	2911.32
✡ Gross Profit after interest but before depreciation and taxation	14875.35	10211.29
✡ Depreciation	4214.26	3713.76
✡ Provision for Taxation	3317.25	2216.00
✡ Net Profit	7213.84	1251.53
✡ Paid up Equity Share Capital	4099.70	3308.25
✡ Reserves (excluding revaluation reserves)	43729.26	20299.37

Bombay 6th June 1995

VIJAYPAT SINGHANIA
Chairman and Managing Director

NOTES

1. The expansion of the Chhindwara Textile unit was completed before March 1995 as per schedule.
2. The implementation of the Cold Rolled Silicon Steel Project at Wadivarhe near Nasik is progressing well and will go on stream by September 1995 as scheduled.
3. During the year the Company issued 7914572 Equity Shares which are represented by Global Depository Receipts.
4. The Board of Directors have recommended a dividend of 50% on the increased capital for the year 1994-95 as against 40% for the previous year.
5. The above results were taken on record by the Board of Directors at its meeting held on 6th June 1995.

Raymond
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Owned Funds: Rs. 1734 crores

Reserves: Rs. 1144 crores. The highest among Nationalised banks.

Deposits: Rs. 22,475 crores.

Advances: Rs. 10,878 crores.

Foreign Business Turnover. Rs. 20,172 crores.

Export Credit: Rs. 2065 crores.

[illegible] BANK's net profit [illegible] truly remarkable performance [illegible] optimism about the future [illegible] which can say that it is something of a miracle

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Ecolc Reform and Environment

The sal adjustment programme (SAP) adopted by the government , of Indushered in major changes in 'business as usual', though none of thcplicitly aimed at environmental concerns. The growth stratelace is built on faith in trickle down and what may be termed long-lalthusian optimism. It does not address the problems of trans: a sustainable economy. While the prospect of growth under the stis, to say the least, uncertain, it is all but certain that both indund environmental degradation will worsen over the medium term; sense, SAP is a gamble against the majority of Indians. Hencthe urgent need for alternative strategies to exploit the comptarities among income gains, employment growth and envintal refurbishment. 1749

Anesant and Tamil Nationalism

The Rule movement in Madras which Annie Besant galvanised into ction caused political opinion to crystallise into Brahmin and non-in political formations. More importantly, the cultural vehe she brought to her practice of nationalism resulted in the gradual emei of a complete and total counter-ideology. The non-brahmin resisto political brahminism evolved into a full-fledged ideology of Tamonalism in the 1930s, engendering a dramatic break in the prog 'Indian' nationalism in the Tamil country. 1768

Sh and Caring

The nce of an income-spreading mec which has been practised in thal encircling net fishery of Ker about half a century shows howbination of inappropriate techy choices coming in the wakee market policies and a nowasingly common pattern of stat nage of rural producers oftebine to create open access cons in common property res and thus put eminently descommunitarian systems of and caring under grein. 1780

Egency in Retrospect

Asongress(I), the perpetrator of nergency, appears to be he for its final eclipse and as thems of the Emergency are in dance, this is an occasion fog beyond condemnation anmpt a more dispassionate unnding of the phenomenon anlace in the evolution of dian polity. 1736

Balpur Riots

Thort of the commission whquired into the Bhagalpur ri October 1989, in which some l, ersons had perished, has br out a typical pattern of co among the police, the bu racy and communal no elements. 1729

Ethics and WAC

Indian archaeologists have largely denied the influence of socio-political contexts on academics. But this has not prevented some from misusing archaeological evidence with catastrophic results. No discussion on the issue was permitted at the World Archaeological Congress (WAC) in New Delhi in December last year, so that eight years after it was formed, the WAC compromised and suppressed free debate on a vital matter. 1725

Spurious Plenty

With the forecast of another normal monsoon, the eighth successive one, and food demand continuing to be constrained by mass poverty, the government's preoccupation on the eve of the monsoon is, alas, with problems of 'plenty'. 1732

Civilisation-Mongering

The recent pronouncements of Senator Jesse Helms, chairman of the foreign relations committee of the US Congress, on India and China continue the tradition of American discourse on foreign policy being dominated by self-righteousness and contempt for others. 1724

American Backyard

What strikes a traveller in Nicaragua is not only the poverty of the people, but also the chaos and the sense of social paralysis. 1734

ERS TO EDITOR

Finance Commission's Award

THIS is with reference to the excellent paper of S Guhan on the Report of the Tenth Finance Commission (April 22). It is not my intention to make any substantive comments, but only to draw attention to two points for the sake of the record.

In his paper, Guhan, while conceding that "in the evolution of Finance Commission awards the TFC has taken a significant step forward in terms of logic, simplicity and equity in adopting identical criteria for the two shareable taxes", also recalls that Raj Krishna had argued this point persuasively as far back as 1978. He then quotes Raj Krishna's views on the contribution criterion in income tax and states that, "while two cheers are due to the TFC for implementing this enlightened rationale, it would have deserved a third if it had shown a decent respect for history by referring to, and acknowledging, the seminal contribution of Raj Krishna to the debate on this issue".

In fact, the views of Raj Krishna, on the issue of the contribution criterion in the distribution of income tax revenue, have been quoted by the Tenth Commission in para 5.32 of its report. The views of C H Hanumantha Rao, a member of the Eighth Commission, agreeing with this view and quoted in the report of that commission, have also been quoted in this para.

Insofar as adopting identical criteria for the distribution of the two shareable taxes is concerned, the views of Raj Krishna had been discussed in detail in the report of the Eighth Finance Commission and that commission agreed with his view that "there is no legal or economic basis for allocating shareable income tax revenue and excise revenue according to different criteria" (para 5.28 of the report). Therefore, that commission recommended that 90 per cent of the states' share of income tax "should be allocated amongst them on the very same principles as those we are applying for allocating the predominant part of their share of excise duties (para 5.29). Since the views of Raj Krishna on this issue had already been accepted by the Eighth Commission, there was no need for them to be again mentioned in the Report of the Tenth Commission.

In regard to the contribution criterion in the distribution of income tax, however, the TFC was indeed breaking new ground and, therefore, the views earlier expressed by Raj Krishna and Hanumantha Rao were both specifically quoted in the report of the TFC. I trust, therefore, that Guhan will now restore that third cheer!

In his Alternative Sche[me] fiscal transfers from the centre t[o] states, Guhan suggests that "*not les*[s] 40 per cent of the centre's aggrega[te] ss tax revenues will be shared wit[h] states" (emphasis in original). He b[ases] his on the fact that the total transfe[rs] uding 'grants for state plans' have more than 40 per cent, as shown in [Table] 18 of his paper. This suggestion [ignor]es the fact that plan transfers to the [states] have been coming not out of the ta[x] pts of the centre but from its deficit. [In] 95-96, the total non-plan expenditure [of the] centre was Rs 1,06,998 crore against [net] ss tax revenue of Rs 1,03,762 crore. [In fact], the forecast of the centre furnis[hed] to the Tenth Commission sought t[o] w that "the centre does not have [adequ]ate resources on the non-plan reve[nue] count to meet its constitutional ob[liga]tion of devolution at existing levels" [(para] 4.7). While this position could not [fully] be accepted by the commission [and] they reassessed the foreçast so that t[here] would be a non-plan revenue surplu[s] ll the fact remains that statutory [transf]ers can be based only on tax recei[pts] nd not on a deficit. Even in the co[mmis]sion's reassessed forecast of the centre['s] ances during the period 1995-200[0] terest payments come to nearly 50 [per] ent of the total tax revenues of the c[entre]. The quantum of statutory transfers t[o] states has to be discussed keeping a[t] t this one fact in view. Whether it c[an] only 29 per cent, as recommended by [the T]enth Commission, or it can be [mo]re is debatable, but it is doubtful wh[ether] t can be 40 per cent, if we accept the p[osi]tion that, neither at the centre nor in the states, should there be a revenue deficit.

B P R VITHAL

Hyderabad

Consumerist India

A TELLING example of the insensitivity of the mindset engendered by the liberalisation process offered itself at a public sector bank in Hyderabad recently. An old gentleman, waiting quietly in a corner, was called to the counter. He shuffled across hopefully, only to be informed very curtly that the amount he wished to withdraw would cut into the minimum deposit of Rs 250. "But my pension itself is only Rs...", he said plaintively. The look of dejection on his face had to be seen to be believed. The cashier, however, with more than a touch of irritation rattled off chapter and verse.

Couldn't the latter have been more civil, spoken more softly? While as a small cog in the wheel he was only following rules laid down ultimately by compradores at the apex of politics and bureaucracy, the sense of power surging through the cashier in telling the poor man off was unmistakable. The way white-collared folk internalise the values and attitudes of their masters is disquieting. The instant case seems to suggest that most public sector bank employees remember their socialism only when privatisation rears its head threatening their jobs. For the rest they are busier articulating demands for all sorts of likes and perks. This is why, in the final analysis they are firmly behind consumerist India contra hand-to-mouth Bharat.

MAJAZ PANJATAN

Hyderabad

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Asking for Trouble

IT is typical of the times that the expert groupe working of the foreign exchange market in India,n as the Sodhani Committee, which was expected to recod measures for the growth of "an active, efficient andy foreign exchange market", should have very self-consy confined itself to the mechanics of the foreign exe market without any concern for the broader edic implications of its proposals. For instance, is the pd setting up of so-called Offshore Banking Units only le issue concerning the foreign exchange market or doeve broader monetary, fiscal and financial policy implis? Likewise, the proposal to permit banks to lend, innd borrow short-term funds up to six months in the as markets has obvious foreign debt implications, ju he suggestion that inter-bank borrowing be excludm banks' demand and time liabilities for CRR and SLR ses raises monetary policy issues.

A little reflection on the unhappy experience of anber of Latin American countries and, on the other hthe lessons of the success of the south-east Asian countriuld immediately make clear the relevance of these que. In many cases in the former group of countries, liberaln of the foreign exchange markets has had to be reverseause the fundamentals were not right in terms of continuscal imbalances, high inflation, low domestic saving arge current account deficits. The south-east Asian cou, on the other hand, followed cautious and gradualisicies towards their foreign exchange operations, esch the glamour of liberalisation till they were sure they haceved an enduring balance on their current accounts. Ong the experience of these countries, and of China now, eishes very clearly is that the flow of foreign direct invest into these countries has not depended in any way on thdence of a free foreign exchange market. These coun quite deliberately put off liberalisation of the financial r and foreign exchange dealings till high levels of domeaving and large and sustainable levels of foreign exchangerves, which are a necessary condition for the growth of ctive, efficient, and orderly foreign exchange market"l been achieved. On the other hand, in our case the forcace of globalisation which the government is pursuing – which will be given a decisive push by the Sodhani Cttee's technical-seeming proposals – could abort thentry's growth process, generating instead massive vies of activity associated with multiple layers of financialings not backed by development of the real sectors of thnomy. The dismal performance of Indian bank branchabroad should have given the Sodhani Committee a clo how important it is for financial activities to be backed by sound and rapid development of the domestic real economy. Take again the committee's recommendation that the RBI's intervention in the foreign exchange market should be selective rather than continuous This will no doubt provide fresh scope for market operators to spread their wings, but will it keep the dollar-rupee rate stable as it has done in the past two-and-a-half years, thereby ensuring relative orderliness in the market even in the face of violent gyrations in the international exchange markets ? Relatively unregulated foreign exchange markets make for greater exchange rate volatility which, as the experience of so many developing countries has shown, is seriously detrimental to external sector performance. In India's case, the foreign exchange reserves of $ 20 billion do not reflect the strength of the domestic economy; the deficit on the current account persists, domestic saving continues to be low and fiscal imbalances remain grave. In this situation, any complacency based on the presumption of stability on the external front is dangerous and the entire edifice of the Sodhani Committee's recommendations, inspired as it is by the interests of market operators, rests on such complacency.

This is not to argue that all foreign exchange dealings should be bureaucratically controlled or that the free market has no role at all. What is sought to be emphasised is the importance of caution and proper sequencing of reform of the different aspects of market operations. A few general ground-rules suggest themselves. First, the experience of the south-east Asian countries teaches us that so-called globalisation is by no means a prerequisite for taking advantage of the opportunities afforded by international goods and currency markets to step up the growth of the domestic economy. Second, hasty espousal of policies ushering in current and capital account convertibility (the Sodhani Committee's recommendations will take the country very close to capital account convertibility) is likely to result in the management of the domestic economy having to surrender all initiative to the global market, the extreme volatility of which is a well established fact. Third, freeing of the foreign exchange market will open the flood-gates for arbitrage operations which can be a major source of destabilisation with a class of rentiers ruling the roost. In such a situation prudential norms by which the Sodhani Committee sets much store cannot be a substitute for restrictions and regulations meant to serve social purposes.

According to the Sodhani Committee, unlike developed markets where transactions are financially driven, the Indian market is dominated by merchant flows. What value addition is likely to be generated in the domestic economy by promoting

multiple financial dealings against such flows? The report has no answer. The committee also believes that the Indian market is skewed in that a handful of public sector banks account for the major share of the merchant business, with the foreign bank branches dominating the inter-bank business. The present system of forward exchange rates reflects just the demand and supply for foreign exchange and not interest rate differentials. The integration of the money and foreign exchange markets and the removal of restrictions on banks' borrowing and lending in the international markets, as recommended by the committee, is expected to augment the supply of foreign exchange and so help reduce the forward premia. But in the medium term these changes could also be a source of serious destabilisation. Fears have already been expressed that the freedom given to companies to hedge on the basis of mere declarations will stimulate speculation. Apart from the destabilisation arising out of the linking of the domestic money market and the foreign exchange market, the scope for speculation by banks and companies will be substantially enhanced by many of the committee's other recommendations.

First, companies will now be permitted to hedge their exposures on the basis of a mere declaration without any documentary evidence such as invoices/confirmed orders/letters of credit as at present. In the opinion of the committee, "it is for the management of a company to ensure that the exposures hedged are need-based and transaction-related". Boards of companies are expected to fix limits for authorised officers to book, cancel and re-book contracts to manage exchange risk. Second, it is urged that the limit on overnight open foreign exchange position against Indian rupees fixed at Rs 15 crore, over-bought or over-sold, be withdrawn and bank management be allowed to fix both overnight and intra-day open exposure limits subject to earmarking a separate minimum capital of 5 per cent of the open exposure limit. Similarly, the aggregate gap limits (AGL) and individual gap limits (IGL) are to be fixed by the managements of banks taking into account their foreign exchange operations, risk-taking capacity, etc. In both cases the limits have to be approved by the RBI. Third, authorised dealers who have the requisite skills, infrastructure and risk-control apparatus and who satisfy capital adequacy norms are to be permitted to initiate cross-currency trading positions in the overseas markets, subject to limits fixed by managements and approved by the RBI; at present they are allowed to do so only to square positions taken in the local market. Fourth, to hasten the integration of the domestic and international markets and the alignment of forward margins in the local inter-bank forward market with interest rate differentials, authorised dealers, apart from being given freedom to initiate cross-currency positions, are to be permitted to lend or invest as well as borrow short-term funds up to six months at market rates in the overseas markets up to specified limits. Fifth, to encourage competition by increasing the number of participants, financial institutions such as IDBI, ICICI, IFCI, SCICI and EXIM Bank, which have restricted foreign exchange licences now, are to be brought on par with commercial banks and allowed to trade in the foreign exchange market as they have large foreign exchange commitments and require their exposures to be covered more efficiently. Sixth, it is suggested that in place of the present passive intervention which has supposedly prevented the efficient determination of the exchange value of the rupee, RBI intervention should be selective. Towards this end the statutory obligation to fix buying and selling rates should be given up and the RBI should be left free to intervene only when it considers such intervention necessary for its policy objectives. Fluctuations would be allowed on both sides and importers and exporters would be able to book their exposures when they consider the rates to be favourable. This is expected to popularise hedging instruments/products in the market. The RBI is also urged to influence forward rates by initiating swaps. Seventh, authorised dealers are to be permitted to determine interest rates on and maturity periods of the FCNR (Banks) deposits, subject to a cap defined with reference to the rates prevailing in the international markets. Eighth, exporters are to be allowed to retain 100 per cent of their export proceeds in foreign currency accounts in India (against 25 per cent for general exporters and 50 per cent for EOUs at present), subject to liquidation of outstanding advances against export bills. Ninth, to facilitate the orderly development of a foreign exchange forward market, as also a derivatives market, in India, inter-bank borrowings are urged to be excluded from demand and time liabilities for CRR and SLR purposes. Finally, several short-term and long-term measures are proposed to popularise the use of options and to widen the scope and reach of derivatives.

Apart from capital adequacy norms, reporting arrangements and the setting up of a foreign exchange clearing house, a major recommendation of the committee relates to the setting up of offshore banking units (OBUs). Banks are to be allowed to set up OBUs using existing branches. They would be virtually tax-free so as to attract funds, essentially for deployment offshore. The committee makes only a perfunctory reference to the impressive body of literature which has almost conclusively established that (a) the scope for business in OBUs and offshore banking centres is likely to be limited unless enormous tax-breaks are given; (b) the ease of transfer of funds between OBUs and domestic units is likely to blur the distinction between the two, with attendant implications for the management of credit policy and domestic foreign exchange markets; and (c) the skills acquired in such organisations at very high cost will be so specialised that they are likely to have very limited applicability in domestic operations. That the separation of OBU activities from the domestic activities of banks is likely to be a myth is suggested by the kind of business that the committee has itself proposed for the former: acceptance of deposits from non-residents and of funds and deposits from exporters and other residents who are eligible to hold foreign currency accounts with Indian banks and lending to non-residents including other OBUs. The easy leakage of offshore funds into the domestic monetary stream, large arbitrage activities, likelihood of illegal money-laundering and heavy supervisory and legal costs will far outweigh the meagre benefits of skill formation, if any at all.

ENVIRONMENT

Technology Change Dilemmas

THE decision of the German government to allow import of Indian textiles, waiving the requirement that they be free from azo dyes, has brought into focus the issue of the impact of global environmental consciousness on third world countries. One fall-out of the azo dyes controversy has been that the concerned ministries in New Delhi have 'expressed concern' that textiles which use these hazardous dyes are injurious to Indian users of the cloth as well, as also to those who manufacture the dyes. This has opened up a range of complex issues.

First, only a small segment of the textile industry is so organised as to allow for effective monitoring of the type of dyes used for colouring the yarn and cloth and for printing. This is even more true of the chemical industry manufacturing organic dyes, of which the azo group of dyes (mainly red and yellow dyes derived from azo benzene) is one category. Even if azo dyes could be eliminated entirely, it will still be necessary to ensure that the alternatives used are safe and environmentally sound. The way the chemical industry is organised – or rather, is not organised – it is impossible to enforce standards for products or for production processes. To ensure environmentally sound and safe products, specifications have to be laid down for products and processes and mechanisms have to be worked out for enforcing standards. In the case of dyes, for instance, requirements for obtaining an eco-friendly label involve

monitoring of the numerous components which make up the dyes. Testing for these every time, say, a textile manufacturer buys a batch of dyes is near-impossible. This in turn would mean that dye-users would opt for 'reliable' sources or, in other words, reputed large companies which presumably satisfy the required standards.

Secondly, the introduction of substitute 'green' products or processes involves a cost factor, the 'transaction cost', which too works against small industries in third world countries. A recent UNCTAD report on the environmental impact on technology transfer recognises that a number of small and medium enterprises could be driven to ruin by high environmental standards. These firms and the labour employed in them would then become the responsibility of the state. In the case of azo dyes, the concerned departments of the Indian government have acknowledged that changeover to safer dyes could render unemployed a large number of workers. The change thus involves financial inputs, which the state is hard put to find. The labour issue has also come up in the case of greenhouse gas emissions, where powerful labour unions, such as the German coal mining union, have opposed the country's climate policy which will eventually put the squeeze on coal mining.

That brings us to the third issue: who is to bear the cost of making technology and products environmentally sound? This is an issue which had come up as early as 1979 at the UN Conference on Science and Technology which first focused attention on technology transfer. At that time the issue was linked to development, while today UNCED's Agenda 21 links it to environment. But then as well as at Rio, the stumbling block has been resources. Agenda 21 declares that "access to and the transfer of environmentally sound technology are essential requirements for sustainable development", but it has left open the question of "financial resources to acquire environmentally sound technology". This issue is coming into focus more clearly in the course of implementing the Global Environment Facility, the first international arrangement which explicitly finances activities in third world countries directed towards reducing CO_2 and other greenhouse gas emissions. The north-south debate has centred on whether the north, which bears the major responsibility for causing the climate problem, should not accept the burden of transferring the required resources and technology so that further damage is not caused to the environment by the use of environmentally-damaging technologies in third world countries.

The UNCTAD report recognises that the "long-standing problem of the divergence in technological trajectories between the north and the south is likely to be exacerbated by environmental requirements". In addition – and this is [illegible] the UNCTAD report interestingly [illegible]t mention – there is the question [illegible]t the emphasis on environmen[illegible]und technologies will mean for th[illegible]h infrastructure which many third [illegible]untries, like India, have created. Ind[illegible]pecially in a liberalising environme[illegible]l opt to buy proven technology [illegible]the north rather than promote in[illegible]s research, especially when the [illegible]to the new technology needs to be [illegible]plished with the shortest possible 'de[illegible]'. Moreover, it is not as if there are available alternatives. In India, and [illegible]st developing countries, little atten[illegible] been made to come to grips wit[illegible] levels and types of technologi[illegible]uts required to make the changeove[illegible]ore environment-friendly processes [illegible]ducts and as a result no comprehe[illegible]programme to undertake relevant re[illegible] in this area has emerged.

Clearly, [illegible]m does not lie in rejecting environm[illegible]sciousness on the ground that this is [illegible]er of concern essentially to the north, as for developing countries it is far [illegible]mportant to cope with the other en[illegible]nent-bound problems of disease a[illegible]nutrition. Certainly, there is no subst[illegible]o allocating more public resources [illegible]man development and welfare. But [illegible]pect of human development is also to[illegible]nise the impact of environmentally [illegible]ndly and unhealthy technologies on [illegible]ple who produce the concerned products [illegible]those who use them. The solution [illegible]identifying the right priorities and wor[illegible]ut a comprehensive environmentally [illegible]cious policy of technology change, [illegible]ling for research and development, w[illegible] emphasis on restructuring and revitalis[illegible]all and medium industries. In the abs[illegible]of such a policy, a north-led enviro[illegible]l movement will increase unempl[illegible]nt in third world countries and endang[illegible] indigenous industrial base.

THE JUDICIARY

Not above Accountability

IN Ind[illegible]tice has become too important a matter [illegible]t left in the hands of the judges. The n[illegible] supervise the functioning of the judici[illegible]d punish erring judges assumes impor[illegible]t in the context of two recent cases [illegible]dicial misdemeanour. Arbitrary judgm[illegible]t that violate fundamental rights as we judicial protection of criminals have [illegible]t the order of the day for a long time [illegible]ur country. But thanks to the involvement of two high-profile individuals – one [illegible]t-setter business tycoon and the other [illegible]werful Congress politician – and the [illegible]ure that the media have given to their [illegible]pective cases, the Indian upper class [illegible]blishment seems to have suddenly discov[illegible]d that its members (like ordin[illegible] citizens) can be vi[illegible] callousness and bestial jail conditions.

In the case of the extradition of the Singapore-based biscuit-baron Rajan Pillai, the Delhi metropolitan magistrate scornfully rejected his plea for treatment in a hospital, in spite of his informing the magistrate that he was suffering from cirrhosis. The next day, in the absence of prompt medical care in Tihar jail (where he had been sent by the magistrate), Pillai died after having been brought in a virtually comatose state to a city hospital. While rejecting Pillai's plea, the magistrate had advised Pillai, "instead of trying to run away to a five-star hospital, he [Pillai] should address himself to the cause of the abnormality of his liver" and with those words he had despatched him off to jail instead of a hospital. Legal experts are right in questioning the magistrate's authority to deny medical treatment to an accused person purely on the basis of his arbitrary assessment of what the accused should do to improve his health. How can a judge usurp the role of a medical expert? Without the necessary expertise, how can he determine whether an accused is feigning illness or is genuinely in need of medical attention?

Yet there are any number of cases, especially in the lower courts, where judges pay little heed to pleas for medical treatment by the accused (often brought before them in a physically battered state after having been tortured in police custody) many of whom eventually die in police lock-ups or jails. The deaths in Delhi's Tihar jail have been widely reported in the press. But since the victims are poor and unknown, they fail to focus national attention on the arbitrary verdicts of callous judges and the inhuman conditions in police lock-ups and jails.

In the second case, a Youth Congress leader who allegedly killed his wife, burnt her body and escaped to Madras was, lo and behold, promptly given anticipatory bail by no less a person than the principal sessions judge. Admitting that he had not bothered even to check the signature on the bail application, the judge later came up with the offhand remark: "In a single day, we pass several dozen bail applications and there is no time or means of scrutinising signatures." Can anyone think of a more extraordinary defence of judicial hamhandedness?

Yet, here again, we have become accustomed to the judiciary resorting to legal prevarications and sophistry in order to allow criminals who are protected by powerful politicians to go scot-free. The mass murderers of the Sikhs in 1984 and the killers of Muslims after the demolition of the Babri mosque are still strutting around fearlessly, in spite of cases having been instituted against them.

Incidentally, as press reports have suggested, it was not the murder of the woman as much as the ghoulish manner of the attempted disposal of the body that

created public revulsion and brought pressure upon the administration to apprehend and punish Sushil Sharma. But counter-pressures from his political patrons – which enabled him to obtain anticipatory bail in Madras - are continuing. It is yet to be seen how the Delhi court's respond to these pressures. There is nothing wrong in the Delhi metropolitan magistrate acceding to the request by Sharma's lawyer that his client be medically examined and allowing the lawyer to be present during Sharma's interrogation. But one wishes judges showed the same good sense when they try cases involving ordinary citizens from obscure and impoverished backgrounds who do not have the advantage of political patronage and press publicity.

With charges of corruption against senior judges and acts of misdemeanour by the lower courts, the reputation of the judiciary has today reached the lowest ebb. It is up to the judges themselves to cleanse their fraternity of charlatans, improve their professional skills and, above all, shed the arrogant habit of passing off-the-cuff remarks in courtrooms. Since no judge is infallible – as is evident from the number of judgments regularly overturned by superior courts – judges should learn to be modest. They must also learn to submit themselves to public scrutiny – and even criticism – instead of threatening action for contempt of court at the drop of a hat. Like members of every public profession, judges are also accountable to society.

BOSNIA

The European Dimension

THE assault on UN-protected enclaves for Muslim refugees by the Bosnian Serbs – they have already taken control of at least one of these enclaves, Srebrenica – has made it clear that the war in Bosnia cannot be brought to a conclusion unless the arms embargo against the Bosnian government is lifted or, alternatively, the western powers take joint military action against the Bosnian Serbs.

The first course of action has long been favoured by the majority in the US Congress; the second – the need for which has so far been only mutedly acknowledged – has been recently advocated by French president Jacques Chirac. Members of the US Congress – mainly the Republicans – must have domestic reasons for advancing it, but there is substance in the argument that the lifting of the arms embargo against the Bosnian government would strengthen it militarily and may enable it to conduct a successful war against the Bosnian Serbs. What appears even more likely is that it would put the Bosnian government in a position to negotiate with the Serbs without yielding much diplomatic ground.

The opposition to the [illegible]g of the embargo, which comes m[illegible] from the governments of Britain, Ge[illegible]y and the US, on the other hand, r[illegible]n flimsy ground. It is argued that it [illegible]l escalate the civil war. Actually, the [illegible]as been in an escalated condition for th[illegible]ears. And a further escalation in it, if [illegible]l it takes place, would scarcely cause [illegible]e damage than it already has. What cli[illegible] the issue in favour of lifting the emba[illegible] that it is likely to bring the war to an [illegible]ooner.

The second argument of th[illegible]pposed to lifting of the embargo, na[illegible] that an intensified war in Bosnia m[illegible]ag them into a larger European conf[illegible]merging from the Balkans, cannot [illegible]o easily dismissed, but on the whole [illegible]ggerates the dangers of a European war. [illegible]rgument is based on the perception [illegible] military humiliation of the Serbs wo[illegible]provoke Russian strategic sensitivities [illegible]e region and would bring the Russian[illegible]ectly on the side of the Serbs. Ho[illegible]er, this perception ignores the curr[illegible]Russian economic and technological de[illegible]ence on the western powers. Due to this [illegible]ndence, the Russian government – even a[illegible]rnment dominated by nationalists – wo[illegible]e loath to plunge itself into a military c[illegible]ct with them.

What could bring about such [illegible]nflict is what has been suggested by [illegible] French president, namely, a joint mil[illegible] action against the Bosnian Serbs. Suc[illegible] action would tread directly on Russia[illegible]rategic toes. Secondly, no Russian reg[illegible] would be able to tolerate such a de[illegible]pment without losing face among its rap[illegible]demo-cratising populace, a majority of[illegible]om are Slavs, the same ethnic group as [illegible]Serbs.

Nevertheless, these consider[illegible]s are precisely what makes this course [illegible]action unlikely. There is also the issue [illegible]gistic and financial viability, with a mi[illegible]um of 2,00,000 troops needed to put it int[illegible]ctice. In an era when economic calcula[illegible]s tend to outweigh strategic ones, not mar[illegible]estern governments would listen to th[illegible]rench plea. Therefore, what the [illegible]ench fulminations against the Bosni[illegible]Serbs actually signify is a division ar[illegible] the western powers on the questions o[illegible]snia. This division, if it widens or gets acc[illegible]ated in the coming days, would be the rea[illegible]ctory of the Serbs against the Bosnian [illegible]lims on a larger scale.

MYANMAR

A Place for the Army

THE unconditional release of Au[illegible] San Suu Kyi, the leader of the democrati[illegible]rces of Myanmar, has been welcomed th[illegible]orld over, but it has also generated a great[illegible]al of speculation regarding the future co[illegible]e of Myanmar politics.

Myanmar, shortly after independence from the British, witnessed a three-decade-long phase of autarky, mostly under the autocratic rule of Ne Win. It was only when the pro-democratic forces coalesced around the leadership of Suu Kyi, daughter of the assassinated national hero, colonel Aung San, that Ne Win was compelled to agree to relinquish office and pave the way for the formation of a representative government. The crackdown on the leaders and supporters of the National League for Democracy (NLD) in 1988 and the eventual arrest of Suu Kyi on July 20, 1989 had made the military junta extremely unpopular with the masses. In the elections in 1990 the NLD captured more than 60 per cent of the votes. The military junta, known as State Law and Order Restoration Council (SLORC), unable to digest the prospect of being abruptly marginalised from Myanmar politics, annulled the mandate of the people and continued to cling to power.

But later events show that the signals the election had sent to the SLORC were not entirely lost on it. The SLORC tried to secure legitimacy for its rule from within and without. It declared a ceasefire with all but one warring ethnic group demanding regional autonomy. While it publicly rebuffed the US threat of economic sanctions in case of failure to restore democracy, it cultivated closeness with ASEAN countries, showing interest in their attempt at 'constructive engagement'. It attended the ASEAN meet held last year in Bangkok on special invitation from the government of Thailand, but was denied membership. Myanmar has been opening up its economy for the past decade and is keen on getting integrated into the regional economy. The SLORC acknowledged that its questionable international reputation on democratic and human rights fronts was coming in its way of improving bilateral ties. Last year it had declared its intention of drafting a constitution, shrewdly ensuring the interests of the military within it. But it soon realised that this process could carry no weight internationally unless it was able to carry with it the various political groups within the country. It was this pressure that resulted in the gradual change of the junta's attitude towards Suu Kyi. Till July last year, the SLORC maintained that it would free Suu Kyi only if she agreed to go abroad for five years. But Suu Kyi remained defiant. Yet the non-confrontationist stand taken by Suu Kyi after her release and her statement mentioning the possibility of a combined military-civilian transitional government indicates that further advance of democracy in Myanmar can take place only after the armed forces have been assured a place in the emerging polity.

INDIAN RAYON AND INDUSTRIES

Multi-Pronged Expansion

AN Aditya Birla group company, Indian Rayon has turned out encouraging results for the year ended March 1995 Turnover increased from Rs 908 crore in 1993-94 to Rs 1,079 crore, an increase of 18 7 per cent, and net profit stood at Rs 132 64 crore compared to Rs 97 86 crore, an increase of over 35 5 per cent Depreciation and interest cost showed nominal increases of 3 16 per cent and 1 46 per cent, respectively The directors have recommended a dividend of 57 5 per cent against 55 per cent last year The company's export performance has been satisfactory Exports during the year under review stood at Rs 140 crore, compared to Rs 106 crore in the previous year, an increase of 32 per cent

The company has attributed its performance to improved operating efficiency resulting from modernisation, expansion and improvement in quality A diversified company Indian Rayon manufactures cement (both grey and white) rayon yarn flax yarn, carbon black and insulators The company occupies a strong position in each of these sectors, thanks both to its large capacities and the relative absence of competition in some of them

The cement division the largest contributor to the company s business, produced 1 68 million tonnes of cement, the highest achieved so far According to the company, production would have been higher but for the perennial problems of poor quality of coal and erratic power supplies Increases in input costs, however, were offset by higher sales realisation The production and sale of white cement increased by 12 and 9 per cent, respectively, over the previous year

White cement is used in the manufacture of paint and mosaic tiles and with the paint industry doing very well the market for white cement has brightened The company is planning to double its capacity from 150,000 mt to 300,000 mt per annum and emerge as the largest white cement producer in the world The company's grey cement plant is also proposed to be expanded to be the largest in the country A split grinding unit of 1 2 mt capacity has been set up at Solapur to take advantage of the sales tax concession in Maharashtra, to which clinker from Gulbarga will be transported As a result the company will have to pay Rs 7 per bag less in sales tax and there will be a 10 to 12 per cent reduction in cost, as transporting clinker is cheaper than transporting cement

The company is one of the most economical producers of carbon black as it uses waste gases to ate power thereby cutting power che carbon black division performewith production reaching an all-time l 43,140 mt against 26,251 mt in thous year, an increase of 64 per cent company's market share increasec per cent from 19 per cent in the pr year

The rovision's performance was satisfactspite two adverse developments vernment slapped an 8 per cent dutscose filament rayon yarn in the 199budget which immediately pushed its and, second, the National Rayon phich had been closed in 1993-94 becarational again The combined effect owo was a slackening of both demandprices Rayon is the closest substitt cotton and with cotton productling around 15 per cent below target, d for rayon and viscose fibres went ules on the other hand did not show a ponding rise because of manufacturmacity exceeding production by around00 tonnes The division performedwith production of VFY filament yarn tog an all-time high of 13 217 mt Exportstered an increase of over 260 per cegnalling acceptance of the the compaproducts in the inter national market division is the first and only VFY facturer in the country to have receivO 9002 accreditation The group plans vest Rs 200 crore in the textiles divisic expand capacities for various categof yarn and fabrics and for back ward ilation projects in worsted spinning

Thedivision performed satisfactorily with ver growing by 29 per cent and expor 56 per cent Exports comprised 56 pat of the division's turnover At the Ra insulator plant the company maintd satisfactory production levels despfive-month long strike, exporting one tof production

Cdition is either negligible or non-existh the field of argon gas where the compis a new entrant Argon is an inert gas l in hi-tech applications and fabrons The supply of this gas in the dom market is limited due to the huge capitpenditure requirement and imports are tgible because of the inflammable natu the gas The year under review was the full year of operation of the company in tlrea The company produced argon usime gases generated by the fertiliser plarf the group company, Indo-Gulf Ferdrs, at Jagdishpur in UP

Tompany has a series of new projects on h. The sea-water magnesia plant by whithe company plans to manufacture 50 Ctpa high quality sintered magnesia fronta water with technical know-how from Austria is likely to be commissioned by September 1996 at an estimated cost of Rs 275 crore Sea water magnesia is high purity magnesia used in manufacture of bricks for lining high temperature furnaces The product is not manufactured in India, demand being met through imports The management expects an addition to turnover of Rs 100 crore following the commissioning of the plant

The company plans to set up a second captive power plant of 20 mv capacity at Rajashree Cement at Malkhed at a cost of Rs 60 crore Another power plant is being set up at the rayon division at Veraval at a capital cost of Rs 74 crore Both these power units are expected to be commissioned in December this year Veraval is also to be the site of a 36,000 tpa caustic soda plant to be set up at a capital outlay of Rs 119 crore with commercial production expected by March 1997 as a part of the company's strategy of achieving backward integration

The company is considering setting up a 4,000 tpa capacity fibre glass plant at an estimated capital outlay of Rs 109 crore The plant is proposed to be located at Alwar in Rajasthan An application for allotment of land has been made and technical collaboration arrangements are being finalised

The company has raised funds through convertible and non convertible debentures (Rs 338 crore) and global depository receipts ($125 million or Rs 392 crore) for its expansion programmes estimated to cost over Rs 1 000 crore The GDR issue was oversubscribed by 13 times and enjoyed initially a premium of 13 per cent over the domestic price now it is quoted at about 3 per cent premium though in terms of issue price it is quoted at a discount of 34 5 per cent.

Indo Gulf Fertilisers and Chemicals Corporation Mangalore Refinery and Petrochemicals Rajashree Polyfil, the company s joint ventures, have performed satisfactorily and also have big expansion projects on hand

The company is one of the co-promoters of Birla Telecom and Birla Communications The former in collaboration with the global telecom giant AT&T will bid for basic telephone services and the latter in collaboration with AT&T and McCaw Cellular Communications will bid for the cellular mobile services

E MERCK (INDIA)

New Strategy

Despite about 80 per cent of the company's pharmaceutical products coming under drug price control E Merck (I), a 51 per cent subsidiary of Merck, Germany, posted a gross profit of Rs 18 6 crore in the year

(Rs lakh)

Financial Indicators	Indian Rayon		E Merck (I) Ltd		Nicholas Piramal	
	March 1995	March 1994	Dec 1994	Dec 1993	March 1995	March 1994
Income/appropriations						
1 Net sales	923836	79275	14955	12047	13516	10611
2 Value of production	94084	80201	15895	11560	13570	11022
3 Other Income	6377	3555	381	264	508	196
4 *Total income*	100461	83756	16276	11824	14079	11218
5 Raw materials/stores and spares consumed	32061	25724	8671	6163	5363	4256
6 Other manufacturing expenses	16465	12996	716	585	1240	1034
7 Remuneration to employees	6541	5768	1949	1632	1494	1250
8 Other expenses	18364	16775	2150	1698	2253	1973
9 *Operating profit*	27030	22493	2790	1746	3729	2705
10 Interest	7042	6917	619	969	252	440
11 *Gross profit*	20338	15797	2149	851	3648	2265
12 Depreciation	3980	3858	291	296	893	524
13 *Profit before tax*	16353	11934	1629	555	2755	1741
14 Tax provision	3255	2820	757	90	60	50
15 *Profit after tax*	13098	9114	872	465	2695	1691
16 Dividends	2215	1449	337	236	461	282
17 Retained profit	10883	7665	535	229	2234	1409
Liabilities/assets						
18 Paid up capital	4467	3099	1686	1696	1739	1519
19 Reserves and surplus	104169	68954	2344	1808	18357	14383
20 Long term loans	69679	54081	2731	2187	3816	4113
21 Short term loans	957	778	1000	1000	3790	2810
22 Of which bank borrowings	156	0	1816	1076	2883	2759
23 Gross fixed assets	130355	90151	5570	5302	15376	10196
24 Accumulated depreciation	39147	35320	1718	1454	2949	2093
25 Inventories	19799	16280	4136	2406	2936	2585
26 Total assets/liabilities	202238	143015	10679	8808	30597	25533
Miscellaneous items						
27 Excise duty	14971	11571	205	100	2073	0
28 Gross value added	28653	26202	4385	3467	5340	3991
29 Total foreign exchange income	14019	10685	738	472	917	323
30 Total foreign exchange outgo	16939	8135	2402	1339	799	402
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	45 9	55 8	140 0	136 8	44 2	41 6
32 Sales to total net assets (%)	51 8	62 5	192 7	180 3	48 8	46 5
33 Gross value added to gross fixed assets (%)	22 0	29 1	78 7	65 4	33 7	39 1
34 Return on investment (gross profit to total assets) (%)	10 1	11 1	20 1	9 7	11 9	8 9
35 Gross profit to sales (gross margin) (%)	21 9	19 9	14 4	7 1	27 0	21 3
36 Operating profit to sales (%)	29 1	28 4	18 7	14 5	27 6	25 5
37 Profit before tax to sales (%)	17 6	15 1	10 9	4 6	20 4	16 4
38 Tax provision to profit before tax (%)	19 9	23 6	46 5	16 2	2 2	2 9
39 Profit after tax to net worth (return on equity) (%)	12 1	12 6	21 6	13 3	13 4	10 6
40 Dividend (%)	57 5	55 0	2 0	15 0	30 0	22 5
41 Earning per share (Rs)	29 32	29 41	5 17	2 76	15 50	11 13
42 Book value per share (Rs)	243 20	232 50	23 90	20 72	115 56	104 69
43 P/E ratio (based on latest and corresponding last year's price)	15 7	21 8	34 8	65 3	17 1	52 1
44 Debt equity ratio (adjusted for revaluation) (%)	64 1	75 1	67 8	62 6	19 0	25 9
45 Short term bank borrowings to inventories (%)	0 8	0 0	43 9	44 7	98 1	106 7
46 Sundry creditors to sundry debtors (%)	80 5	57 9	84 5	68 8	46 3	45 2
47 Total remuneration to employees to gross value added (%)	22 8	22 0	44 4	47 1	28 0	31 3
48 Total remuneration to employees to value of production (%)	7 0	7 2	12 3	14 1	11 0	11 3
49 Gross fixed assets formation (%)	44 6	17 8	5 1	–	50 8	31 6
50 Growth in inventories (%)	21 6	19 0	71 9	–	13 7	23 9

ended December 1994 against Rs 4 7 crore achieved in 1993 It has been a remarkable turnaround for the company This is so even after adjusting for non-recurring income of Rs 5 50 crore earned from the sale of its chloroquinine phosphate plant to BDH Pharmaceuticals along with the disposing its holding in the latter company

The company s net profit jumped from Rs 4 66 crore to Rs 8 72 crore, notwithstanding a surge in the tax provision from Rs 90 lakh to Rs 7 57 crore and a provision of Rs 2 29 crore for the voluntary retirement scheme (the total cost being Rs 3 49 crore for 146 employees which has brought down the number of employees from 2 098 in 1992 to 1 848 in 1994)

Apart from improved sales better realisations price increases and treasury operations the company attempted a major shift in its strategy There was a fall in interest cost from Rs 9 7 crore to Rs 6 2 crore in 1993 94 thanks to better working capital management according to R L Shenoy, director (finance) This was a direct result of both better cash flow and reduced reliance on external funds

In its eagerness to increase sales at any cost, the company had in 1992 flooded the market with products paying scant attention to demand The market was not ready to accept this and the company had to face a loss with liquidity being a casualty The company has changed its strategy with emphasis now being on demand generation The thrust has shifted to better sales management and liquidity The company claims that it has received help in the form of finance and technical know how from time to time from its parent companies, Chemitra & Emedi of Germany and Merck AG of Switzerland

Merck(I) has diversified interests in pharmaceuticals bulk drugs, reagents, diagnostics and pigments Hansgeorg Brotz, managing director has reason to be happy with the company's performance All the company s divisions have posted profits for 1994, this being the first time when they have done so after the company's inception in India in mid-1981 as a public limited company The company s two key products namely Vitamin E and Envion, are subject to price control, while Cosome, a cough syrup has come out of price control and the mark-up on another product, Emquin has been raised Envion, the company's largest selling drug, accounts for 85 per cent of the market in that category, with Polybion and Neurobiown following a long way behind Of the sales income of Rs 151 6 crore in 1994 (Rs 121 5 crore in 1993) pharmaceutical products accounted for 70 5 per cent against 72 6 per cent in the previous year The sales income of the pharma division has gone up by 21 3 per cent, against 18 5 per cent for reagents,

63 5 per cent for diagnostics and 52.2 per cent for pigments

The company has been phasing out non-profitable items in order to remain competitive In order to rationalise operations the company sold its plant at Indore which manufactured chloroquine phosphate to BDH Pharma This was mainly due to the decrease in offtake of Guaiazulene in the international market The company has decided to concentrate in future on drugs that are not in the ambit of price control

The company plans to import liquid handling equipment and micro wave digesters for sample preparations etc from foreign suppliers It also plans to market the products of its parent company E Merck Biotrol (a French company) Behreng (an affiliate of Hoechst) and Syva in diagnostic products like kits instruments and solutions The company also has an advantage in the mica based pearl lustre pigments that are widely used in cosmetics automobiles paper, plastics textiles and printing inks for gold or silver effects

The export performance of the company has improved over the years Exports in 1994 were Rs 7 09 crore as against Rs 4 46 crore in the previous year The company entered new markets in East Africa countries and Burma and increased its turnover in Sri Lanka and the CIS countries In Sri Lanka the company intends to make available a full range of laboratory chemicals and disinfectants as also vitamin formulations from its Goa plant

NICHOLAS PIRAMAL

Venturing Out

Nicholas Piramal India headed by Ajay Piramal with interests in pharmaceuticals bulk drugs toiletries and glass products has recorded an impressive performance in 1994 95 The company notched up sales of Rs 135 16 crore, up by 27 per cent over Rs 106 11 crore posted in the previous year, an important reason being the new drug price control order in January this year which has improved the company's ratio of decontrolled to controlled products to 57 43 from the earlier 49 51 The increase in sales was also due to the fact that two of the company's ongoing projects, the glass division's project for 18 tonnes per day of borosilicate glass and the Pithampur pharmaceuticals unit, went on full stream during the year

Depreciation charges were up by 70 per cent as compared to the previous year, but this increase was nullified to a certain extent by a fall in the interest costs which came down by 42 per cent from Rs 4 40 crore in 1993-94 to Rs 2 52 crore Provision for taxation increased by just 20 per cent Income rose by 25 per cent for the period under review, mainly because of the returns from investments in shares, government securities and mutual funds Gross profit rose by 61 per cent to Rs 36 48 crore from Rs 22 65 crore in the previous year, while net profit jumped to Rs 26 95 crore – an increase of 59 per cent – from Rs 16 91 crore Enthused by the buoyant performance, the board of directors has recommended an increased dividend of Rs 3 per share for the year as against Rs 2 25 per share paid last year

The company fared extremely well on the export front so much so that it has identified export as a thrust area and expects a further increase in export earnings in the current year Export earnings rose from a modest Rs 3 23 crore in 1993 94 to a whopping Rs 9 17 crore in 1994 95 signifying an increase of 183 per cent Imports went up from Rs 3 64 crore to Rs 7 52 crore, an increase of 106 per cent

The company's project for footcare products, for which Piramal Enterprises had entered into a joint venture agreement with Scholl PCI of the UK is now fully functional and has started the manufacture of Scholl products The execution of the 75 tpd soda lime amber bottle plant project has also commenced and the plant is expected to be fully on stream in the coming year

The company has ambitious plans To cater to the growing market in generics an expansion plan for the manufacturing facilities at Pithampur has been drawn up The expanded capacity would also help the company meet the demand of its joint venture with Allergan of the US for a range of ophthalmic products The expansion plan envisages an investment of Rs 30 crore and would enhance the company's capacity in injections ophthalmics, tablets, etc by over 100 per cent The company sought to finance the expansion by privately placing 30 30 lakh equity shares with FIIs, but the management was not able to utilise the funds garnered for any specific project and these funds found their way into the securities market or into short term lending in the inter corporate deposit market as a result of which investments improved dramatically from a mere Rs 97 lakh to Rs 27 crore

Appreciating the urgency for conservation and reduction in energy costs at all levels, the company has commissioned a 2 mw wind turbine power generation project at Okhamandi in Gujarat The company also has plans to venture outside the country It has signed two memoranda of understanding to set up manufacturing facilities in Botswana and Vietnam The 'first mover advantage' seems to be the rationale for setting up a unit in Vietnam while a well developed infrastructure stable government and relatively low cost of living have led to the choice of Botswana A joint venture agreement has also been entered into with SATTLEC of France for dental care products

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By
Ajmer Singh Malik

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Net RBI credit to the centre has declined but continues to be as high as Rs 12 999 crore (against Rs 1,707 crore in the same period of 1994 95) The general index of industrial production for the first 11 months of 1994 95 shows a rise 18 1 per cent against 5 9 per cent in the corresponding period of 1993 94 A 22 5 per cent growth in capital goods industries against a fall 13 3 per cent in 1993 94 is noteworthy For the first two months of 1995 96 growth in commercial vehicles production has not kept up with the rates achieved in the comparable period in 1993 94 although two wheelers continue to maintain around 25 per cent growth Exports have risen by 21 9 per cent and imports by 28 2 per cent during April May 1995 thus widening the trade deficit

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981 82 100)	Weights	July 01 1995	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1995 96	Fiscal Year So Far 1994 95	1994 95	1993 94	1992 93	1991 92
All Commodities	1000	330 0	0 3	8 1	11 8	2 4	4 5	10 4	10 8	7 0	13 6
Primary Articles	323	90	0 6	7 6	13 5	2 6	7 5	12 7	11 5	3 0	15 3
Food Articles	17 4	333 9	1 3	7 0	10 6	6 1	10 9	11 9	4 1	5 1	20 9
Non Food Articles	10 1	31 4 9	0 5	9 7	21 7	2 7	2 5	15 5	24 9	1 4	8 1
Fuel Power Light and Lubricants	10 7	284 6	3 3	7 0	9 8	0 0	0 4	2 4	13 1	15 2	13 2
Manufactured Products	5 0	320	1 1	9 7	11 3	2 7	3 7	10 7	9 9	7 9	12 6
Food Products	10 1	277 4		1 6	11 8	1 8	8 3	5 1	12 3	6 8	10 7
Food Index (Computed)	7 5	31	3	5 2	11 0	4 6	10 1	10 6	7 0	5 8	17 1
All Commodities (Average Basis) (April July 01 1995)	1000	8 3		10 1	9 6	8 9	11 9	10 9	8 3	10 1	13 7

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent) Point to Point: Over 12 Month Latest	Over 12 Month Previous	Fiscal Year So Far 1995 96	Fiscal Year So Far 1994 95	1994 95	1993 94	1992 93	1991 92
Industrial Workers (1982 100)	300	1 7	10 3	10 6	2 4	1 9	9 7	9 9	6 1	13 9
Urban Non Man Emp (1984 85 100)*	243	1	9 5	8 3	9 5	8 3		8 3	6 5	13 0
Agri Lab (July 60 to June 61 100)	1316	8	12 0	13	1	0 0	10 0	11 0	0 7	21 0
* for 1994 95										

Money and Banking (Rs crore)	June 23 1995	Over Month	Variation: Fiscal Year So Far 1995 96	Fiscal Year So Far 1994 95	1993 94	1992 93
Money Supply (M_3)	533734	960 (0 1)	7246 (1 4)	6328 (1 4)	75167 (16 7)	77467 (19 1)	50481 (15 4)
Currency with Public	111151	707 (0 6)	10781 (10 7)	8723 (10 7)	18990 (23 9)	11067 (20 7)	7111 (11 7)
Deposits with Banks	415553	170 (	6699 (1 6)	4015 (1 1)	55321 (15 1)	57185 (18 5)	42915 (16 1)
Net Bank Credit to Govt	234881	1081 (0	5290 (2 0)	12080 (5 9)	13380 (7 0)	23376 (16 7)	17903 (11 3)
Bank Credit to Commil Sector	787045	2045 (0 7)	845 (0 3)	6056 (2 5)	43796 (17 2)	16531 (7 3)	30187 (15 3)
Net Foreign Exchange Assets	72714	1850 (2 5)	3176 (4 2)	5756 (10 7)	22197 (41 3)	25775 (115 3)	3747 (17 7)
Reserve Money	178490	3 81 (2 1)	9522 (5 6)	9028 (6 5)	30386 (21 9)	7843 (25 1)	11 74 (11 3)
Net RBI Credit to Centre	111013	146 (1 3	13734 (13 4)	761 (0 8)	9401 (11 0)	1506 (1 4)	3586 (3 9)
Scheduled Commercial Bank Deposits	5 10 10	1 00 (0 2)	7860 (2 1)	5513 (1 7)	49271 (14 5)	32143 (15 0)	39017 (16 1)
Advances	08031	2 8 (0 3)	1675 (0 8)	6208 (3 0)	38784 (22 7)	11566 (7 3)	23757 (17 5)
Non Food Advances	19 559	993 (0 5)	4872 (2 5)	7447 (4 7)	37416 (23 4)	7402 (4 9)	21681 (16 6)
Investments	151461	856 (0	2207 (1 5)	10342 (7 7)	14172 (10 5)	25135 (26 7)	16820 (18 7)

Index Numbers of Industrial Production (1980 81 100)	Weights	Feb 1995	Average for Fiscal Year So Far 1994	1993 94	Variation (Per Cent) Fiscal Year Averages: 1993 94 1992 93	1991 92	1990 91	1989 90	1988 89	1987 88
General Index	1000	262 5	245 4 (5)	227 1 (5 9)	3 0	2 3	0 5	8 1	5 6	5 7	7 3
Mining and Quarrying	11 5	276 2	238 9 (6 6)	224 2 (3 5)	2 5	0 5	0 9	4 5	6 3	7 9	3 8
Manufacturing	77 1	252 1	236 5 (6 5)	218 6 (5 8)	2 2	2 1	3 0	2 1	8 6	5 7	7 9
Electricity	11 4	318	311 (8)	286 8 (7 1)	7 3	5 1	8 5	7 6	10 5	9 5	7 7

Capital Market	July 14 1995	Month Ago	Year Ago	1995 96 So Far Trough	1995 96 So Far Peak	1994 95 Trough	1994 95 Peak	End of Fiscal Year 1994 95	1993 94	1992 93
BSE Sensitive Index (1 10 1979 100)	3333	3349	34	3015	3484	3233	4661	3261	3779	2251
	(1 8 6)		(8 4)					(1 3 7)	(65 7)	(–46 8)
National Index (1 04 84 100)	1546	1581	15	1483	1691	1537	2170	1606	1830	1021
	(2 0 5)		(5 0)					12 2)	(79 2	(48 1)

Foreign Trade	May 1995	Cumulative for Fiscal Year So Far 1995 96	1994 95	Full Fiscal Year Variations 1994 95	1993 94	1992 93	1991 92	1990 91
Exports Rs crore	7390	15128 (24 8)	12125 (10 0)	82330 (18 4)	69547 (30 1)	53688 (21 9)	44042 (35 3)	32553 (17 6)
US $ mn	2334	4822 (21 2	3865 (8)	26233 (18 3)	22173 (20 1)	18537 (3 8)	17866 (1 5)	18143 (9 1)
Imports Rs crore	8609	15934 (28 2)	11475 (13)	88705 (21 8)	72806 (15 7)	63375 (32 1)	47951 (10 8)	43193 (22 0)
US $ mn	2744	5099 (28 2)	3975 (1 5)	28251 (21 7)	23212 (6 8)	21882 (12 7)	19411 (–19 4)	24073 (13 2)
Non POL US $ mn	2224	4060 (31 5)	3088 (11)	22538 (29 1)	17456 (10 6)	15782 (12 3)	14047 (–22 2)	18045 (3 1)
Balance of Trade Rs crore	1319	866	3 0	6375	3259	9687	–3809	10640
US $ mn	420	276	11	2018	1039	331	1545	5930

Foreign Exchange Reserves (excluding gold)	July 07 1995	July 08 1994	Mar 31 1995	Variation Over: Month Ago	Year Ago	Fiscal Year So Far 1995 96	Fiscal Year So Far 1994 95	1994 95	1993 94	1992 93	1991 92
Rs crore	62373	51653	60028	459	10620	3755	4027	18402	27430	5385	10223
US $ mn	19877	16478	20816	154	3399	–939	1302	5640	8724	731	3383

Industrial Production

Index Numbers of Industrial Production: Use-Based Classification (1980 81=100)	Weights	Feb 1995	Feb 1994	Apr-Feb 1994-95	Apr-Feb 1993-94	1993-94	1992-93	1991-92	1990-91	1989-90
Basic industries	394 18	276 1	252 5	258 4	249 0	251 0	232.9	226 9	213 1	199 4
		(9 3)	(4 4)	(3 8)	(8 6)	(7 8)	(2 6)	(6 5)	(6 9)	(5 4)
Capital goods industries	164 27	323 3	271 1	300 1	244 9	253 5	266 4	267 2	291 7	251 4
		(19 5)	(4 4)	(22 5)	(-3 9)	(-4 8)	(-0 3)	(-8 4)	(16 0)	(21 7)
Intermediate goods industries	205 07	211 9	207 4	211 1	202 8	203 7	182 6	173 2	176 9	168 8
		(2 2)	(17 2)	(4 1)	(11 9)	(11 5)	(5 4)	(-2 1)	(4 8)	(4 2)
Consumer goods industries	236 48	241 1	221 5	215 2	199 2	201 8	194 3	190 8	189 0	177 0
		(8 8)	(2 5)	(8 0)	(4 2)	(3 9)	(1 8)	(1 0)	(6 8)	(6 5)
Consumer durables	25 50	428 2	406 0	396 7	358 3	366 8	317 8	320 6	359 7	325 0
		(5 5)	(20 0)	(10 7)	(14 7)	(15 4)	(-0 9)	(10 9)	(10 7)	(2 4)
Consumer non durables	210 98	218 5	199 2	193 3	179 9	181 8	179 4	175 1	168 3	159 1
		(9 7)	(-1 1)	(7 4)	(2 0)	(1 3)	(2 5)	(4 0)	(5 8)	(7 6)
Groupwise Index Numbers of Industrial Production										
20 21 Food products	53 27	278 3	231 8	167 5	155 3	160 9	175 3	178 0	169 8	150 9
		(20 1)	(-5 4)	(7 9)	(7 8)	(-8 2)	(1 5)	(4 8)	(12 5)	(1 6)
22 Beverages tobacco and tobacco products	15 71	133 9	163 3	126 4	131 0	137 8	113 7	107 3	104 8	103 0
		(-18 0)	(24 1)	(-3 5)	(17 3)	(21 2)	(6 0)	(2 4)	(1 7)	(11 8)
23 Cotton textiles	123 09	155 8	155 6	155 4	159 1	159 1	150 1	139 0	126 6	112 3
		(0 1)	(0 3)	(-2 3)	(6 9)	(6 0)	(8 0)	(9 8)	(12 7)	(4 2)
25 Jute hemp and mesta textiles	19 99	94 2	97 4	89 7	103 2	103 2	87 0	90 8	101 6	97 4
		(3 3)	(7 7)	(13 1)	(19 2)	(18 6)	(-4 2)	(-10 6)	(4 3)	(-4 4)
26 Textile products (incl wearing apparel other than footwear)	8 17	77 5	77 7	78 8	72 8	73 4	75 8	97 2	103 2	151 7
		(0 3)	(9 1)	(8 2)	(-4 6)	(3 2)	(-22 0)	(5 8)	(-32 0)	(13 0)
27 Wood and wood products furniture and fixtures	4 48	202 7	204 1	201 9	198 6	198 7	190 5	185 0	197 2	176 0
		(-0 7)	(-8 1)	(1 7)	(3 2)	(4 3)	(3 0)	(-6 2)	(12 0)	(2 5)
28 Paper and paper products and printing publishing and allied industries	32 35	259 2	229 5	253 7	223 8	224 8	210 9	203 0	198 0	181 5
		(12 9)	(11 6)	(13 4)	(6 3)	(6 6)	(3 9)	(2 5)	(9 1)	(6 0)
29 Leather leather and fur products (except repair)	4 89	229 3	194 8	214 3	202 2	201 2	187 7	181 3	194 3	188 3
		(17 7)	(6 9)	(6 0)	(8 9)	(7 2)	(3 5)	(-6 7)	(3 2)	(6 2)
30 Rubber plastic petroleum and coal products	40 00	182 1	180 0	183 6	174 3	176 4	174 6	172 0	174 0	173 5
		(1 2)	(6 2)	(5 3)	(0 7)	(1 0)	(1 5)	(-1 1)	(0 3)	(3 1)
31 Chemicals and chemical products except petroleum and coal products	125 13	326 2	301 4	326 2	296 8	298 1	276 9	261 2	254 1	247 6
		(8 2)	(8 5)	(9 9)	(8 2)	(7 6)	(6 0)	(2 8)	(2 6)	(4 6)
32 Non metallic mineral products	29 99	240 3	233 7	229 8	214 8	217 8	209 0	205 2	193 1	189 9
		(2 8)	(15 2)	(7 0)	(4 8)	(4 2)	(1 9)	(6 3)	(1 7)	(2 9)
33 Basic metal and alloy industries	98 02	196 2	183 0	189 1	203 0	203 7	168 5	167 8	158 8	143 7
		(7 2)	(9 0)	(6 8)	(22 0)	(20 9)	(0 4)	(5 7)	(10 5)	(-0 8)
34 Metal products and parts except machinery and transport equipment	22 88	163 1	129 0	150 5	125 5	126 2	124 6	133 1	143 1	142 6
		(26 4)	(7 6)	(19 9)	(1 0)	(1 3)	(6 4)	(-7 0)	(0 4)	(6 8)
35 Machinery machine tools and parts except electrical machinery	62 40	222 3	184 3	193 4	184 6	188 8	181 3	183 3	186 9	171 9
		(20 6)	(1 2)	(4 8)	(3 9)	(4 1)	(-1 1)	(1 9)	(8 7)	(6 7)
36 Electrical machinery apparatus and appliances	57 79	603 8	514 4	560 1	435 6	452 6	484 0	493 7	563 6	459 2
		(17 4)	(12 9)	(28 6)	(-5 6)	(-6 5)	(-2 0)	(-12 4)	(22 7)	(31 9)
37 Transport equipment and parts	63 86	246 4	231 5	233 9	204 1	211 0	200 6	191 1	192 5	181 1
		(6 4)	(11 0)	(14 6)	(5 2)	(5 2)	(5 0)	(-0 7)	(6 3)	(5 0)
38 Other manufacturing industries	9 05	284 6	241 7	257 7	266 0	267 1	281 3	269 9	321 8	333 2
		(17 7)	(-16 2)	(-3 1)	(-2 6)	(-5 0)	(4 2)	(-16 1)	(-3 4)	(9 0)

Automobile Industries	Weight	May 95	Variation Over Month		Variation Over Year		Cumulative for Fiscal Year So Far 1995 96		Cumulative for Fiscal Year So Far 1994 95		Full Fiscal Year 1994 95		Full Fiscal Year 1993 94	
Commercial vehicles	1 37	18708	1873	(11 1)	4176	(28 7)	35543	(31 0)	27130	(87 6)	194999	(37 9)	141436	(10 0)
Medium and heavy commercial vehicles		8855	770	(-4 8)	1965	(28 5)	16940	(29 5)	13082	(137 3)	102002	(54 6)	65975	(-13 2)
Light commercial vehicles		9853	1103	(26 1)	2211	(28 9)	18603	(32 4)	14048	(57 0)	92997	(23 2)	75461	(43 7)
Cars	0 14	27267	12598	(85 9)	8275	(43 6)	41936	(15 9)	36173	(22 7)	264007	(25 9)	209695	(28 6)
Jeeps	0 29	5040	1134	(29 0)	828	(19 7)	8946	(15 9)	7718	(51 5)	49371	(-1 1)	49896	(27 0)
All two wheelers	0 38	201699	4746	(2 4)	36312	(22 0)	398652	(25 5)	317601	(24 7)	2195609	(25 0)	1756155	(17 0)
Motorcycles	0 18	65332	3548	(5 7)	16621	(34 1)	127116	(41 2)	90057	(37 0)	647523	(40 2)	461955	(21 8)
Three wheelers	0 03	12543	2081	(19 9)	3473	(38 3)	23005	(23 6)	18610	(79 1)	127532	(39 2)	91608	(40 6)

Notes (i) Superscript numeral denotes month to which figure relates e g, superscript [4] stands for April (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year

American Civilisation-Mongers

GPD

Right from the days of Dulles and McCarthy, American discourse on foreign policy has been dominated by a degree of self-righteousness and a certain contempt for others. The recent pronouncements of Senator Jesse Helms, chairman of the foreign relations committee of the US Congress, on India and China continue this tradition.

WE have never been to the US. So we could be easily forgiven if we did not quite understand or appreciate the way people, especially politicians, there speak. Not so long ago the then secretary of state had thundered that it was the US more than any other power or set of reasons that had been responsible for the fall of socialism and the Soviet Union. It is not relevant if he was right or wrong. What is relevant is that no statesman from any of the other advanced capitalist states would have actually made a statement of that kind. One cannot imagine a French or a German foreign minister actually making that kind of statement even if either France or Germany had been responsible for the political earthquake in eastern Europe. Baker however was not constrained by diplomatic niceties. He went ahead and claimed credit for his country. Earlier Reagan had described the Soviet Union as evil empire. Obviously American statesmen do not set much store by diplomatic understatement. There must be something in that culture which encourages a certain brashness in public statements. If you are an American you can get away with a lot. That must be the reigning logic on the banks of the Potomac. That was perhaps the reason why the *Washington Post* had editorially pronounced in 1989 that Deng Xiaoping had gone senile. We had referred to that infamous editorial in these columns not so long ago. We have not seen *Washington Post* lately but it would not be surprising if it found almost the entire Chinese leadership senile because of the tough statements that have emanated from Beijing on the question of the American visa to Lee Teng hui, president of Republic of China on Taiwan.

In any event the American discourse on foreign policy right from the days of Dulles and McCarthy has been dominated by a degree of self righteousness and a certain contempt for others. This is not to say that others, especially the Europeans, do not share the US's views. They probably do. What distinguishes the American discourse from its European counterpart is that American politicians and statesmen actually use language which is manifestly arrogant.

In keeping with this tradition senator Jesse Helms, chairman of the foreign relations committee of the US Congress has come out with yet another American gem.

Helms has defended India's rationale for maintaining its nuclear weapons option. We have never really fully understood the meaning of maintaining the nuclear option. Being nuclear is like being a virgin. Either you are a nuclear power or you are not. It does not make much sense to maintain an option. Nobody is impressed by it. At any rate it makes little political or power sense. Now that Senator Helms has defended India's maintaining the nuclear option it might be difficult to persuade our elite that there is no such thing as a nuclear option. To maintain a nuclear option is effectively to be non nuclear.

The interesting thing about Senator Helms' position however, is his juxtaposing the Indian position with China's nuclear capabilities. On the face of it his position that India will want to keep its nuclear option as long as it has a nuclear power like China as its neighbour is not entirely unconvincing. What is wrong about the proposition is that Senator Helms does not take his logic to its end. If nuclear China is a threat to India as Senator Helms obviously seems to think he then has to support India's bomb. This would be even more necessary in view of his having told Benazir Bhutto categorically you do when the latter denied that Pakistan had a nuclear programme. But Helms does not support India's bomb. He merely supports India maintaining the option of nuclear virginity. He is merely interested in encouraging some anti China rhetoric in India if on nothing else then on the question of China's nuclear weapons build-up. Incidentally China has been a nuclear weapons power for the last three decades. Our so called option is equally old. To talk now of the Chinese nuclear build up is indeed flogging a dead horse. Helms might be brusque in his language, but he is nobody's fool. He is doing it for a purpose. It is a part of the cold war against China. Whatever view we might take of the nuclear build up by China let us hope we are not persuaded by Senator Helms to think otherwise, just because he happens to be "for the unity and integrity of India" and against India's balkanisation".

To return in the theme of American discourse. Senator Helms made a statement that is extraordinary to put it mildly. He came out with a formulation which would put more than a century of solid American scholarship on China to shame. He came out with the formulation that 'China is barbaric". Unfortunately he again juxtaposed his assessment of China with that of India. 'India is a nation of well-intentioned people', said Senator Helms. Two nations have been insulted in one go. India is not civilised in Helms' view. It is only a nation of well intentioned people. China is positively barbaric. Two ancient civilisations have been brushed aside in just two sentences. It takes some courage to describe China as barbaric'. It is time somebody looked after the education of American Senators.

France has only recently exploded a nuclear weapon. One is reasonably certain that Senator Helms would not describe France as barbaric. The post modern world is the world of Euro American dominance. In that world China can only be barbaric and India can at best be a nation of well intentioned people. What is amazing about the whole business is that the chairman of the US foreign relations committee can make such irresponsible and nearly racist statements. What does Helms know of civilisation a man in a Beijing street can legitimately ask. Yet there is a small and a totally unintended point about Helms' statement. It might remind the Chinese and the Indians of what the advanced capitalist (in other words, white, as some might legitimately point out) world thinks of them. No small mercy in our times, except that there are few in New Delhi to take umbrage at this patronising by Senator Helms. The Chinese are already very angry with the Americans anyway and they will react to this in some manner at some time.

Western concern with Chinese barbarism' is more than a century old, however Engels has placed the colonial outlook in its proper context. In his writings on 'Persia and China', he showed his contemporary 'avataras' of Helms their place when he said that "civilisation-mongers who throw hot shells on a defenceless city and add rape to murder may call the system cowardly, barbarous, atrocious but what matters it to the Chinese if it be but successful?"

The term civilisation-mongers still rings true. Senator Helms has ensured it. American civilisation-mongers like Senator Helms do not read Engels. One does not know if they have even heard of him. All the same, Helms has proved Engels right without knowing it.

Ethics, Archaeology and World Archaeological Congress

Nandini Rao

Indian archaeologists have largely denied the influence of socio-political contexts on academics But this has not prevented some from (mis)using archaeological evidence with catastrophic results No discussion on the issue was permitted at the World Archaeological Congress (WAC) in New Delhi in December last year, so that eight years after it was formed, the WAC compromised and suppressed free debate on a vital matter

THE recognition in the west that academics is influenced by its socio political context led to the demand for reflexive archaeology and to the formation in 1986, by the politically aware of the World Archaeological Congress (WAC) WAC explicitly recognises the socio political context of archaeological practice, and archaeology's political social *and* academic responsibilities The Congress which meets every four years met in New Delhi in December 1994

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This essay outlines the genesis of WAC and the reasons it was formed before analysing the Indian context of the third meeting of the Congress It also examines the response of (Indian and Western) archaeologists at WAC to the protest against the abuse of archaeology and calls for a reflection on whether WAC has achieved its objective of becoming a relevant world organisation

Genesis of the World Archaeological Congress (WAC)

It is often assumed that archaeology is, or should aspire to be the value-free investigation and reconstruction of past societies This has meant that an awareness of its political nature did not emerge until recently Through the 1970s and 1980s, the contributions of Roland Barthes, Michel Foucault Edward Said and others influenced archaeology in Europe especially, but also the US With this came the demand for reflexive academics and the recognition/admission that the past is reconstructed as a strategic reflection of the present The question of whether it ought to remain an unthinking acceptance of the *status quo* or become a critical/emancipatory practice began to be asked increasingly A significant number still argue, however, that archaeology (and all academics) is value free Others disagree maintaining that this is neither possible, nor perhaps a desirable goal and such concepts as 'power', 'ideology' and 'praxis' derived from Marxist, Critical Theoretical and other Social Scientific thinking, embodie[d] a change both substantive and effecting the constitutive premises for the practice of archaeology" [Patap and Rao 1986 4] Miller's *Archaeology and Development* (1980) and Langford's *Our Heritage Your Playground* (1983) revealed the inherently political nature of archaeological practice and this was underscored by WAC-1 and the developments preceding it

In *Academic Freedom and Apartheid*, Peter Ucko (1987) explains how and why the WAC came into being From the moribund (at least from the perspective of the non-European world) and Eurocentric International Union of Pre and Proto-historic Sciences (IUPPS) set up in 1931 to WAC in 1986, archaeology had come a long way Until 1986, the IUPPS was "the only institution with an international responsibility for archaeology" [Champion and Shennan 1986 109] but part of the problem lay in the fact that in the case of the IUPPS at least 'international really meant issues that interested European This was evident in the facts that the meetings held every four years were only once ever held outside Europe and the sessions at the meetings were "organised around European perceptions of archaeology" and what European archaeologists considered to be of interest [ibid 110] There was also a shocking lack of understanding of archaeological issues in the rest of the world (including the Americas) and sessions on the Iron Age of America continued to be held although no such age had been known to exist! There was uncertainty in non-European countries as to the structure of the IUPPS and few non-European archaeologists attended either the congresses or the smaller meetings organised between The IUPPS had obviously "failed to adjust to the changing nature of the world and of archaeology in particular" [ibid 109]

Ucko, who had the task of organising the 1986 IUPPS Congress (later the WAC) wanted to ensure that as many countries as possible were represented at the Congress He was concerned that the IUPPS was undemocratic, that few knew how it functioned or how it was organised! Furthermore, to Ucko, third and fourth world participation at the Congress was crucial He also wanted it to be a serious academic congress and hoped to create an organisation through which 'a secure future for world archaeology" could be established, and "make its contribution to the recognition of the unique variety of human cultures, past and present' [Ucko 1987 5] Students were encouraged to participate as were those involved in reconstructing/working with the past but who had previously not necessarily been recognised as archaeologists [ibid 25-26] It was evident that the 1986 Congress woud be a path breaker

In the years immediately before and after WAC 1, archaeologists in Europe and the US were questioning much of what the discipline was predicated on However, developments in the rest of the world continued largely to be ignored Volumes analysing and tracing theoretical developments and disciplinary change ignored those occurring in the south [2] A disciplinary 'lag' was soon evident too, as turgid texts on theoretical archaeology became common in western Europe and the US, while in India, the data heavy descriptions of carefully and scientifically' excavated material continued to be regarded as crucial even the 'real stuff' Here post processual, feminist and critical archaeology viewed with suspicion as distant theoretical rumblings, are considered by most to have little to do with what constitutes 'real' archaeology The 'lag' became more pronounced as scholars in the west increasingly accepted that the socio-political context of archaeological practice influenced the discipline [3] Indian archaeologists by and large, do not accept this, continuing to view archaeology – especially archaeology which incorporates the use of scientific techniques as being above and incorruptible by socio politics

Against this background, British archaeologist Steve Shennan's seconding of the amendment leading to the motion at the meeting of the Pan African Association on Prehistory and Related Studies (in Jos in 1983), banning contact with South Africa was bound to have far-reaching consequences An immediate fall out was that South Africa and Namibia were banned from the 1986 Congress and the reverberations of this ban soon began to resound Differences in perspective between

scholars came sharply into focus and the growing concern of some among them over the refusal of others to see the obvious linkages between academics and socio politics was reflected in the publishing of *Archaeology and Politics*, the fifth volume of the *Archaeological Review from Cambridge* The volume was amongst the first few to overtly acknowledge the inherently political nature of archaeology and revealed the ways in which the modern nation states and the bourgeoisie used history and archaeology to oppress groups maintain the *status quo* and create myths to legitimise their ideologies and actions

Shennan made the WAC reflect in action [Ucko 1987 37 38 53 54] what had until then been merely an important concern', by seconding the amendment leading to the motion, he ensured that archaeologists saw the relation between archaeology and politics and that archaeology *was* in fact practised within a political context revealing its social responsibility beyond its essentially academic function" (WAC Aims and Application for Membership) Shennan's action left the organisers of WAC little choice After working hard at making the 1986 Congress something worthwhile, this move nearly resulted in its being scrapped altogether The archaeological community was cleaved in two with some supporting the ban on South African participation and others vociferously objecting to what they saw as an infringement of 'academic freedom' [Shaw 1986] Ucko himself initially wavered ('God knows what you have done to our Congress" he had said to Shennan at the time ibid 54) before taking the pro ban stand

I will not discuss the pro anti ban arguments here except to say that academic freedom in the context of South Africa where apartheid was still a way of life, meant little and to those from the third and fourth worlds who saw oppression expressed (at international and national levels) in various ways, objections to an infringement of academic freedom seemed to be somewhat self-indulgent We hoped expected and anticipated that through the WAC archaeologists would finally admit that reconstructing the past was also a political enterprise and that people who dealt with (and in) the past had a social and political responsibility

Those who felt that archaeology was in some way reduced through the recognition of this responsibility were legion and they expressed their anger at the ban in surprisingly virulent ways For perhaps the first time in the history of the discipline archaeologists were called upon to take a stand which would be reflected by their participation (or lack of) at the 1986 Congress Many stayed away, protesting against the ban and what they saw to be the resultant rump congress (as the London *Times* had called it) Despite the odds the World Archaeological Congress did take place and was a remarkable success " not only had the WAC succeeded in being a world event it also re-directed the course of archaeology, irrevocably, into a new direction' [Hubert in Ucko 1987 164] The statement succinctly encapsulates the significance of WAC 1

Ethics Ayodhya and WAC-3

In 1986 when WAC 1 was held, most Indian archaeologists claimed they were against apartheid but not against South African archaeologists' and maintained that archaeology and apartheid belonged in mutually exclusive domains the former in academics and the latter in politics - the one being an objective' and 'scientific' study of the past and the other, the concern of a bunch of disreputable and corrupt people ' Any acknowledgement or discussion of the relationship between politics and archaeology remains taboo in India and Kossinna's dabblings in his Aryan theories have in common understanding become *the* symbol of archaeological politics [Philip and Rao 1986 3] [5]

Discussions with several Indian archaeologists who went to Southampton revealed that their participation in WAC 1 in no way reflected their stand on the issue of the ban They were at Southampton because WAC 1 provided a rare opportunity one where several hundred well known scholars were to discuss their work, and where funds enabling third/fourth world participation were available Few who went were in any way concerned about the South African issue and if they were, their concern was primarily that archaeology was being politicised Such a view of the relationship between politics and archaeology remains in India despite the fact that recently archaeology has become embroiled in an obvious political controversy that of the Babri masjid Ram Janmabhoomi

The sharply political nature of archaeology was recently revealed when rival groups laid claim to a 'sacred space' (Babri masjid Ram Janmabhoomi) The groups used historical (colonial documents and police records) and archaeological evidence (reports – mainly unpublished of excavations conducted) as well as myth oral tradition and finally also emotion to legitimise these claims The outcome is as well known, has been catastrophic in terms of the violence and bloodshed that have resulted

Ethics and Archaeology

The controversy being well known will not be recounted here except to emphasise that archaeologists and historians have provided 'evidence' and opinions on the issue of whether or not a temple existed below the mosque [Gopal 1991, Historians' Forum and Mandal 1993, and Srivastava 1991] The considerable debate on the Babri masjid Ram Janmabhoomi issue has focused largely on the interpretation of 'facts' – always a shaky proposition, more so in archaeology and especially so in the circumstances However, the issue has perhaps more to do with ethics than with archaeology and archaeological evidence [6]

In the post-colonial context, when Indian identity (reduced and denigrated in the encounter with colonialism and partition) was sought to be re-created, tradition and continuity were emphasised and Indian culture was proclaimed to be unsullied by external' (especially Islamic and colonial) contact A Hindu resurgence and the creation of Muslim Pakistan directed in some ways the course of Indian identity-formation towards the manipulation of symbols from a pre-Muslim' past Archaeologists and historians contributed in no small measure to the re creation of the post colonial Indian identity Archaeology became centred largely around the excavation of pre-Mughal and pre Muslim eras (i e, pre eleventh century AD) with an emphasis on the Guptan age (beween the fourth and sixth centuries AD, seen as the period when Hinduism was firmly established) [7] Importance was also given to locating on *terra firma* events and places mentioned in shifting and polyvalent ancient Hindu' texts Thus, projects such as the archaeology of the *Ramayan* sites among others were undertaken In the mid 1970s, the areas around the Babri masjid were excavated in order to identify their relation with the *Ramayana* The reports of the findings [*IAR* 1976 77] reveal no evidence of either a temple commemorating Rama's birth or a Rama cult centre [8]

Evidently Islam, perceived as unambiguous with its focal point defined at Mecca required an 'answer from ambiguous, multi-vocal Hinduism and in the post-colonial era, Ayodhya began to be identified in the Hindu mind with the absolute position that Mecca appeared to have in the Muslim [9] The focus of this identification appears to have become the Babri masjid Although archaeological excavations in the area reveal no evidence of a temple or Rama cult the Hindus found in it, their answer to Mecca Prior to the destruction of the mosque, the call to 'liberate' Rama from the 'prison' of the mosque, served to unify opposed, even warring Hindu factions albeit superficially

As the country experienced a Hindu resurgence the excavator of the areas around the mosque who had reported [*IAR* 1976 77] nothing of importance, stated later in 1990, that evidence of a temple had, in fact been found in below-mosque strata Although this announcement has not been accepted entirely by the archaeological community, it provided the fundamentalists with another of the weapons they needed Finally, when the mosque was demolished by Hindu fundamentalists in 1992 few archaeologists protested publicly either at the destruction of an ancient monument, or at the revoking of the earlier statement made by the excavator in *IAR*, 1976-77, which was really tantamount to the manipulation of data Those who did protest were viewed as 'reducing' archaeology to the level of politics Once more, as in 1986, mainstream Indian archaeologists equated the taking of

a stand against [illegible] being political. The Indian Archaeological Society was one of the few social science bodies that did not pass a resolution condemning the destruction of the mosque Condemning the destruction has been viewed as being 'political', while *not* doing so has been seen as keeping 'clean' and refraining from 'dirtying' the hands in the 'political mess' Such a desire to keep from taking (political') stands has characterised Indian archaeologists, even members of the WAC This is curious, since the WAC states that it "is based on the explicit recognition of the historical and social role and political context of archaeological enquiry and has' defined its role beyond its essentially academic functions and appreciates that archaeology has a social as well as an academic responsibility' (WAC Aims and Application for Membership) Members evidently do not see the contradiction in holding the views they do while simultaneously belonging to the WAC community

Archaeology Politics and WAC 3

Hence when WAC 3 was to be held in India, most archaeologists here did not consider it of significance that some of the organisers had been known to have (ab)used archaeology in the Babri masjid issue There were people who were always at the helm – at conferences seminars, national and international and their being invited to take up key positions in the management of WAC 3 was not seen as unusual To the organisers having these persons on the committee must have seemed expedient On reflection protests began to be registered Of course some archaeologists whose jobs or grants could have been at stake were wary of taking a stand against the establishment (in *Academic Freedom and Apartheid* Ucko reports how several people in the US who supported the ban against South African/ Namibian participation at WAC 1 were warned that their grants would be cut or their jobs taken) and it was left to those outside the system to protest against the misuse of archaeology and against the inclusion of those who had misused it, in the active organisation of WAC-3 It is also significant that the first people to protest were from a department of history among them were only a couple of archaeologists But the WAC would go on without them since they had decided to boycott the event Later (1994) some archaeologists protested and decided *not* to boycott the WAC

Significantly, at the inter-congress meeting of the WAC Executive at Mombassa, in 1993, the destruction of the mosque had been noted and the attempt to condemn the destruction by WAC was thwarted by the Indian representatives However, the Executive did not consider it essential to keep participants/delegates informed and most arrived in Delhi without any knowledge of the issue [Colley 1995] Surprisingly, the Executive appears not to have considered the implications for the organisation, of [illegible] who actively supported the destruction of the mosque Even more surprisingly, the WAC Executive did not consider it necessary, after Mombassa, to organise a session to discuss the issue and it was left to a small group of Indians to attempt to do so

The group circulated a letter (signed by one member) to some archaeologists around the world and suggested that the situation called for a special session to reflect on the issue of the Babri masjid in the context of WAC and on the WAC itself on why it came into being and what it stands for The session could also help reiterate some of the early concerns that had been identified by WAC Such reflection undertaken seriously is obviously a matter of concern as it could result in radical alterations of existing power relations and structures While several people supported such a session here were others who continued to feel that the session would only push archaeology further into the quagmire of politics and still others who felt that the protest had come too late Ironically among those who felt the protest had been registered late were some who must have known that the WAC Executive had taken note of the destruction of the mosque at the meeting in Mombassa! Till date no one has queried the fact that while WAC's lofty aims condemn uncritical partisan academics the executive meeting at Mombassa was content to let the involvement of some of its members in the abuse of archaeology for political purposes pass

As it turned out the organisers ensured that neither was the special session to reflect on the WAC held in Delhi, nor was any discussion permitted on the Babri masjid issue and the outgoing president of the WAC was compelled to compromise the principles of the Congress and declare that no discussion on Ayodhya would be permitted within the Congress Left without an option those protesting against the inaction of WAC against (and thereby the condoning of) archaeologists clearly known to have misused archaeology, decided to use the Plenary Session as a forum in which to voice their protests Resolutions condemning the destruction of ancient monuments, the involvement of persons with partisan interests in the WAC and decrying the prevention of free and untrammelled' debate at the Congress were to be proposed, debated and voted on Unfortunately the Plenary Session of WAC-3 was reduced to complete chaos Those opposed to the resolutions prevented discussions and a vote The chairman dissolved the session and a meeting of the Executive Council was called

Interestingly although most Indian participants at the Congress were against the resolutions put forward condemning the destruction of ancient monuments and reiterating WAC's commitment to recognising the socio-political context of archaeological practice, the Council which met immediately after the dissolving of the Plenary, adopted and then passed these [illegible] some reflection. If indeed most Indians present were against the resolution and felt strongly that archaeology and politics have no truck with each other, ought they to have joined a Congress that explicitly acknowledges the socio-political context of academics and archaeology? Further, a Council that appears not to represent the views of a majority of the delegates to the third Congress seems rather at variance with the stated intentions of WAC

There is another point that must be reckoned with The quiet and disciplined Council meeting after the chaos of the Plenary Session a meeting at which resolutions were passed in a sensible, reasonable manner could easily be constructed to exemplify the split between good reason' and the disorder that is expected at non Western gatherings The Council meeting could be identified as just one more way of re-asserting 'western rationality and reason amidst the 'chaos'/ emotionalism that is thought to typify the south

Events at WAC 3 suggest that many western academics were either highly confused by the whole issue or were not really that interested [Colley 1995 18] Does this mean then that once more, at an international forum matters of import' are only those that are of concern to academics from the west? How do we purport to develop a One World Archaeology' if members of WAC do not interest themselves in issues where archaeology has been used to further fundamentalism to a terrifying degree?

Colley goes so far as to say that there are two sides to the Ayodhya issue (Who was correct? That surely is a matter of political opinion p 17) and since she was uninformed and confused she had no opinion on the matter Such a position taken by a WAC member is remarkable as the issue brought into the real world what WAC claims to stand for in the comfortable confines of academe This confusion or lack of interest has not, strangely, prevented some *post facto* interest which resulted in the rapid churning out of a paper in which events are distanced' and the physical endurance tests' the participants were subject to ('Delhi is not an easy place for the average western visitor you can't breathe the air drink the water or eat most of the food without getting sick', p 15) appear to have made as much of an impact as the academic sessions and the Ayodhya issue

It is essential for WAC and members of the organisation to critically review what occurred at Ayodhya and subsequently at WAC 3, if WAC must be of contemporary relevance The special session that had been suggested to reflect on the WAC would have been the ideal forum within which to debate the issues of rival claims to sacred places [10] the abuse of archaeology for political purposes and of whether in fact the WAC had succeeded in attaining its objectives (of breaking hegemonic domination in archaeology, of providing a forum for

a space for regional and social expressions) It would also have provided the much-required forum to discuss the contemporary violent expressions that regionalism and ethnicity have taken and to analyse the fall out of the recent rejection of western rationality as the 'universal' one The discourse emanating from this rejection has been somewhat simplistic in its understanding of the 'other' for which it aims to provide a space It has been rather blinded to the fact that the 'other' is not a harmonious, monolithic entity [Rao 1994] It is critical to examine the current meteoric rise of violent extremist/nationalistic rationalities (and consider the voices raised in protest against this) as these are evidently not at play in India alone and to investigate the space between western (till recently the 'universal') rationality and regional/ethnic chauvinism If the WAC refuses to permit such deliberation it will have failed to have moved from its 1986 position of critiquing/contesting what existed at the time to developing alternative archaeologies and to becoming the relevant contemporary archaeological organisation

The WAC is beyond doubt a well meaning organisation that was set up with idealism and the determination that members would work together while also furthering ethical research practices Members of WAC would not wish to stand aside and condone by inaction since they are 'immersed in the evidence of man's inhumanity to man over many time periods and in countless areas of the world [Ucko 1987 xi] But these ideals appear to be contrary to the events played out at WAC 3 WAC is the poorer for not permitting a debate on itself, its genesis, development and the fact that it 'condone[d] by inaction' the usurpation by chauvinists of the third Congress held in India in December 1994

Notes

[An earlier and shorter version of this paper was published in *Trabajos de Prehistoria*, Madrid I thank J Criado A Hernando M I Navarrete and M J Tillon for their comments Roland Fletcher Rhys Jones Robert Layton and Colin Renfrew for the discussions we had R Hoskote D Mandal R S Sharma K M Shrimali and R Thapar for the conversations held over the years G Abungu R Bewley R Borst I Hodder P Lane C R Reddy and B Olsen provided much needed support]

1 Unfortunately the WAC has not entirely overcome this problem and the structure of its organisation remains a mystery to many Most of us do not know whether we are members of WAC or merely members of a Congress We receive no information newsletters or bulletins Even while stating that the WAC was organised in the most democratic of ways Ucko mentions that he wanted to ensure that the right participants from each country could really get the grants they needed to be able to attend' WAC 1 (1987 20) One wonders how he was able to decide 'right' from wrong participant

2 I have used the w... 'Third' and 'Fourth Worlds' interchangeably. Further, I have used the term 'West' to indicate the wealthier, more dominant nations of the world, including among others, the USA, Australia and those in Europe

3 Several archaeologists in the West still do not accept this, but in India there are even fewer who do and their voices are rarely heard

4 I will not discuss here the notion that politics and academics belong in different domains wherein the latter is seen to be neutral and value free Nor will I discuss the notion widely held among Indian archaeologists that incorporating scientific techniques into archaeology has made it into a 'scientific' and objective discipline and therefore ensured that socio politics does not impinge upon it [for a discussion see Rao 1987]

5 Although Said emphasised a decade ago (1985 10) that No one has ever devised a method for detaching the scholar from the circumstances of life from the fact of his involvement (conscious or unconscious) with a class a set of beliefs a social position or simply from the mere activity of being a member of society and that these 'continue to bear on what he does professionally few Indian archaeologists are willing to acknowledge the influence of the socio political context on contemporary archaeological practice

6 The view increasingly held today that a fact is its interpretation can lend itself easily to manipulation and can be dangerous In the Babri masjid issue for instance this position could be used to justify the temple below mosque interpretation What is of concern then is the question of ethics and an understanding of historiography and archaeology Gopal et al 1991 have elegantly demonstrated that much of the temple below mosque interpretation is based on poor historical reconstruction But finally it is essential to examine whether archaeology is about destroying existing monuments to avenge perceived historical injustices or about understanding the past

7 What is invariably overlooked however is the fact that the category Hinduism serves little purpose in a Gupta context The period witnessed the recension of old texts allowing for new gods and cults The old Vedic Brahmanism yielded to a Pauranicism with elements drawn from Roman Mahayan and Chthonic elements [cf Zimmer 1948 Campbell 1962] There is a need to critically re examine the received truth of Gupta Hinduism/Nationalism As Kosambi stated (1956) It is not the Guptas who revived nationalism [but] nationalism which revived the Guptas It must also be noted that there is a vast difference between Guptan and contemporary Hindu Right versions of Hinduism [R Hoskote pers comm]

8 Sankalia (1973 1982) who wrote extensively on the *Ramayana* and archaeology finally held that If indeed Rama was a historical figure his area of operation was severely limited and the superhuman feats ascribed to him were no less than the exercise of poetic licence by Valmiki"

9 I thank R Hoskote for the discussion we had on this

10 In this context it is essential to examine critically the issue of 'returning sacred places which has I believe, been approached in a rather simplistic manner in the West Serious reflection is required on the issue as is evident from the fact that it is an extremely complex and the Americas?), as several communities have, over centuries, claimed sites as being sacred to them Through history, sacred places have been used by successive groups to inscribe their power over the preceding ones Over the Ayodhya issue, the Hindu Right was confident of WAC support to its claim since the demand was for the returning of a 'sacred place But Ayodhya has been sacred/important to many [Rao 1994] the British colonialists to whom its conquest marked the end of the preceding Mughal era the Jains, Buddhists Shaivas and Vaishnavas (who had bloody battles to retain it and re inscribe their power through control of it) and the Muslims Who will return it then? and to whom?

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Bhagalpur Riot Inquiry Commission Report

Asghar Ali Engineer

Inquiry into Bhagalpur riots of 1989 reveals how rumours and cooked up stories conspire to cover the collusion between the police, the bureaucracy and the communal elements

IT would be no exaggeration to maintain that the Bhagalpur riot of October 1989 was one of the major riots of the post independence India More than 1 000 people perished and many more were permanently maimed Property worth crores of rupees was destroyed and the riots left permanent scar on the minds of several thousands of people Bhagalpur riots were a worst example of religious frenzy and communal madness They also show how for the sake of capturing votes the communalists brought about extensive destruction and how entire secular political discourse was thoroughly communalised No secular space was left for any kind of dialogue between the two major communities

It was thought that democratic and secular polity and democratic process of governance were most perfect Little did we know how democracy can be manipulated cleverly by the powerful vested interests In fact at times one wonders how easily democracy can be manoeuvred to fulfil one's lust for power No wonder then that independent India has seen a series of devastating communal riots beginning with Jabalpur in 1962 One does not know how many more such riots will occur in our democratic secular country

Most of the riots which took place from early 1980s onwards were mainly due to the emergence of Hindutva forces, clandestinely patronised by the ruling Congress Party The confrontationist policy adopted by some Muslim leaders during the Shah Bano controversy lent further edge to the Hindutva brigade Thus Hindu communalists and Muslim fundamentalists reinforced each other and communalism became a most dreaded challenge for the unity and integrity of the country The Shah Bano controversy provided the much sought after excuse for the Hindutva brigade to launch the Ram Janmabhoomi movement This movement more politically than religiously inspired, captured hearts and minds of many middle class Hindus providing legitimacy to the VHP BJP brand of politics In every nook and corner of the country Ramshila pujan processions were taken out causing either communal tension or eruption of violence Bhagalpur riots were result of such a procession During and after the riots there were allegations and counter-allegations The Hindu communalists maintained that the riots were pre planned by the Muslims, the Muslims, on the other hand alleged that the Hindus were responsible for it

A Commission of Inquiry was appointed to go into the causes of the riots Justices Ram Nandan Prasad as the chairman, and Ramchandra Prasad Sinha and S Shamsul Hasan as members constituted the Commission of Inquiry In the beginning the commission could not function smoothly The government was also callous towards it Proper staff was not sanctioned Also the commission faced many controversies No wonder then the commission took unexceptionably long duration to produce its report which comprises 323 type written pages The report was submitted almost after five years in March 1995 The report it must be said is very well researched one The honourable judges have examined all relevant evidence oral as well as documentary quite painstakingly and have drawn their conclusions impartially The BJP and the police have been severely criticised for their role We will throw more light on this little later

The commission tries to go into the most vital aspects of the eruption of communal violence was it a pre planned one and if so who was responsible for it? Also what was the role of the administration and the police? Did they discharge their duties honourably or were they also swayed by the communal passions? The report examines in detail the sequence of events on October 24 1989 The sequence in which events took place was crucial to reach certain conclusions regarding the sparking off of the riots

Sequence of Events

The commission report in its introductory part observes Bhagalpur has been prone to communal disturbances and had witnessed communal clashes in 1924 1936 1946 and 1967, but all the previous clashes were practically confined to Bhagalpur town and had continued for a very short period They pale into insignificance before the present communal disturbances The present communal disturbances (i e, of October 1989) surpass all the previous disturbances The report further observes "This riot took hundreds of lives and a large number of people also received bodily injuries of serious nature Thousands of houses including shops spread to about 250 villages lying in 15 blocks out of 21 blocks of the district"

The most fundamental question is who started the riots? What happened immediately preceding the eruption of communal violence? The report addresses itself to this question and examines all relevant evidence put before it Of course contradictory claims were made by the witnesses and the commission had to draw its own conclusions Violence erupted on October 24 afternoon when the Ramshilapujan procession reached the Muslim dominated Tartarpur area It is said that bombs were thrown on the procession from a Muslim school and then the communal rioting started

The Hindu activists claimed that the procession was completely unarmed and they were singing 'bhajans Also, there were old men women and children in the procession and therefore there was no question of the processionists starting the violence in a pre planned manner The Muslims on the other hand, maintained that no one threw bombs from the school It is a sheer fabrication Since it was contented by the organisers of the Shilapujan procession that the Muslims had kept their shops and schools closed as they were to start the violence the commission also examined all available evidence in this respect A large number of Hindus as well as Muslims appeared before the commission as witnesses

It must be said that many Hindu witnesses helped bring out the truth The organisers of the procession had claimed that the processionists were unarmed and only singing devotional songs But some of the Hindu witnesses present on the scene falsified this claim For example Anil Kumar stated before the commission that the processionists were shouting slogans Jai Ma Kali Tartarpur khali (long live Mother Kali, Tartarpur will be empty) and Apman ka badla lenge Babar ki santan se (we will avenge the insult inflicted by Babar from his children) Anil Kumar also narrated that there were members of VHP Bajrang Dal and RSS in the procession They were carrying weapons like swords lathis, spears and pharsans (a local sharp weapon) When the procession went from Aliganj to Shujaganj Anil Kumar witnessed the processionists looting the shops and the police helping them

Kapildev Mandal said before the commission that as students they had gathered near the gate of INJ College to see the procession Mandal too mentions that the processionists were shouting slogans like Jai Maa Kali Tartarpur karo khali and Apman ka badla lena hai Babar ki santanon se The organisers of the procession were BJP, VHP, Bajrang Dal and Vidhyarthi Parishad people and they participated in the procession

things to say. One Muslim witness pointed out that apart from other slogans the processionists were also shouting that today it is Ayodhya's turn, tomorrow it will be that of Kashi and Mathura. Another slogan being shouted was 'Bachcha bachcha Ram ka, baki sab haram ka' (every child is for Ram, the rest are illegitimate). Some Muslim witnesses maintained that there were no old men, women and children in the procession. The commission drew its conclusion on the basis of what was stated before it by various witnesses. The report states:

> The net result is that there is divergence of evidence on this point. After scrutinising the aforesaid evidence we are inclined to accept that by and large a large portion of the majority of the processionists were peaceful and totally devotional in their attitude and were dedicated to the religious task that they were performing but there were also persons who were armed and there were persons who shouted slogans. We derive sustenance for our view from the fact that apart from the Muslim witnesses a large number of Hindu witnesses also have supported this state of affairs. We must, however, make an observation. This provocative act of intolerance defiled the sanctity of a purely religious procession and also destroyed its peaceful character leading to devastating consequences.

The Commission further observes:

> When any place of worship is intended to be constructed to the Glory of God then creation of a political controversy and shouting of slogans should have been avoided because it was an act of sacrilege in relation to an act of extreme piety to Him whose temple was to be constructed.
>
> On the other hand the Muslim community also should not have been so sensitive and agitated. If the slogans would have been ignored and the Muslims had exercised forbearance and the procession allowed to pass through Tartarpur even if it hurt Muslims heaven would not have fallen but the concession so granted would have avoided the events that followed.

It is true politicians from both sides tried to draw maximum political mileage and traded in human misery but the BJP had made it a main political plank for its determined bid for power at the centre. It was its calculated strategy to mobilise Hindu votes by appealing to their religious sentiments.

Another important issue in the Bhagalpur riot was the throwing of bombs and other missiles on the procession. Many alleged that bombs and other missiles were thrown on the Ramshila puja procession from the Muslim school in Tartarpur and this triggered off the violent events. The commission examined various witnesses in this regard and drew its conclusion. Thus, the report states, "At the point when the procession was approaching the Parwati chowk the of it. This was around 2 p.m. The procession moved gradually towards the school, called the 'Muslim school' beyond which was the Tartarpur chowk. As soon as it reached the western gate of the school, it is alleged, bombs and brickbats were thrown from the school premises which, according to the S.P. did not cause any damage nor any injury to the processionist. The missiles were totally ineffective according to him. The district magistrate, acting with great speed declared curfew in the area and ordered the processionists to turn back." The truck carrying the consecrated Ramshila bricks was also sent back. Acting with speed all the entry points were sealed and the railway station was directed to stop the incoming trains to Bhagalpur.

According to the report, the deputy superintendent of police, Navin Kumar and Dubey the inspector, accompanied by a posse of constables chased the miscreants who were stated to have thrown bombs. The posse even entered the school through the side door but nobody could be found. The police party chased the miscreants up to the railway line but failed to apprehend anyone.

The police also chased the miscreants up to Gulab Manzil, a building owned by a Muslim. The police, on hearing the sound of groaning, entered the lodge and found two persons, Jaikant Yadav and Nawal Kishore Jha, severely assaulted and nearly killed by Muslims. Their statements were recorded in the kotwali' But regretfully these two persons have not appeared as witnesses in the inquiry commission report.

The commission mentions that it is not clear from the FIR from which part of the (school) building the bomb was thrown. In fact, according to the report the FIR does not clearly state that the bombs were thrown from the Muslim high school premises or compound. The report goes on to say, "It has been alleged that as soon as the bomb was thrown the police accompanied by inspector Dubey and Navin Kumar deputy superintendent of police entered the school from the side door. No miscreant was found or arrested and nothing incriminating was recovered from within the school premises."

The commission is not sure whether the bombs were thrown from the school, and if thrown whether they were at all thrown by the Muslims. It says, "There could have been miscreants who might be either Muslims or Hindus or both. The total analysis of the evidence certainly creates an aura of doubt over the whole episode notwithstanding the real evidence. It may be that some miscreants of doubtful communal hue may have thrown bombs, some stones and crackers to create a mayhem but nothing more can be said." Also, the report draws our attention to the fact that the administration has no list of those injured by bombs. Thus, the hypothesis bombs from the Muslim school is of doubtful value. The commission also concludes, "In the ultimate analysis we feel that the first bombing from the Muslim school appears to be doubtful, except that some miscreants may have thrown some missiles and crackers from somewhere in the vicinity to create a mayhem as stated above."

The commission blames the BJP for having played active role in the riots. The BJP, RSS always maintain that they never participate in any riot. But many riot inquiries have confirmed their involvement, be it Madan Commission Report on Bhiwandi riots or Justice Jagmohan Reddy Report on Ahmedabad riot of 1969. The Bhagalpur Riot Inquiry Commission Report also pulls up BJP for its role. The report comments: 'Exhibit A also highlights the fact that it was BJP workers who indulged in the act of loot and arson and armed home guard jawans after abandoning the ASI. The occurrence was quite widespread.'

The report relates that the Muslims alleged violent mob of Hindus attacking the Sujaganj market where houses and shops of Muslims were ransacked and set on fire. According to the Muslims the whole thing was so meticulously planned that in a building that belonged to a Hindu but was tenanted by a Muslim only the shop was looted. The building was not set on fire. On the other hand, a shop belonging to a Muslim with a Hindu tenant was looted and the building was set on fire. Simultaneously mohalla adjacent to the Parwatti mohallah was also attacked. Houses were burnt, property looted and a large number of people were done to death. This occurred around 12 noon i.e. both these occurrences took place prior to the alleged bombing from the Muslim school. Thus, the thesis of bombs hurled from the Muslim school triggering the communal violence falls flat.

Administrative Negligence

The commission has passed strong strictures against the district administration for its handling of the situation. The police behaviour was completely partisan. The commission report remarks: 'The events that followed indicated the utterly irresponsible behaviour of the district administration, particularly the kotwali police led by the officer in-charge of the kotwali thana. The sub-inspector of the Tartarpur thana accompanied by a large force of police officials embarked upon a massive search of the houses of Muslim residents of Tartarpur mohalla ostensibly on the basis of the FIR lodged by the inspector, kotwali in P.S. Case No. 673 but in reality to avenge the alleged rainfall of bombs on the S.P. and in ostentatious bias against the Muslims. *The manner in which the search was conducted was reminiscent of the searches in occupied*

pared even though the cause of action for such searches in most of the cases was revengeful Highly responsible and respectable members of Muslim community who were neither involved in political nor in any ideological or religious fanaticism were subjected to the search and *fascist method of assault and torture was resorted to* We would like to cite three individuals namely Wasimul Haque Kalimur Rahman (Sahebganj) who had a clinic at Tartarpur and G Mustafa Bhagalpur University who were severely assaulted humiliated and maltreated and imprisoned They were intellectuals who enjoyed status of respectability in Bhagalpur society They like many others expected the police to extend their protection to them but were thoroughly disillusioned when their protectors became their destroyers Other Muslim residents large number of whom were also highly respectable, and not involved in any crime whatsoever were subjected to similar maltreatment (emphasis added)

The commission points out that the police behaviour was so partial that it did not arrest any Hindu on the day of the riot There is nothing on the record the commission points out to indicate whether any Hindu was arrested that day or between 24th night and 25th morning although at least inspector Dubey had admittedly seen the sack of Muslim business premises in Shujaganj and had also been informed about the attack arson loot and massacre in Parwatti chowk It may also be interesting to state here that no FIR was lodged either with regard to Shujaganj or Parwatti chowk incidents although a large number of FIRs were lodged by the police until 2nd FIR 674/89 was lodged by Brij Kishore about the incidents of Shujaganj in kotwali thana and by Sami Alam with regard to the incidents of Parwatti

Rumours and Reality

Another factor which contributed to the aggravation of communal violence was the rumour that large number of Hindu students living in nearby lodges or coming from examination halls were massacred by Muslims in and around Tartarpur This rumour spread throughout Bhagalpur and nearby villages like a wild fire and Hindu mobs set out to seek revenge It was rumoured that these Hindu students were killed and thrown into wells The commission felt that the district administration took no steps to squash these rumours and let them spread Thus, the commission observes, 'A rumour was sent floating through Bhagalpur's communally charged atmosphere that thousands of students have been massacred in various residential lodges owned by Muslims, on October 24, 1989 and immediately thereafter The district administration in utter display of administrative incapacity and propaganda allowed the rumours to float like a fog that covered the entire city and the villages of Bhagalpur district without making any attempt to scotch it even if it was true to prevent its fall out"

On thorough inquiry after about a fortnight (when all the damage was done) it was discovered that only 22 students were missing 11 of whom were Muslims and 11 were Hindus out of which, it was finally discovered that only two Muslim students had not reached their homes and were perhaps killed The commission observed that Ramanujan, who ordered inquiry into these rumours, failed to take any adequate steps in scotching this rumour to prevent the catastrophe that occurred The inquiry therefore, having taken up a couple of days was of no practical value in the context of highly tense situation prevailing in Bhagalpur and surrounding areas

It has often been seen in various communal riots that the police has close connection with the communal elements and is even guided by their opinions and acts in collusion with them Bhagalpur was no exception to this The report comments 'The significance of this unholy alliance between the police and the BJP was tragically devastating and it not only boosted the morale of the communal elements in the execution of the diabolical designs but also conveyed to them the message that *they have not only the support of the police but its active participation in their activities* (emphasis added)

There was another devastating rumour doing the rounds of Bhagalpur city that some Hindu students after being massacred by Muslims have been thrown in the well of the Sanskrit College under the kotwali thana Nothing was done to defuse these rumours and it was only when a news item appeared on November 1, 1989 that the well was searched and dead bodies were recovered belonging to men and women and children of Muslims that the truth was known to the people In fact such rumours are deliberately spread in a systematic manner by the vested interests in order to fan the communal fire And often, as in Bhagalpur the district administration takes no steps to counter these rumours as it has sympathies with the communal elements

In view of all this the Bhagalpur Inquiry Commission Report compares this communal massacre even with the massacre in Kalinga The report says,' the wholesale massacre of the innocents [in Bhagalpur], quite reminiscent of Kalinga by Ashok in ancient times, the sack of Delhi by Nadir Shah in the medieval period and the communal butchery that led to the end of Mahatma Gandhi's life in post independence era The tragedy was further compounded by the fact that those who were required to extend their protection abondoned their sense of duty became a part of the massacring and looting masses and even leading at some places"

It is well known that the rioting was not limited to Bhagalpur city alone but had spread to number of adjoining villages In villages also, the policemen were leading the mobs in attacking Muslims The report throws light on an incident in which an assistant inspector of police was leading the attack The report says that on October 27, 1989 at about 7 a m the village, Lugain, was attacked by about 4,000 Hindus from surrounding villages of Hemra Amhara, Mirnagar and eight others Some of the eyewitnesses to the occurrence alleged that the ASI of the police attached to Jagdishpur police station namely, Ram Chandra Singh personally directed the attack saying that no Muslim should be allowed to escape This attack went for nine hours

The report throwing further light on the incident says that some of the Muslims escaped and hid in the nearby paddy fields When darkness set in they fled away to the nearby Babura village Nearly 200 persons were killed and their bodies were first thrown in the pond Later they were dumped into two wells of the Muslim tola An effort was made to fill up the wells with mud but the stench of human bodies still exuded Hence the bodies were taken out of the two wells and surreptitiously buried in long rows in three paddy fields Cauliflowers were grown over one of them All this is believed to have been done under the direct supervision of the ASI Ram Chandra Singh of Jagdishpur thana

This is no ordinary indictment of the forces of law and order by a commission comprising high court judges These remarks are enough to hang our heads in shame that in a democratic and secular India such things could happen

The Bhagalpur riot inquiry report has been submitted after the lapse of five years The public memory being proverbially short, much of the events have already been forgotten. One can even wonder what purpose the report will serve now All riot reports are unfortunately submitted after a long time The Bombay riot inquiry even after three years since the violence broke, has not been completed The preparation of final report may also take a long time But these reports are legal documents and they enable us, albeit late, to know the truth The idea of submitting these reports is not to revive the memory of these riots and thus keep the cauldron boiling but to understand what happened and why and who was responsible so that we may avoid such violence in future Communal hatred and bloodshed has led us nowhere it has only brought disgrace to the fair name of our country The only lesson,' therefore, to be drawn is to avoid such bloodshed in future and promote secular and democratic forces No modern nation state can survive without it

Agricultural Situation on Eve of Monsoon

Joginder Singh
Ashok Bannerjee

With the forecast of another normal monsoon, the eighth successive one, and food demand continuing to be constrained by mass poverty the government's preoccupation on the eve of the monsoon is dealing with problems of 'plenty'

THE forecast for the 1995 monsoon, so eagerly awaited by the government and farmers was released by the Indian Meteorological Department (IMD) on May 25 According to the IMD s rainfall model another normal monsoon, the eighth consecutive one it that could be expected

In meteorological terms a normal monsoon means that there could be a deviation of only 10 per cent from the long term average of 88 cm for the country It was also predicted that unlike last year the rainfall this year would be slightly below the normal by about 3 per cent which would make it about 13 per cent less than last year s precipitation

The south west monsoon commenced over Kerala on June 1 this being the normal date of its arrival The rains rapidly advanced over Karnataka and parts of Tamil Nadu and Andhra Pradesh During 1994 the monsoon had set in over Kerala earlier on May 28, and the initial performance seemed to justify the predictions

Thereafter the monsoon unfortunately weakened This gave rise to a lot of anxiety for a time as to whether the requisite rainfall for the Kharif crops would be had It was feared that there was some damage to crops in Karnataka and Maharashtra This even led to dampening of the regional stock markets and firming up of grain prices in the commodity markets Later developments have been heartening as the monsoon has rapidly spread into the eastern and north western parts of the country pre-monsoon showers giving rise to hopes that kharif crops arriving in October November would be as in previous years

As of now it is too early to take a definite view on the matter A good rainfall year would further the production of foodgrains and this will now be considered

Following the expectation of normal rainfall and better availability of inputs, total foodgrain production is expected to be around 189 190 million tonnes in 1995-96, against the production of 186 million tonnes in 1994 95 The Planning Commission has projected production in 1995 96 at 192 million tonnes The cozy situation of rice and wheat is however not shared by pulses

On June 26 the government slashed the import duty on pulses by 50 per cent This meant a reduction of duty from 10 per cent to 5 per cent This was done to encourage the import of pulses so as to ease the price situation by increasing availability in the domestic market there being a gap of 3 million tonnes between demand and supply It was felt that import of one million tonnes of pulses had to be effected urgently for which NAFED and STC have been deputed A comparison of the domestic and international prices reveals that international prices are lower for arhar by 36 54 per cent for moong by 16 96 per cent and for urad by 18 76 per cent

Market arrivals as well as procurement of wheat until May 10 were lower by 21 per cent than a year ago in the same period Procurement was affected initially by diesel shortages particularly in Punjab and Haryana delaying market arrivals by about half a month The situation has however begun picking up and wheat procurement by the close of May had reached 10 92 million tonnes arrivals having been 11 11 million tonnes This is lower by only 18 lakh tonnes than the figure in the corresponding period last year

The government has set a procurement target of 13 million tonnes of wheat this season is against 11 95 million tonnes procured last year Wheat procurement in 1995 96 is expected to cross the previous year s figure but is expected to be below the target set for the year As a result of continued procurement, total foodgrain stocks in the central pool on May 15 was 26 14 million tonnes, slightly more than last year s level Stocks on July 1 are expected to be around 36 million tonnes - far in excess of the buffer stock norm of 22 3 million tonnes

on food had recommended a staggered procurement system with a gradual increase of the support price as the season progresses Since procurement will inflate foodgrain stock further, India is well placed to export and this aspect will be considered next

The world rice trade during 1995-96 is expected to touch 16 5 million tonnes, from 14 million tonnes in 1994 95 India according to the United Nations' *Food Outlook* report, is likely to increase its share in the world market this year to 1 4 million tonnes from the last year's figure of 6 lakh tonnes This increase would be possible because of a bumper rice crop and large accumulated stocks as well as increased demand from several countries

China last year's fourth largest exporter is likely to become the world's largest importer of rice in 1995 owing to a drop in its rice production Whether it would continue to import large quantities of rice would depend on the early rice crop still on the ground

Pakistan s exports are likely to come down due to poor output last year Indonesia is expected to import one million tonnes this year while Nepal is also expected to effect imports the output of rice showing a 15 per cent drop in 1994 According to reports Bangladesh, faced with high rice prices, is also contemplating import of rice North Korea, faced with a serious rice crisis had recently requested the Japanese for rice South Korea sent rice to their northern brethren in un marked bags and it is expected that substantial imports would be made by this country

The big question is whether India will be able to take advantage of this enhanced overseas demand The government has estimated rice export of around 2 86 lakh tonnes, valued at Rs 218 crore in 1994-95 against actuals of 1 95 lakh tonnes valued at Rs 140 crore in 1993-94 This indicates that exports from India have not been much, despite the country having bumper crops for the past many years

This is probably due to operational problems faced by the traders, who are not allowed by FCI to change lots FCI moreover gives preference to PSUs, some of whom are even alleged to collect a commission of 2 per cent for acting on behalf of private exporters in the open market sales scheme Furthermore, private exporters have to bear the brunt of shortages during transit There are also problems in obtaining wagons for the transit of cargo from warehouses to ports At Kandla the congestion frequently leads to delays and demurrages

The Food Corporation of India (FCI) has been authorised by the government to export 20 lakh tonnes of rice at international market prices with no subsidy element

In response to the above, the FCI has secured export orders for the supply of 7 lakh tonnes of rice to various parties It was realised that there were better prospects for exporting rice than wheat since rice prices were more competitive It was also realised that the stock of rice in FCI's godowns were not up to international requirements, the percentage of brokens being more Accordingly FCI preferred that other agencies do the exporting after having upgraded the rice

FCI is attempting to gear up for the export effort by moving the maximum quantity of best quality rice from Punjab straight to Kandla port for loading the ships dovetailing this movement into its regular monthly grain movement plan

The Lok Sabha standing committee on food, civil supplies and public distribution in its report has stated that the government should come out with incentives to stimulate the production and export of hard wheat, as most Indian wheat is soft i e non durum chappati variety which is considered inferior in the international markets Indian wheat has a gluten content of about 10 11 per cent as against international standards of 12 13 per cent Accordingly, the export prospects of Indian wheat are not favourable, Indian wheat being quoted at $ 100 a tonne as against hard wheat prices of $ 160 180 a tonne in the world market

Faced with mounting stocks, the government has authorised FCI to undertake wheat exports up to 25 lakh tonnes in 1995 96 at prices ruling in international markets and without any subsidy element FCI has also been authorised to sell 50,000 tonnes of wheat to STC for exporting to other countries Last year FCI had been allowed to export durum wheat up to 3 million tonnes from the open market subject to a minimum export price (MEP) of $ 160 per tonne, but this stipulation was removed in September last year

Indigenous production of nitrogenous and phosphate fertilisers was at an all-time high in 1994-95, viz, 141 43 lakh tonnes of urea and 28 23 lakh of di-ammonium phosphate (DAP) due to high capacity utilisation by practically all units Even with the prospect of an increase in indigenous production in 1995-96, import of about 3 million tonnes of urea and 6 lakh tonnes of DAP will have to be arranged for With larger sales and higher average price of imports the subsidies bill is likely to exceed the budget estimates by over Rs 1,000 crore in 1995-96

With the dark days of 1991 well behind, the nation's granaries are already overflowing With a good monsoon being predicted, the problem today is not one of shortage but of excess This is a peculiar situation which seems to have caught the government on the wrong foot With the monsoon arriving, the government has started preparations for stockpiling of this year's foodgrains The nation already had a huge stock of 36 million tonnes with the rabi procurement season coming to an end To meet this situation the government, though belatedly, is initiating certain measures

To begin with the government, in order to augment storage capacity, has amended the 1995-96 budget proposals to reduce the import duty on agricultural silos from 50 per cent to 25 per cent Thereby the government hopes to ensure the proper storage of foodgrains and reduce losses

The government has also decided to adopt a wait and-see attitude to procurement The parliamentary standing committee on food had recommended a staggered procurement system with a gradual increase of the support price as the season progresses The government has also attempted to improve the quality of procurement by stepping up the quality restrictions – broken rice would now be permitted to the extent of 20 per cent (instead of 30 per cent as before) This will raise the quality to international standards somewhat

Faced with the stagnation of foodgrains offtake under the public distribution system (PDS), the government is concentrating on the revamped public distribution system (RPDS) which has a higher offtake

The huge stock of foodgrains costs the exchequer heavily to maintain and the government is attempting exports on a large scale For this purpose the FCI has been roped in to augment the efforts by STC and MMTC

Although a number of steps have been initiated to meet the situation, these have not been comprehensive and much remains to be done Despite the government's attitude of taking complete control of the sugar, fertiliser and cotton sectors, it would perhaps be best if these were allowed to respond freely to the economic conditions to be able to face the globalisation trend

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Journey through America's Backyard

Raghu Krishnan

What strike the traveller in Nicaragua is not only the poverty of the people which in truth has yet to reach 'Indian proportions' – but also the chaos and sense of social paralysis And Nicaragua is a country which is so very American in the proper sense of the term

RECENTLY returned to Mexico City from a two week trip overland from Managua Nicaragua It was more than tourism since I had been involved in solidarity efforts with the Nicaraguan Revolution and Salvadoran rebel movement in the late 1980s In retrospect I can see how the 1990 Sandinista electoral defeat in Nicaragua and the failure of the FMLN insurrection in El Salvador in late 1989 were personal defeats of a sort And it is safe to say that I was not alone in this feeling

For their part the men in power in Washington and other imperial capitals elated by the defeat of the revolutionary movement in these two countries drunk with their cold war victory and distracted by the economic mess they have created at home have conveniently forgotten the peoples of Central America For my part I went in the hopes of discovering what is and what might have been But as the days went by it became clear that I had not prepared myself adequately for the trip

It is not that poverty is something new for me I have been through India on a number of occasions and actually lived there for several months in recent years What strikes you in Nicaragua is not only the poverty of the people you see which is truth has yet to reach Indian proportions but also the sense of chaos and social paralysis Some 60 per cent of the active population is said to be unemployed Destroyed by the earthquake of 1972, Managua still does not really exist as a city we would recognise as such No downtown and garbage laden and weed filled empty fields and mini Bombay esque slums border what few buildings you may find Every social category from the smallest of children to the oldest and most fragile of men and women try to scrape out a living selling whatever they can from snacks to small consumer items There has been no let up in the rise of cholera cases in the country Everyday the papers are filled with grizzly and heart wrenching stories of suicides road accidents crimes of passion involving teenagers and murder And it is said that the situation is much worse in rural areas where the poor don't even have the luxury of others bearing witness to and sharing their misery Suffice it to say that this is not the land of milk and honey the US backed candidates promised would follow the defeat of the Sandinistas in the 1990 elections

And in truth this was not the Nicaragua I had imagined However much I knew about America's misdeeds in its backyard (at home and around the globe) I was simply shocked by how such a situation could exist so close to the US the wealthiest country in the history of human civilisation Look at your map and you will see that after all we in Canada are not so very far away either As the crow flies Managua is nearly as close to Toronto is it is to Los Angeles

And it is a country which is so very American in the proper sense of the term a product of European colonisation genocide destruction immigration, innovation inter mingling and anti colonial rejuvenation in the New World One sees white people various shades of brown tell tale Amerindian cheeks and eyes a few Blacks from the Atlantic Coast and everything in between And so very American in the more modern commercial sense of the term Take baseball for example To denounce Cuba in manoeuvres in Nicaragua the very right wing Oliver North once used satellite photos of baseball diamonds as proof declaring Nicaraguans don't play baseball Cubans do Yet baseball the American pastime is everywhere in Nicaragua from the Nicaraguan league playoffs that filled the papers and TV screens during my visit to the kids playing with a stick and the pit of an avocado in the street

What fate I wondered awaited those less American benighted and distant peoples of Asia and Africa?

Leon west from Managua towards the Honduran border is a traditional centre of radicalism in Nicaragua and remains a Sandinista stronghold Leon is a real city that preserves a Spanish colonial feel grand cathedral plaza and all It is bedecked with radical murals and graffiti and in spite of the crisis returns a sense of community cordiality and hope which I was able to sense in my meanderings and in conversations with people

This unfortunately didn't save me from an unpleasant dinner conversation with two students one from Granada, the other from Managua both decidedly unhappy with their radical student surroundings They told me that things were better under Somoza, and that the wily Sandinistas had managed to convince foreign opinion that they were the victims when in fact the very opposite was true One of the two had studied in Spain and spoke admiringly of the achievements of Franco and his regime If nothing else, I would be able to leave Nicaragua free of any romantic and ultimately illusions about how Nicaraguans were a race of idealists and revolutionaries

So there is disbelief that such a situation of poverty and insecurity could exist so close to the US But further on, there is anger that this same country did everything it could to prop up the hated Somoza dictatorship until its dying days in 1979 and to strangle this humble people's attempts to make something better of their country

The Gallery of Heroes and Martyrs in Leon is a reminder of the terrible human cost of US policy towards Nicaragua Photo after photo of young men and women who died often tortured to death in the fight against the US backed dictatorship, and afterwards in the US sponsored Contra war The elderly woman who tours you around the place herself lost two sons In keeping with these unhappy times the place in which the gallery is housed is currently the object of a property dispute with the former pro Somoza family that had mortgaged the house and fled the country before the Revolution now demanding its return

Invited by dockworker trade unionists, I went to the port city of Corinto on the Pacific coast This was the port Ronald Reagan mined in 1981 and then attacked with submarines in 1984 blowing up a few oil storage tanks in the process That such a sleepy dusty and hot oven of a town should be the object of manoeuvres by the US fleet says a lot about the cowardice and heaven help us all the madness, of the architects of the New World Order

It seemed all the more foolish because Corinto is no traditional boiling cauldron of radicalism As things go in a small impoverished nation, portworkers are a privileged lot and were treated relatively well under the Somoza regime I met some older ones who even said things were better then than under the Sandinistas to the rolled eyes of other more politicised and younger dockers In a way things were better under Somoza for dockers no American blockade, no war ongoing government efforts to nurture the allegiance of a privileged layer of the working class and the global economic crisis had not yet fully hit I was told that there was very little support for the Revolution in Corinto until 1978, when Somoza had his soldiers carry out 'Operacion Limpieza (Operation Clean-Up), in which, in a desperate bid to stem the revolutionary tide in the country every able-bodied young man was hunted down and killed This created widespread revulsion in the town, and sent those youth that could get away in flight to the protection of radical centres like Leon There's not much happening at the port these days given the economic crisis The workers' salaries have been frozen since the Sandinistas were defeated in 1990 On average a docker, still relatively privileged, makes about 1,000 cordobas, or about 150 US dollars every month I was told that

prostitution is bigger than it was under the Sandinistas, who had put programmes in place to help the young women in question find other lines of work

One gets to the highway to Tegucigalpa, Honduras after taking a series of packed and somewhat perilous buses through the hilly areas of Nicaragua surrounding Esteli The buses are often just yellow school buses from the US and Canada often with their markings and signs untouched I took one that had bilingual signs inside in English and French!

The thing that struck me most about Tegucigalpa was the strong Chinese presence I stayed at the Hotel Nankin' and ate a few plates of Chinese food at some of the dozens of Chinese restaurants sprinkled throughout the city Even the non Chinese places serve Chinese food or some facsimile thereof It warmed my Asian heart The city itself is pleasant enough surrounding as many in the region seem to be by hills and mountains Here as in Nicaragua and El Salvador a major social and political struggle is centred around the planned privatisation of the state owned telephone company which would undoubtedly lead to mass dismissals higher rates further concentration of wealth and power and a loss of sovereignty in the key telecommunications field

I happened to be in Tegucigalpa on the day that telephone workers went on strike for the first time in Honduran history a newspaper reported to my surprise and pass by their occupation of the Hondutel main office in the city's downtown When I went by another branch the following morning the workers had been ejected and a few bored but amply armed soldiers stood outside the entrance

The bus from Tegucigalpa to San Salvador El Salvador takes you through the area that was one of the main zones of conflict during the recently ended war between the FMLN rebels and the US backed government There are signs of construction on empty lots for wartime refugees returning to the area but the general feeling is one of terrible poverty and decrepitude amidst beautiful scenery a scene repeated in far too many parts of the third world Anyone familiar with the landscape and recent history of Sri Lanka for example would feel at home in El Salvador

If poverty at all has a humorous side, it is to be found in the music that you get to hear on buses going through Central America especially outside the major cities It seems that my K-Tel 'Pure Gold' LP from the mid-1970s, and a number of other people's 8 track cassettes did not meet such an unhappy end after all

When you leave the airport just north of Colombo, Sri Lanka, you enter the Katunayake free-trade zone (on the Canada Friendship Road!) crammed with export-oriented factories and workshops employing throngs of nimble-fingered young women from rural areas, slogging away for a pittance and without labour rights. And so it goes on, the approach to San Salvador where you can see the young women in the San Marcos Zona Franca who make about 100 US dollars per month in terrible conditions, and are forbidden to join unions San Salvador, the city itself definitely takes the 1995 award for black smoke and impossibly pointless horn-blowing It is a city that at times but only briefly and inconclusively made me rethink my longtime love for urban squalor and chaos

Further horrors awaited After a few minutes' ride on one of the city's murderous buses you find yourself in downtown Mississauga on a wide boulevard (Boulevard de los Heroes) surrounded by McDonalds, Burger King, Wendy's Pizza Hut Texaco, Esso and a miniature version of Square One called Metrocentro On the same strip is a super arcade (with video games, bumper cars fair rides and so on) called El Mundo Feliz, the Happy World Standing there basking in the glow of El Mundo Feliz's Honest Ed style flashing lights gazing across at the Burger King I meditated upon the years of brutal state sponsored violence torture and grinding poverty upon which this concentration of wealth stood I was told that even at the height of the war and killings by recently reactivated death squads the area was much as it is now

It was hard to believe that I was in the same country although when you see the figures on El Salvador's not insignificant wealth and the way it is distributed it all makes sense How such extremes could co exist at such close quarters also becomes apparent when you see the dozens of heavily armed security guards stationed at the entrance of every possible place of business and the truckloads of police doing their rounds of the neighbourhood After being in the city for awhile, you get used to a constant fear of violence I learned for example, that one night a few months before the place I was staying had been stormed by heavily-armed bandits Armed hold ups on public buses are a regular occurrence I waxed quite indignant on one occasion when, for the first time in my life, I got special attention from one of the Mexican immigration inspectors that boarded the bus on about 10 different occasions during the bus journey from the Guatemalan border to Mexico City

At the first inspection about a dozen undocumented aliens all young Central American men were removed from the bus, presumably to be expelled back to Guatemala and points beyond Another suspicion confirmed the more borders open up for capital and goods, the tighter they close to human beings especially where the free trade is between a 'first world' and a 'third world nation

At a later checkpoint, after performing the usual passport check and questioning, one smiling inspector asked me if I was a Hindu Yes, my parents are from India, I replied Oh I see he said it's just that everyone in the department seems to be very afraid of Hindus these days' But then I replied we are an innocent people And this Hindoo to paraphrase a poem I once read couldn't hurt a fly

Mississauga is a residential and commercial suburb of Metropolitan Toronto and has seen spectacular growth over the last 10 15 years Malton is a part of Mississauga and has a sizeable south Asian community

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by IRFAN HABIB

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A Fuller View of the Emergency

Balraj Puri

As the Congress(I), the perpetrator of the Emergency, appears to be heading for its final end and as the victims of the Emergency are in ascendance, this is an occasion for going beyond condemnation and instead attempt a more dispassionate understanding of the phenomenon and its place in the evolution of the Indian polity

THE infamous Emergency is being recalled, two decades after its promulgation, with well deserved universal condemnation There is hardly a dissenting voice to justify it As the Congress(I), the perpetrator of the Emergency, appears to be heading towards its final end and as the victims of the Emergency are in ascendance, it should rather be an occasion for going beyond condemnation The distance of time should further be used to attempt a more dispas sionate understanding of the phenomenon

I belonged to the camp led by Jayaprakash Narayan when national politics was polarised between him and Indira Gandhi I cherish my life-long close association with the great man and the amount of affection he showered on me But I was not his uncritical admirer He respected me all the more for this reason

With these credentials I attempt below an objective assessment of the contribution of the two main characters to the collapse of the system in 1975

First, I recapitulate the traits of Indira Gandhi's insecure personality that made her seek security in an authoritarian set up Second, I would show how anarchist streaks in JP's philosophy led him to join his adversary in wrecking the system

'It was a proposal regarding committing suicide that we were just discussing" with these words, or in almost so many words Indira Gandhi prefaced, with a grin on her face, the announcement to hold general elections to parliament, before an assembly of chief ministers in the evening of January 18, 1977, after stepping out of a cabinet meeting which heard and approved the fateful decision in a manner to which it had by now been well used The chief ministers, who were in the capital to attend one of their periodic conferences had been invited to the prime minister's house to be the first to formally hear the cabinet decision

Evidently she was pretending to be humorous And the chief ministers too, did not read anything more than what met their eyes then But was it a Freudian slip, indicating her sub conscious sense of insecurity and fear?

Psychological Make Up

"What has happened is not surprising' Indira Gandhi said with a hindsight She was always warning about agencies, she told the post election session of the All India Congress Committee held in New Delhi on May 5 6, 1977 which would not let us function and would weaken if not destroy Congress She added fatalistically it was perhaps inevitable that they would succeed" [1]

Indeed she has warned times without number, before during and after the Emergency against internal and external threats to the stability, unity and very survival of the nation as also to her own life

In the Congress session held at Chandigarh in January 1976 where the party president Dev Kant Baroo ah summed up the ideology of his party as loyalty to Indira Gandhi , amidst deafening cheers, she gave vent to her sense of loneliness In her address, hitting hard all around she accused her colleagues of having remained silent spectators when she was being attacked and her character was being assassinated by the opposition She asserted that she had met the challenge alone and would do so in future also

Referring to her cabinet colleagues she said way back in 1972, in a press interview, what do you expect me to do? I am surrounded by a bunch of idiots' [2] Sasthi Brata finds three traits in this remark 'The first is frantic impatience with the frailties of other mortals born of a pathological conviction in something approaching one s own divinity The second is culpable contempt of one s countrymen And the third is an ominous pointer to the kind of actions such a personality might take if ever it was thwarted in any field by those it considered infinitely inferior [3]

Similar traits of her personality were manifested soon after being elected prime minister in 1966 Expressing her impatience and contempt for persons and institutions she had to work with, she said "Our party workers remain as backward and ignorant as ever The trouble is that Congress has never succeeded in evolving into a modern party Sometimes, I feel that our parliamentary system is moribund Everything is debated and debated and nothing gets done " [4]

Rise of Mediocrity

Such a person cannot suffer an institution where he or she has to face an equal or superior nor would an equal or superior person would be tolerated ' Soon after 1967, she became suspicious of people who had a standing in public life," [5] Janata Party president Chandra Shekhar observed

Men and women around Indira Gandhi, in the words of Janardhan Thakur, 'constituted so much mediocrity so much grossness and insignificance of character that would have been hard to find even in the minor courts of the Italian Renaissance ' According to M O Mathai special assistant to her father, unscrupulous, crude and small men and an immature boy took charge of her [6]

Are the fascist traits? According to Thakur, Feroze Gandhi called Indira Gandhi a fascist in 1959 when she was Congress president [7] Describing symptoms of fascism, Arun Shourie writes A regime of this sort filters a particular brand of persons to the top – mediocre weak men strutting around as strong quick to make deals with any adventurer, cynical devoid of all principles ' Quite apart from the filtering process of the regime s structure, he continues, the personal security of the usurper(dictator) re quires that only such persons reach the top [10]

That the psychological traits of her adult and public life discussed above had early beginnings is admitted by Indira Gandhi herself She says My own childhood was an abnormal one full of loneliness and insecurity [11] Her father Jawaharlal Nehru had in a letter to Vijayalakshmi Pandit dated June 2 1934 further remarked Indu revolves round herself self centred she hardly thinks of others – expecting everybody to minister to her comforts [12]

Authoritarian Personality?

At the same time having inherited the leadership from her father and grandfather she had convinced herself that she was destined to play a great role She in fact succeeded in creating the impression that she wanted to perpetuate a dynastic rule even after her Quite honestly' she believed in 1966, I was the only natural choice for the job [13] Since childhood she had fancied herself as Joan of Arc She is once reported to have said that she would like to go down in history as a strong personality, somewhat like Napolean or Hitler because they would always be remembered' [14]

In order to live up to the ambitious role she had aspired for she had to project the image of a brave leader Fear and Indira Gandhi do not go together , she told pressmen in Srinagar in October 1977 But if she was really fearless she need not have always tried to seek abnormal powers and safeguards, much more than required in a given situation When, for instance, her law minister H R Gokhale told her that he had ensured, through necessary legal and constitutional changes 99 per cent chances of getting the high court decision on her election reversed in the Supreme Court, she is reported to have insisted "make it cent per cent"

"She must be afraid, she does so many things out of fear"[15] was also the verdict of Jayaprakash Narayan However, a burning passion to be on top and urge for perfect security tended to make her a reckless gambler Mathai claims to have once told her father that having had no security right from childhood, "insecurity will shadow all her life and her actions will largely be governed by it" [16]

Does an ambitious person, who is basically lonely, insecure, suspicious self-centred and reckless answer the description of an "authoritarian personality"?[17]

While it is possible to explain much of the political behaviour of Indira Gandhi and its impact on political developments in the country in terms of her psychological make-up, an attempt to explain the entire phenomenon called the Emergency in terms of the role of a single person would also tantamount to a belief in a sort of 'personality cult' in reverse Psychology of a leader may be a necessary but in no case a sufficient, condition for his or her becoming a dictator

Anatomy of Authoritarianism

An authoritarian regime comes into being not merely due to psychological compulsions of the ruler but also in response to the psychological needs of the ruled When fear of external threat or internal chaos grips a people insecurity caused by economic or political factors haunts them gap between expectations and achievements widens and the democratic forces fail to channel the resultant frustration, cynicism and impatience of the people, and chauvinistic fervour atomises group and individual identities, a psychological atmosphere is created for the search of a 'strong leader' When democratic institutions prove inadequate to represent and express the power urge of the people – one of the basic and legitimate human urges – their accumulated urge gets identified with the supreme power of the leader

Also, 'people have a latent desire towards dependence and want the comfort of irresponsibility", says Einstein while discussing the causes of the origin of fascism which 'depends on the desire of many persons to submit and obey'[18] A D Gorwala "almost begins to suspect quite a number of Indians are not averse to tyranny and do not even feel very strongly about its worst excesses "[19]

While sadist-masochist psychology of the ruler and the ruled that drives them towards authoritarianism is difficult to read and measure, political, economic and social factors that create such a psychology and an authoritarian atmosphere can be objectively identified It is important to remember in this context that it was not an effective and efficient democracy that was demolished on June 26, 1975, it was an ailing system that collapsed on that day

The following description of the national scene in the year preceding the Emergency might not be off the mark. "Almost every aspect of the system is afflicted The value of money is vanishing with accelerating speed. Unemployment, scarcities and disparities are mounting in direct proportion to the explosion of expectations and promises of 'garibi hatao' The crisis in investment, production and distribution mocks at our professions of planning and socialism The political system is unable to contain or provide an adequate outlet to the popular discontent Votes do not accurately measure public opinion while legislative seats are not proportional to the votes polled by the parties Popularity alone does not enable a politician to share or get power Practically the whole society is corrupt No political leader can win an election or survive politically without resorting to corrupt means No businessman can remain in business unless he evades taxes and greases the palms of administrators for getting permits licences, allotments and thousand and one facilities from the government No government official can make both ends meet and live up to the standard his colleagues are maintaining without accepting gratifications

Apart from the state of economy recorded in official documents political situation reflected in legislatures and morality preached from the state, we have a parallel economy a parallel politics and a parallel morality "[20]

We have noted that Indira Gandhi had herself expressed dissatisfaction with the system Apart from blaming the 'backward and ignorant' workers of her party and the moribund' parliamentary system she said on top of all this the inertia of our civil servants is incredible Sometimes I wish we had a real revolution, like France or Russia, at the time of independence "[21]

Attack on the System

Talk of changing the system started in the ruling party itself A Congress MP, Shashi Bhushan, openly made out a case for a limited dictatorship' The then Congress president D K Barooah, thought "it irrelevant to look for foreign models to describe, justify or defend Indian democracy" The habit of being guided by foreign models, he said, often leads people to describe the absence of a viable opposition as a weakness of Indian democracy

The ideologues of the regime propounded alternative concepts of democracy and rationalised the decision to scrap the system, which was working till June 25, 1975, in the name of people and democracy D V Urs vice-chancellor of the University of Mysore, expressed the following view

"Times without number we quote the founders of English democracy, French and what not This has led to the creation of a universe of discourse which not even 3 per cent of our population understands The multitude, the bulk of the society lead a life that is delinked from the ruling thought of the country "[23]

'The national objective of socialism", observed K L Shrimali, then vice-chancellor of Banaras Hindu University, "cannot be achieved without a high degree of social discipline". Hence he argued, "everything that stands in the way of effecting basic changes should be removed "[24] 'Everything', we know, included opposition parties, free press, independent judiciary, fundamental rights and democracy itself

Indira Gandhi herself seemed to believe that opposition was unnecessary in the initial phase of building a country because "there were not many paths to choose from when they were doing the basic things' In an interview to the *New York Times* as late as in early February 1975, she explained, on this ground, "why so many countries have given up democracy" [25] In a biography of Indira Gandhi, Uma Vasudeva quotes another statement made by her as far back as in early 1950s in which she said "In order to make the country strong, remove poverty and eradicate illiteracy, it would be better not to have any opposition parties "[26]

Portents

The ground was thus prepared for tampering with the system and for "increasing identification of the government with the Congress Party especially since the armed victory over Pakistan, in public media as well as elsewhere" [27] Reading the portent in these contributions to Parliamentary democracy a sober journal like the *Economic and Political Weekly* suspected as early as in September 1972 May be somebody has already taken a decision that to promote faster economic growth in the country, a guided democracy is the most essential of prerequisites " [8]

Analysing political trends in the country, the socialist leader N G Goray came to a similar conclusion in an article in *Janata* dated July 22, 1973, significantly titled Getting Ready for a Dictation'

In the European Conference on Modern South Asian Studies held at Heidelberg in 1972, Devid Potter of Britain's Open University expressed the view that in the circumstances it is hard to see how the contradiction can be satisfactorily resolved within the existing framework of India's political democracy' Elaborating the contradiction, he said, the middle class will not provide the leadership required for her [Indira Gandhi's] survival since it is against their interest to do, and the bureaucracy cannot provide the administrative capacity because it lacks the power to make it effective The common man has waited for a long time, and won't wait much longer "[29]

Not everybody could read 'the writing on the wall" that clearly Some of the present staunchest critics of Indira Gandhi had gone farthest along with her It would be too presumptuous to condemn all of them as opportunists and short-sighted

Assessment of her role varied from person to person and time to time According to Asoka Mehta, the period from 1966 to 1967 was her 'finest hour" when she was "honourable and honest" [30] Chandra Shekhar believed, "intuitively, she has always been a liberal and for the poor man [31] He and

his other 'young turk' colleagues in Congress tried hard to sell the idea of joint Indira-JP leadership Even Abdul Ghafoor, who as Bihar chief minister put up a last ditch fight against JP's movement, concurred with the view that "only two leaders, Mrs Gandhi and Mr Narayan, could salvage the nation" [37] Minoo Masani, lifelong friend of JP would not call the prime minister and her government fascist For, if they really were, he asked not long before the Emergency, "Would Jayaprakash be alive and functioning, would the great march in Delhi of 6 March 1975 have passed off so peacefully and successfully?" He also believed, "Only an adjustment between prime minister and Jayaprakash may provide the way out" [33]

'Progressive' Congressmen, scared of 'right reaction and 'imperialist designs', had no option but to be on her side Men like Siddhartha Shankar Ray, of that tribe "almost worshipped her" [34] He supported the Emergency which he thought 'should be there for a short period and used for the purpose of bringing back sanity to the country" [35] And a wise man like Jagjiwan Ram waited for the 'right time for the right action" There were also those who were "shocked at the truth" when it began to come out after the Lok Sabha elections [36]

From 1966 to 1967 Indira Gandhi disillusioned many supporters and dropped many colleagues, though her bandwagon made good the loss in quality by gaining in quantity In her climb to power and then absolute power she drew upon the support of many, however passive or partial at various points of time who had no faith in authoritarianism or personality cult much less in dynastic rule

Apart from such collaborators a section of the opposition also supplemented her efforts, equally unwittingly, in creating an atmosphere for authoritarianism She, in fact, owned many political ideas popularised by the opposition She tried to appear more nationalist more socialist and more anti imperialist than her opponents

Supplementary Roles

The main planks of the Bharatiya Jana Sangh and other militant nationalists were for instance, hostility to Pakistan, demand for making an atomic bomb unitary form of government and so on Many leftists shared some of these short-cuts to popularity

With India's victory over Pakistan and its split in two parts in 1971, annexation of Sikkim, atomic explosion concentration of power at the centre and emasculation of the states, growing identification of India with the third world, with anti-west overtones, increasing expenditure on and strength of India's armed forces, emphasis on unity and stability of the country and warning against external threats in the official statements and finally with her emergence as a strong leader, Indira Gandhi was able to steal much of the chauvinistic thunder of her opponents Jana Sangh leader Atal Behari Vajpayee was so swept off his feet at Pakistan's defeat in 1971 that he called her goddess Durga

Projection of Jana Sangh as her main opponent in the north on the other hand had the additional advantage of enabling her to rally non-Hindu and non-Hindi speaking communities, besides genuinely secular elements, round her

As fascism is essentially a manifestation of aggressive nationalism, all those of right or left, who made it as their main plank of opposition to the ruling party tended to contribute to the process of erosion of Indian democracy

Even a man like Vinoba Bhave used a chauvinistic argument in advising JP not to wage a struggle against the government He said 'With the United States arming Pakistan and China also helping her, it was not advisable to weaken the government [37]

JP's most outstanding contribution to Indian politics lies in his courageous and frontal attack on chauvinism On issues like relations with Pakistan, border dispute with China, dialogue with Sheikh Abdullah on Kashmir issue, status of Nagaland and making an atomic bomb he swam against the popular current He espoused the cause of autonomy of the states which had been reduced to a condition of glorified municipalities under prime minister Indira Gandhi's government [38]

Indira Gandhi borrowed populist socialist rhetoric with similar ease She adopted some socialistic measures like bank nationalisation ending privileges of the former princes and the ICS and land ceiling legislation

It was JP again who warned against confusing statism with socialism The growing concentration of wealth and power and rampant corruption according to him went ill with his concept of socialism [39]

JP's Assault on the System

Notwithstanding JP's dissent, there were many issues raised by the opposition, the authoritarian implications of which were not adequately realised at that time But where most of the opposition including JP, collaborated most effectively with Indira Gandhi was in her efforts to demolish the system

True, the system as it existed before the Emergency was ailing and defective in many respects But the crucial question was whether it was to be mended or ended and if ended what was it to be replaced by The then union home minister Uma Shankar Dikshit, who claimed to have been a lifelong admirer of Mr Narayan and wanted the country to benefit from his mature and conscientious advice', must have been quite earnest when he pleaded that 'the system of parliamentary democracy had been tested and found adequate in this country and as such, nothing should be done to damage it until a better, well defined alternative with proved efficacy was available" [40]

Since his *Jeevandan*[41] in 1954, JP carried on a crusade against parliamentary democracy, the Constitution, the party system and pursuit of power. His latest movement, however, was a negation of this crusade in every respect For he led the struggle for power on behalf of the opposition parties, which, far from being discarded, were the main instruments of his movement Moreover, the issue on which he got popular mandate was restoration of parliamentary democracy and the original form of the Constitution

To be fair, he was realistic enough to modify his earlier utopian ideas in favour of a workable strategy He made it vehemently and repeatedly clear that the Bihar movement did not aim at establishing a partyless democracy, though that remained his ultimate aim [4]

But if this did not remove confusion from the minds of some people it was not entirely due to their ulterior motives Though he never disowned his earlier political ideas the references that follow relate to the period after the last month of 1973 when he resumed active public life after one year's silence and started the last phase of his career

Inaugurating the All India Radical Humanist Association conference at Calcutta he said, It would not be wrong to say that the differences between the performance as distinct from the manifestoes of the various parties in or out of government, has been no more than that between tweedledum and tweedledee [4] Referring to his criticism of parties and politicians Sachchidanand Sinha rightly observes, At this juncture to generalise the guilt of politicians tended to minimise the guilt of those who held power and who alone could use it for good or evil [44]

JP did not hide his distrust of parties If the movement in the rest of the states (outside Bihar) he said is started by political parties, it is bound to fail [45] He wanted students and non party people to come forward and political parties to form a part of it He, in fact believed that the students and people's struggle committees 'are developing their own identity [46] independent of and more important than parties, which later proved to be almost an illusion He did not visualise the people's movement as one of the united front of political parties" [4] In reality was it anything much more than that? How strongly JP wished to bypass political parties would be evident from a note he recorded in his *Prison Diary* on September 6, 1975 [48]

His distrust of democratic institutions, however, became infectious A good parliamentarian like Atal Behari Vajpayee announced on September 8, 1974 his decision to resign from the membership of the Lok Sabha (though his party did not allow him to do so) on the ground that "parliamentary democracy was no longer an effective instrument to serve the people in India and had become a good means to acquire power and prestige".[49] Similarly Minoo Masani

reproductive JP's point that "the lay neither through elections nor parliament"[50]

JP was not content with merely overthrowing the Congress rule He demanded that "whole system must go lock stock and barrel"[51]

Distrust of Western Democracy

He shared with Congress leaders and pro-Congress intellectuals their lack of faith in the 'western model' of democracy, quoted earlier He regretted the failure to understand what he was doing in Bihar by "Indian intellectuals cast in the mould of Western thought (in which I include also the Russian) and modes of action'[52] NJN had earlier advised him to grasp "the techniques of gaining power and using it by means of the party system"[53]

JP, on the other hand, cited Gandhi's example, who dominated the political scene and was the supreme commander of the nationalist forces, but declined even to be an ordinary member of the Indian National Congress "After independence, too, he did not seize supreme power as the Western pattern would have expected him to do"[54]

Obviously JP's ambitions far exceeded those of Indira Gandhi who was content to be merely prime minister, however powerful, of the country He however, overlooked the fact that at that time Gandhi was effective mainly because he had a powerful instrument like the Congress Party and a personality like Jawaharlal Nehru to mobilise people and to wield government power JP's own movement acquired political effectiveness only after a viable and credible alternative to Congress and Indira Gandhi emerged in the form of Janata Party and Morarji Desai respectively

Nobody can deny JP's monumental contribution to creating these alternatives But till they were created NJN had a point in arguing that his "saintly virtues were politically meaningless" NJN may be a little harsh in his comments but they indicate the extent of confusion about potentialities of JP's movement among those who were not hostile to him He wrote "From the Congress point of view if Mr Jayaprakash Narayan did not exist, it would be necessary to invent him Any establishment under the pressure of increasing discontent attempts, as a matter of expediency, to create a diversion And this is what JP has obligingly, it also unwittingly, done "[55]

Authoritarian Backlash

The real danger was not that JP was providing the safety valve to Congress, but that under the pressure of his movement "if besides Congress, the system also collapsed, we are not sure what would replace it". In fact, "in the ensuing confusion and instability, the danger of an authoritarian backlash cannot be ruled out". An authoritarian trend in Indian politics was also visualised, "if the movement gets exhausted on account of organisational and ideological inadequacies or superior strength and tactics of the establishment"[56]

The fateful judgment of justice Jag Mohan Lal Sinha of Allahabad High Court, which set aside the election of the prime minister, on June 12, 1975, precipitated the backlash The battle lines were clearly drawn and its last to-the-finish phase began The parable about a cat which when cornered became desperate, with which Uma Vasudeva starts her book *Two Faces of Mrs Gandhi* applied to both the sides None had heeded its moral, viz, "If you want to hit the enemy, you must leave a way out for him Otherwise his despair can make him a killer"[57]

In a mammoth rally at Delhi on June 25, the opposition led by JP gave an ultimatum to Indira Gandhi to resign, or face a countrywide agitation from June 29 JP also gave a call to the police and military not to obey any 'illegal orders of the government"

If the issue was to be settled merely by the size of the demonstrations, Indira Gandhi had already won it On June 20, a bigger rally was held near the boat club of New Delhi, to express solidarity with the prime minister Described by her as "the biggest in the world",[58] it was mobilised with the help of the government machinery of the neighbouring states, as was admitted by their ministers and officials of that time before the Shah Commission She left nobody in doubt about her determination to stay on as prime minister

Around the midnight of June 25-26, the president signed the proclamation of internal Emergency The cabinet came to know of it and gave *ex post facto* approval to it at a hurriedly called meeting at six in the morning The external emergency was already in operation since the Indo-Pak war of 1971 But the double emergency created the desired psychological effect

Collapse of Resistance

The Emergency operation was remarkably neat "Not a dog barked", the then defence minister Bansi Lal is reported to have boasted Quoting Cromwell, who had made the same comment when he dissolved the British parliament, Ivor Jennings said. "The dogs bark in parliament if there were no parliament they might bite"[59] 'Even I was astonished," observed Indira Gandhi, "as far the public reaction to the declaration of Emergency" She said "When the Emergency was declared there was not a murmur at all There was not a case where the police had to be used"[60]

These are no empty boasts. Almost all the chronicles on the Emergency, despite their critical attitude to it, attest to this fact According to the authors of *Decline and Fall of Indira Gandhi*, "the first impact on the Indian people of the Emergency regime was favourable For the first six months everything went off swimmingly"[61]

Sachchidanand Sinha records, "The arrest of all top leaders of the political parties including Jayaprakash Narayan left the nation cool. There were no spontaneous strikes, no demonstrations, no uprooting of rails".[62] CGK Reddy went round the streets of Delhi to find "at least a few of the lakhs of people, who had gathered only the previous evening to hear JP, determined to bring down the prime minister and would now organise themselves to resist what was virtually a dictatorship" His "expectations and hopes were belied"[63]

Acharya Kripalani, the seniormost public man of India, chided the people for their role during the Emergency Addressing a big public rally at Lucknow after the Emergency he said "You are the people who were shouting slogans in favour of Mrs Gandhi and today are raising slogans against her' He asked, "Is it not shameful?"[64]

The journalists, as the minister of information and broadcasting, L K Advani observed, crawled when asked to bend According to Arun Shourie, "the intellectuals lacked even the most elementary courage They collapsed without struggle They were almost ineffective"[65] Phaneswarnath Renu, the lone Hindi writer in JP's movement, despaired that "the famous and established writers, who should have lent expression to the suffering of the millions, were silent"[66]

JP begins his *Prison Diary* (on July 21, 1975) with the following words of despair "My world lies in shambles all round me Here was I trying to widen the horizons of our democracy And here am I ending with the death of democracy I wonder what all those ladies and gentlemen are saying now who used to tell me that I was the only 'hope' for the country "[67]

Miscalculations?

"Where have my calculations gone wrong?" The earnestness with which JP asks the question deserves equally serious response To say (as JP records in the *Diary* on the following day) that Indira Gandhi was by "inclination and conviction a dictator"[68] is not an adequate answer

Jack Anderson and Les Whitten wrote in *Oklahoma Journal* (July 4, 1975) "Under similar circumstances Richard Nixon, whatever the sins on his head, never attempted what the sanctimonious Indira has stooped to "[69] But why? Was it simply because Nixon was more virtuous? They hasten to add "Had he done so, no one of significance would have obeyed his orders "

JP admits his mistake in presuming that people and the Congress Party would not allow Indira Gandhi to do what she did[70] But the crucial question remains Why did people, the Congress and all men of any significance succumb to what Arun Shourie characterises as "the mildest possible dictatorship, compared to what a Djilas or a Solzhenitsyn and had to put up with"[71]

There are quite a few pointers towards a fuller explanation of the phenomenon in the foregoing account of facts and events, which preceded the long night that dawned on June 26, 1975 and lasted for 572 days.

Some of the factors touched upon in this context include the psychological make-up of the leader and the people, state of the economy, political climate, decline of ethical standards, organisational and ideological inadequacies of the opposition parties, conformism of the intellectuals and shortcomings of the system as a whole and JP's assault on it without offering a viable alternative. Had not the same type of stuff – leaders, intellectuals and people – shown a better mettle during the British Raj?

Why Regimentation Succeeded

According to Sasthi Brata, the British Goliath had an Achilles' heel in the form of "Principles" whereas "the leonine lady who was in all but name the dictator of India, had no such weak spot".[72] But an important difference between the two regimes, let us admit, was that the Indira government was not as much hated as the alien British government was. It was, therefore, easier for the former to regiment national life.

In a developing independent country agencies of promotion of art, culture and literature, institutions of education, most of the media of publicity are run by the state. The intellectual, therefore, depended growingly, and during the Emergency almost exclusively, on the state for his survival, recognition and affluence. The cost of not collaborating and reward of collaboration increased rapidly.

In India stakes in political power are also very high. "The difference between successful and unsuccessful politics is the difference between prosperity, social status, power and a meaningful life on the one hand, and poverty, oblivion, sense of impotency and existential meaninglessness on the other."[73] In order to cling to power and retain the confidence of the leader a politician was thus willing to pay much more price in terms of principles and self-respect than he would in a normal democratic set-up. For the same reason, the ruling party, in general, and its leader in particular, became desperate and ruthless for retaining power.

In order to increase its acceptability, the Emergency regime adopted many slogans and programmes popularised by the opposition. Anti-smuggling drive, income tax raids and anti-inflationary and price control measures were part of this policy and must have earned it some popular goodwill also.

The declared objectives of the regime were not merely confined to administrative efficiency, social discipline and economic amelioration but also extended to "a comprehensive transformation of society", a phrase often used by the prime minister and her son and the nearest equivalent to "total revolution". The tasks of the new revolution ranged from making India a world power to eradication of social evils like dowry, from economic reform to ecology (tree plantation), from [illegible] renaissance to family planning and so on.

Donning JP's Apparel

Indira Gandhi quoted profusely from the scriptures written by JP, of course, without acknowledgement. Instead of quoting chapter and verse, a few samples might suffice.

> Democracy does not mean voting once in five years or whatever it is. We want to make democracy more meaningful to all the people.
>
> I am only continuing the revolution which was begun by Mahatma Gandhi, because the aim of that was a change in the structure of society, fight against the system..
>
> The aim . is not only a better material standard of living for the people, but a much wider concept of what is a better human being.
>
> The very concept of democracy is not the same in every country.
>
> Our concept of democracy is a much wider and deeper than the Western or the Eastern bloc's
>
> If they [people] get a feeling that this system... is not serving the purpose of the larger number of the poor people, why should those people tolerate it?[74]

It is hardly necessary to quote corresponding statements of JP to prove that he had said similar things in almost similar words. Sanjay Gandhi's emphasis on the role of "youth power", debunking of 'isms' and ideologies, talk of all-round social change and condemnation of communism and the CPI, too, were not entirely alien to the thought-frame of JP.

That people were more important than institutions was implied in the popular movement for the dissolution of the state assemblies. Indira Gandhi extended the logic to pronounce supremacy of people even over judiciary and the Constitution. She sought legitimacy of her leadership from crowds of people. The technique of collecting such crowds was, however, by then well known.

She was also not far wrong in saying that "the whole talk of changing the Constitution emanated from the opposition".[75] The very idea of amending the Constitution to restore "parliament's sovereignty", which had been abridged by a Supreme Court judgment, was first mooted by the late socialist MP, Nath Pai. The opposition had made no mean contribution to generating the populist wave which Indira Gandhi tried to ride.

The fate that Indian democracy eventually met on June 26, 1975 – which JP called its death and Indira Gandhi described as its derailment – was not merely due to a miracle brought about single-handedly by a superhuman dictator. If the opposition got [illegible] phenomenon exceeded the group of intellectuals, if many leaders, claiming to be democrats, connived or remained passive, if people did not offer effective resistance, if the entire system succumbed to the will of the supreme leader and if she imposed an authoritarian regime on the country without any glaring violation of the letter of the Constitution and without large-scale deployment of police or army, there are enough cogent reasons. A further and thorough study of these reasons should be more rewarding than merely loading the entire nation with a sense of guilt.

Moral Judgment

However, an explanation of how Indira Gandhi outmanoeuvred her adversaries, at any rate in the first round, is no justification of her actions. Those who were tactless in defence of democracy or whose ideas were twisted and exploited cannot be equated with those who deliberately usurped and misused power. The tyrants cannot be equated with the victims of tyranny. The corrupt-sadist caucus cannot be equated with revolutionary and idealistic youth who rotted in jails. The oriental despotic sultana cannot be equated with the saint who has renounced all wordly goods.[76] In no case can the excesses and crimes of the Emergency be condoned.

Hitler became a dictator by a similar combination of factors; through a decree of emergency; innocently provided for in the otherwise democratic Weimer constitution, subsequently amending but without suspending it, and due to appeasement policy of governments of democratic countries, in particular the one led by Chamberlain in Great Britain, and confusion and miscalculations on the part of liberals, socialists and communists. While appropriate lessons must be learnt from the follies of the founding fathers of the Weimer constitution, Chamberlains, liberals, socialists and communists, they cannot, in fairness, be treated on par with Hitler and his barbaric tribe in a moral judgment. In comparison, opposition in India fought valiantly and indeed won the final round of the battle: notwithstanding its strategic and ideological deficiencies discussed earlier, and unwitting contribution in pushing the country towards authoritarianism.

While in the interest of rigorous analysis and terminological exactitude, neither the Indian Emergency can be described as Nazism nor Indira Gandhi as a Hitler, what happened during the Emergency was quite unusual judging by the standards of administration India was used to, not only since independence but perhaps also during most part of British rule. Was S Nihal Singh exaggerating when he said, "She [Indira Gandhi] subjected the country to the most tyrannical regime it has had for two centuries"?[77] Indira Gandhi's minister for information and broadcasting, V C Shukla,

of India editor Girilal Jain tried to argue in a meeting that even during the British regime such restrictions were not imposed on the press as were being done during the Emergency, Shukla cut him short with: "This is not the British regime. This is national Emergency."[78]

Ban on 26 parties and detention of a total of 1,40,000 political prisoners during the period of the Emergency might also be an all-time record.

Again, the state machinery under the prime ministership of Indira Gandhi acquired unprecedented power, without adequate checks and balances. At the centre, she had roughly 7,00,000 policemen, belonging to the Border Security Force, the Central Reserve Police, the Central Industrial Security Force and the Home Guards; asides 80,000 police in the states and armed forces totalling one million.[79] In addition to numerous intelligence agencies, she specially relied on Research and Analysis Wing (RAW) for political intelligence and operations. Starting with a budget of Rs 5 crore, it reached Rs 100 crore.[80] The publicity media, with censorship on the press and state ownership of TV and wide network of radio, gave complete monopoly to the government over sources of information to the people. The growth of communications also helped to improve the efficiency of the instruments of repression. Not content with these powers, Indira Gandhi added many legal and constitutional weapons to her armoury, to transfer power from judiciary to parliament, from parliament to president, from president to executive and finally to herself. Again, not content with arbitrary powers thus acquired, she created an extra constitutional authority headed by her son, with extra constitutional agencies and unlimited resources, which necessitated her connivance at growing corruption.

It is, therefore, not surprising that justice J C Shah, heading the one-member commission inquiring into excesses during the Emergency, was "shocked" by the revelations made during just 12 days of hearings. It appears, he said, "that there was no safety of anyone. Persons could be whisked away, houses could be searched, any amount of indignities could be inflicted on the people with no redress". He was amazed that "all this happended in a civilised nation".[81] The people bailed out by the courts were re-arrested at the jail gate in a large number of cases.[82]

Total Counter-Revolution

These sordid happenings need hardly be catalogued or detailed here, as they are by now well known and are being exposed by authoritative agencies. But it is worth noting that no new repressive machinery was created during the Emergency. By and large the same system – political and administrative – which was supposed to have served the [illegible] democratic regime became subservient to the new authoritarian regime. Some of the stalwarts of the freedom movement, senior IAS and ICS officers, inheriting British tradition of bureaucratic autonomy, members of the prestigious professions and the best intellectual talent of the country were willing tools of Indira Gandhi. Most of them conformed to the new regime in a manner which in political parlance is called opportunism.

The same persons are capable of behaving differently in different situations and under different systems. The role of a cog is determined more by the machine of which it is a part than by itself. Hannah Arendt has argued that Adolf Eichmann, who sent millions of European Jews to their death, was not the sadistic killer he is made out to be, but was a run-of-the-mill bureaucrat of the Third Reich. Evil, she in effect says, is rarely ever the work of evil persons, but of ordinary law-abiding citizens like you and me...Most people operate at a level of morality where the sanction of an authority magically turns evil deeds into good and good deeds into evil. This magical transformation is facilitated by the tendency of authoritarian and repressive regimes to concentrate decision-making in a few hands."[83]

Rarely had the Indian nation in its long history undergone such a comprehensive transformation in such a brief period. The impact of the Emergency was all-pervasive, on the psychological and moral behaviour of the people, politics, economy, culture, administration, academic and educational institutions and social life.

This was the nearest ever approximation to a total revolution albeit in the counter direction. "We find today," laments JP in his *Prison Diary* on August 7, "the dark clouds of total counter-revolution encircling us".[84]

The Dialogue

The leadership of the opposition was inevitably overtaken by feelings of helplessness and despair. Acharya Kripalani conceded: "Humanly speaking, there seems to be no remedy."[85] JP was afraid he would not see his world (in `shambles' at that time) put together again in his lifetime. "Maybe," he despaired, "my nephews and nieces will see that . Maybe".[86]

Many scholars, western and Indian, :cast in the Western mould" (to use JP's phrase) found confirmation of the theory that the western democracy did not suit the developing world. 'India got a system suited to her genius', was the verdict of this tribe.

Indeed, Indira Gandhi's finance minister Y B Chavan claimed: "Democracy has not only not suffered a demise in India, but is more living and throbbing than ever."[87] And much after the Emergency was over, she herself had the temerity to say: "If you look back you will agree that there has never been more democracy in the country before I became prime minister, Never, Never".[88] We seemed to be approaching the Orwellian world of 1984.

Most of the opposition, on the basis of its assessment of the situation, not entirely unrealistic at that time, sought a negotiated settlement with the government, which according to C G K Reddy, "exhibited in a most flagrant form in mid-December 1976 when the representatives of Congress(O), BLD, Jana Sangh and Socialist Party discussed and tacitly approved of a document. They chose to call it a working paper". He describes it as pure and simple a surrender document.[89]

On December 14, 1976, George Fernandes, the then chairman of the Socialist Party, in a letter to JP strongly disapproved the move of the opposition parties. He wrote: "The opposition leaders lack not only perspective but also in nerve... This is not the stuff that can oppose and overthrow a dictatorship; if anything, this is the stuff that breeds and nourishes dictators... I am aware of your own frustration with the opposition leaders."[90]

Asoka Mehta, on the other hand, reported to the Working Committee of Congress (O) that the meeting of the opposition leaders "approved" the approach (note of the BLD) and "welcomed a dialogue" (with the government).[91]

Leftist Take-over?

Did Indira Gandhi suddenly turn hostile to the Communist Party of India and the leftist lobby within her party towards the close of 1976 in order to accommodate the non-communist opposition? Or were her overtures to the non-communist opposition due to a fear of a leftist take-over? Her fears on this score are discussed by Uma Vasudeva in one full chapter of her book, comprising for one-fourth of it.

JP also suspected that the CPI, communists in disguise within Congress and Soviet Union had planned to take over the country. He gives even a benefit of doubt to Indira Gandhi who "has become a stooge". But he warned, "A time may come when, having squeezed the juice out of Mrs Gandhi, the Russians through the CPI and Trojan horses within the Congress will dump her on the garbage heap of history and instal in her place their own man". "This plan," according to JP "is not known to Indiraji though she might have some private suspicions."[92]

Who was using whom? Or were both trying to use each other for their respective ends? But it appears each was preparing to get rid of the other. According to Bihar Congress leader Sitaram Kesri, "it was to neutralise this [the Communist] threat that Sanjay was built up".[93]

However Sanjay Gandhi, who was compared by the then Congress president Dev Kant Barooah to Maharaja Ranjit Singh, Shankaracharya, Vivekanand and Akbar,[94] grew into an important autonomous

phenomenon and more than anybody else shaped the eventual form and content of the Emergency He liked dictatorship, as he told a West German paper once though "not of the Hitler type" [5]

As far back as August 6, 1975, he lashed out at the CPI the principal political ally of her mother In an interview to Uma Vasudeva, the editor of the *Surge* he said, "If you take all the people in the Communist Party, the big wigs, even the not so big wigs – I don't think you would find a richer or more corrupt people anywhere "[96]

Though Sanjay Gandhi appeared to be building a political force in particular through mobilisation of the youth independent of and in opposition to the communists within and outside Congress and even parallel to the Congress Indira Gandhi herself openly owned and intensified the anti communist campaign when dialogue' with the opposition began in December 1976 The Guwahati session of the Congress marked a turning point in its ideological direction The communist sympathisers within the party started falling from grace and position since then

Decision on Elections

Apart from a possible Freudian death wish, which cannot be verified, and a rational expectation that the room vacated by the communists and their fellow travellers in the positions of importance would cause a vacuum which might irresistibly attract anti communist leaders and parties towards her Indira Gandhi's motive in ordering elections in March 1977 was also to raise "a constitutional scaffolding to the power structure that she thought belonged to herself and her family" [97] The state of the national economy and politics including that of the opposition parties must have encouraged her in assuming that the time chosen by her for seeking constitutional legitimacy of her regime was most opportune The elections in neighbouring Pakistan a little earlier which projected it as a more democratic country than India, hurt Indian pride and prestige and might have precipitated Indira Gandhi's decision to follow suit Her confidence in mastery over tricks and tactics of the election game and manoeuvring capacity in normal political process, too was not misplaced

Had Indira Gandhi not decided to hold the parliament poll a year ahead of the schedule, it is generally agreed there was no imminent threat to her regime In fact the opposition leaders were as surprised at the popular response they got and their eventual victory in elections as at the collapse of their movement in June 1975

Miscalculations

Where did Indira Gandhi's calculations go wrong' It is as vital a question as the similar question JP had asked himself after the Emergency was clamped down on the country. They provide clues not only to the fortunes of the two most prominent personalities of the time but also to the political behaviour of the people and political developments in the country

What are the factors that hurled Indira Gandhi down almost grotesquely from the affections of her people and her place in history?[98] How was democracy resurrected in the country after its unceremonial burial barely 19 months ago?

Our present knowledge of the causes of rebirth is as woefully inadequate as that of the causes of the death The democratic revolution however, was as bloodless and peaceful as the earlier authoritarian 'coup'

Is that a reflection on the character of Indians on their capacity to suffer, their passivity their resilience and their potentiality of revolt? Is the Indian mind schizophrenic half democratic and half-authoritarian? Or were the dictator and the dictatorial regime imperfect?

Some scholars have made generalisations regarding ambivalence and lack of sharp commitments of the Indian mind, perhaps on account of the Hindu tradition of simultaneous belief in many mutually contradictory gods and scriptures If this were true it would answer Acharya Kripalani's rebuke to the people for shouting slogans for Indira Gandhi on one occasion and against her on another

To some extent these generalisations about the psychology of people hold good everywhere People do tend to reconcile to the *fait accompli* An authoritarian system develops cracks not when the terror and suppression are at their height but when the system to which people get used shows signs of relaxation and modification For, with sudden changes in the pattern and direction of a system reflexes of the people get deconditioned

People Deconditioned

Thus when anti-west pro communist ideology of Congress was suddenly reversed, dialogue started with yesterday's 'traitors parliament's life was cut short and people who had taken their rulers for granted, were given an opportunity to choose and change their rulers, the conditioning process was rudely shaken As a consequence, new forces were released that neither the ruling party and its intelligence agencies nor the opposition could anticipate

This does not, anyway, imply that the dictatorship could have lasted forever, if the elections had not been held when they were It is possible, though hardly necessary for our present purpose, to speculate on the form the urge for freedom and dissent might have taken, the way resistance might have been organised, the type of contradiction that might have developed within the authoritarian system and other factors, internal and external, that might have deconditioned the conformist part of the population in that case.

The prospects of deconditioning itself depend on the extent and manner reflexes of the people have been conditioned by the system Inadequacy of and incoherence in the ideology of the Emergency, organisational shortcomings of the ruling party and inefficency of the administrative apparatus are some of the factors that are responsible for the inability of the system and its leaders to win emotional and intellectual allegiance of the people in sufficient measure The concept of dynastic rule, which is the popular image that the Emergency eventually acquired, was in no way inspiring Moreover whatever her achievements before and during the Emergency, "in grabbing absolute power, Indira Gandhi let herself in for absolute corruption and, on balance, when the balance sheet came to be drawn, the gains to the country for which she sought credit were like dust in the scale against the degradation into which she had dragged India' [99]

Even Indira Gandhi and her apologists do not deny that excesses were committed by overzealous bureaucrats in implementation of official policies Family planning and slum clearance drives, in particular, hit poor and backward communities which had been traditionally loyal to the ruling party Shift in their loyalty was a crucial factor in turning the electoral tables against it

The greatest handicap of the authors of the Emergency was their inability to disown Gandhi and Nehru for obvious reasons That they were a source of inspiration to the opposition and embarrassment to the ruling party would be obvious from the statement made by the former minister of information and broadcasting, V C Shukla, before the Shah Commission He said "quotations from national leaders were censored because thay had faded in the pages of history and most of them were relevant to the days of the Raj Their reproduction would have created misunderstanding "[100] Jawaharlal Nehru's own paper, *National Herald*, stopped publishing his famous quotation on its masthead which read "Freedom is in peril, defend it with all your might"

It is not a mere coincidence that October 2, 1975, the first Gandhi birthday anniversary after the declaration of the Emergency, was marked by arrests of prominent public men including octogenarian Acharya J B Kripalani, a veteran parliamentarian, H V Kamath, and *Sadhana* editor Mihir Thatte for organising or participating in celebrations of the birthday of the father of the nation, which were banned at several places

The urge for freedom, a basic human urge, further inspired and institutionalised by the illustrious leaders of India could not be easily banished from the minds of the people. When the opportunity came to choose between freedom and bondage, their choice was obvious and unmistakable. The common man demonstrated, what the intellectual had

not appreciate that he valued freedom for less than bread.

Finally, it was JP's personality that made all the difference in the outcome of the titanic battle between the rival forces India's high commissioner in the UK, N G Goray, was not indulging in undue flattery or exaggeration when he said If Jayaprakash Narayan had not led the 1975 movement Mrs Gandhi's dictatorial rule would have continued indefinitely and a nation of 600 million would have lived in chains [101]

India was fortunate to have a Mahatma to lead her liberation struggle She was again fortunate that a saint returned from 'jaws of death' to be available for leading what is called the second liberation struggle, barely three decades after the independence of the country Did not Lord Krishna himself declare in the holy *Gita* that he would incarnate to rescue India whenever dharma declined?

But should the basis of a modern secular India be built on a theological belief? Should not the guarantees of democracy be rather secured in the consciousness of the people avenues of articulation of their democratic urges and effective institutions of democracy including a system of checks and balances a well balanced party system free press, free judiciary and other constitutional agencies and provisions?

Total Revolution

JP himself was not content with what is called the Janata revolution He rather felt that the people s movement has suffered to some extent when the people engaged in spreading his message were voted to power What we lack today ' he said, "is a well-knit revolutionary organisation that can plan and work out programmes of action ' He wanted all those groups that profess total revolution to merge into a united organisation [10]

JP s distrust in effectiveness of political power, political parties, constitution and institutions does not seem to have declined appreciably despite the contrast in their use and misuse after and during the Emergency respectively

The two words of Total Revolution' are today as hollowed as they were dreaded during the Emergency In either case no justice has been done to the concept which deserves a more analytical and thorough examination

According to JP, it is a combination of seven revolutions - social, economic, political, cultural, ideological or intellectual educational and spiritual While it is conceivable that a group of persons might agree on an integrated view of a new society, the implications of forming "a united organisation" to bring it about are rather ominous For no single institution, party or organisation can represent the diverse aspirations of a whole man, without emasculating some of them Such experiments have been tried only in totalitarian societies and were approximated in those old societies in which state and church were merged

Indeed pluralistic institutions of democracy alone differentiate it from totalitarianism Thus a person may simultaneously belong to a political party, a religion, a culture an economic class a nation, a region and an ideology Loyalties to various institutions cut across one another People with different economic and political views might have a common spiritual or social philosophy In fact a number of permutations and combinations in terms of beliefs in diverse fields do and must exist, excepting in a totally regimented society

While a case can surely be made for radical changes in the seven fields mentioned by JP complete agreement on quantity and quality of changes in all fields must not be a precondition for action in a particular field Despite inevitable inter-connections between various walks of life, each one must be ensured a degree of autonomy in a free society

As observed by Bertran D Wolfe 'the essence of the total state and the totalitarian party does not lie in tyranny or terror although these are necessary in varying doses and at varying stages to atomise and subjugate society But the essence of totalitarianism is painfully simple and lies in its very root the word total '[103]

Acharya J B Kripalani did not elaborate his point but similar apprehensions must have weighed with him when he criticised the concept of total revolution as alien to Gandhism [104]

This is not as such intended to be a critique of JP's thought Those who are interested in the subject are referred to a thorough though a little irreverent study of it in an article by the present writer in *Conspectus* (India International Centre, New Delhi No 3, 1966) and a chapter in *Democracy and Non Violence*(Gandhi Peace Fondation 1968)

In view of the fact that JP became the rallying point and a symbol of popular revolt against authoritarianism, his ideas have a vital bearing on the prospects of democracy in India and hence deserve deeper analysis and dispassionate criticism Present uncritical adulation would do him as much injustice as past sweeping condemnation used to do

Prospects of Democracy

The overthrow of an authoritarian regime within so short a span of time and dismantling of its structure so effectively and thoroughly have undoubtedly inspired democrats within as well as beyond India In view of the experiences which they have gone through and the lessons they could not have failed to learn therefrom politicians, parties, intellectuals, bureaucrats and people of the country are unlikely to be as pliant and servile to a would-be aspirant to dictatorship as they were the last time.

However, while the great March revolution answered many vital political questions decisively, it left quite a few unanswered and posed some fresh ones also

How can, for instance we discuss the prospects of democracy in a country where there is not even a broad consensus on what is its essence? What is more important popular participation or freedom?[105] Is a multi party system an essential prerequisite of democracy or only a transitional necessary evil? Would major parties of the country survive their internal convulsions? Would viable alternatives – or coalitions of them – remain available to the people from which they could freely choose their rulers periodically?

JP did not strike a very optimistic note when he said "Disintegration of Janata Party or fall of its government at the centre will lead to dictatorship" [106] For as long as the fate of democracy is linked with that of a party or a leader, it cannot be considered secure But how enduring is the federation of the Proudhian Kropotkin (utopian anarchist) line of s arvodya social democracy and militant nationalism?[107] Why was the base of the Janata Party essentially confined to Hindi speaking Hindus? What conventions and institutions are proposed to reconcile and accommodate the diverse identities of people based on, say caste religion, language, region class and ideology instead of wishful and utopian ideas about eliminating them

Acharya Kripalani was equally concerned over the future of democracy in India If people do not submit themselves to voluntary discipline, ' he warns they cannot escape the consequent imposition of totalitarian discipline "[108] How can what Gunnar Myrdal called a soft democracy or functional anarchy be made a disciplined, dynamic and efficient system capable of delivering the goods the common man has come to expect of it? How can the system be made to function even by and for human beings as they are – and are likely to remain – and not as they should be?

The following remarks about the prospects of democracy in Indian by the present writer in 1959 may not be entirely irrelevant

The addition of new adherents to the cause of secularism and democracy – as the extreme right and left were forced to move towards the centre – has rather diluted their original content For the influence of the new converts, who could not outgrow or reject their past thought and behaviour patterns, is tending to modify these concepts The debate about the futility of parliamentary democracy within the democratic camp has added to the confusion The crisis of democracy is mainly due to a crisis of confidence in the democratic ranks The Indian democrat is now not very sure of his own mind [109]

The triumph of democracy over authoritarianism in 1977 seemed to have

convert the whole nation to it in principle. But to the extent the concept of democracy is diluted and loses its precision in the process, its gain was offset to that extent. The triumph had also almost ensured it against threats from avowed outside enemies. Confusion within what claims to be the democratic camp about what really constitutes democracy and what are its constitutional, institutional and economic concomitants may pose a greater threat to it. Moreover, elements entrenched within the system, in its economy, politics and administration, interested in and capable of manipulating it to their group or personal ends, can still thwart the process of stabilisation of democracy in India.

Finally, democracy "is seriously threatened from within by perfectionists".[110] Totalitarianism, after all "was evolved into a pattern of coercion and centralisation not because it rejected the values of 18th century liberal individualism but because it had originally a too perfectionist attitude towords them".[111]

A fuller discussion on prospects of democracy in India would be beyond the scope of the present study. But perhaps having been forewarned, Indian democrats could forearm themselves. If the intelligentsia could turn its back on "the shabby trivialisation of the causes, the incidence and the consequences of the Emergency, in the form of most books available so far on the period"[112] and undertakes a more rigorous scrutiny of them – with sharper analytical tools – it might enable the democratic forces to take the situation by the forelock.

Notes

1 Told by the then chief minister of Jammu and Kashmir state, Sheikh Mohamed Abdullah, to the writer.
2 *Statesman*, May 7, 1977
3 Interview with Oriana Fallaci (Italian journalist). Quoted by Sasthi Brata in *Statesman*, June 26, 1977.
4 *Statesman*, June 26, 1977.
5 Interview with Ved Mehta in 1966 in *Portrait of India*.
6 Quoted by Uma Vasudeva, *Two Faces of indira Gandhi*, p 5.
7 Janardhan Thakur, *All the Prime Minister's Men*.
8 M O Mathai, *Reminiscences of the Nehru Age*.
9 Janardhan Thakur, op cit.
10 Arun Shourie, *Seminar*, February 1977, p 2.
11 Quoted by Promila Kalhan in *Black Wednesday*, p 149
12 Ibid, p 46.
13 Interview with Ved Mehta in *Portrait of India*.
14 Quoted by Kuldip Nayar in *The Judgement*, p 40.
15 Statement at a press conference on Novemebr 12, 1975.
16 Mathar, op cit.
17 Title of a book by T W Adorno and others
18 William Einstein in *Fascism*, p 15.
19 A D Gorwala, weekly *Opinion*, quoted in *Statesman*, November 6, 1977.
20 Balraj Puri, *Cross Section*, May-June 1974, p 24
21 Interview with Ved Mehta in 1966 in *Portrait of India*
22 *Secular Democracy*, July 15-31, 1977.
23 Ibid, Annual, 1976.
24 Ibid.
25 Reproduced in *Indian Express*, February 14, 1975.
26 Uma Vasudeva, *Revolution in Restraint*.
27 *Economic and Political Weekly*, September 9, 1972
28 Ibid.
29 Ibid
30 Preface to *Black Wednesday*.
31 *Two Faces of Indira Gandhi*, p 43
32 *Statesman*, December 30, 1975.
33 Minoo Masani, *Is JP the Answer?*, p 131
34 Ray's statement quoted in *Two Faces of Indira Gandhi*, p 41.
35 Ibid, p 40
36 Ibid, Preface
37 JP, *Prison Diary*, quoted by Ajit Bhattacharjea, *Statesman*, October 9, 1977.
38 *Hindustan Times*, January 26, 1975
39 Press interview on July 22, 1972
40 *The Times of India*, May 31, 1974
41 Pledge to eschew power politics and devote the remaining life to Sarvodaya Movement.
42 *Statesman*, January 24, 1975
43 *Radical Humanist*, No 46, January 1974.
44 Sachidananda Sinha, *Emergency in Perspective*, p 40.
45 *Is JP the Answer?* p 125.
46 *Hindustan Times*, August 25, 1974
47 *Prison Diary*, p 56.
48 On September 6, 1975, JP noted in his *Prison Diary* as follows: "There is no doubt that if the movement had not got mixed up with opposition parties, its character, its experimental utility, its educative value, its ability to enable the people to see their problems with their own responsibility to do whatever lay in their own eyes (not the eyes of the parties) and to think of their responsibility to do whatever lay in their power in solving their problems, to change themselves and change their material and social environment, and if they must offer peaceful resistance or non-cooperation in this process, to do so singly in groups or in 'mass' (i e, through a mass movement) would not have been compromised."
49 *Is JP the Answer?* p 103.
50 Ibid, p 110
51 Quoted by Balraj Puri in article 'Political System and JP', *Cross Section*, May-June 1974, p 25
52 *Statesman*, September 18, 1974
53 *Statesman*, September 3, 1974.
54 *Statesman*, September 18, 1974.
55 *Statesman*, September 3, 1974.
56 *Cross Section*, May-June 1974, p 27.
57 *Two Faces of Indira Gandhi*, p 2.
58 Quoted in *The Judgement*, p 32.
59 Sir Ivor Jennings in *Cabinet Government*.
60 Interview with *Daily Telegraph*, London, September 27, 1977.
61 D R and Kamla Mankekar, *Decline and Fall of Indira Gandhi*, p 33.
62 *Emergency in Perspective*, p 93
63 C G K Reddy, *Baroda Dynamite Case*, p 16.
64 *Statesman*, September 17, 1974
65 Balraj Puri (ed), *Revolution, Counter-Revolution*, p 45
66 S P Singh, 'The Cowards of Hindi' in *Sunday*, June 26, 1977.
67 JP, *Prison Diary*, p 1
68 Ibid, p 3
69 Op cit.
70 Quoted in *Emergency in Perspective*, p 3.
71 Shourie, op cit, p 45
72 *Statesman*, May 26, 1977
73 Ashish Nandy, *Statesman*, October 16, 1977.
74 Interview to *Trans-India*, New York, June 1976, released by Press Information Bureau in July 1976.
75 Ibid.
76 'Saint versus Sultana', title of a chapter in *Revolution through Ballot* by Aniruddha Gupta
77 *Statesman*, October 4, 1972
78 Quoted in *Decline and Fall of Indira Gandhi*, p 75
79 *The Judgement*, p 23.
80 Kuldip Nayar, *India after Nehru*, p 94
81 *Statesman*, November 4, 1977
82 *Statesman*, November 11, 1977.
83 Quoted by Ashish Nandy in the 'Psychology of Loyalty', *Seminar*, February 1977
84 *Prison Diary*, p 9
85 *Statesman*, September 17, 1977
86 JP, op cit
87 *The Judgement*, p 92
88 *Statesman*, November 6, 1977
89 C G K Reddy, *Baroda Dynamite Conspiracy, 1975-76*
90 *Emergency in Perspective*, p 93
91 Ibid, p 103
92 *Prison Diary*, pp 3-4.
93 *Two Faces of Indira Gandhi*, p 58
94 Ibid, p 183
95 *The Judgement*, p 24.
96 Reproduced in *Two Faces of Indira Gandhi*, pp 193-208
97 *Revolution through Ballot*
98 Hiren Mukerjee, *Portrait of Parliament*
99 Ibid.
100 *Statesman*, November 4, 1977.
101 *Statesman*, October 26, 1977
102 *Janata*, Novemeber 13, 1977
103 Lecture on 'Some Reflections on the Origins and Nature of Totalitarianism' at a conference at the University of Portland, Oregon, May 5, 1972
104 *Statesman*, October 17, 1977.
105 That the two concepts are not identical is also indicated by Giovanni Sartori He says, "Participation in the exercise of power does not necessarily imply individual liberty" *Democratic Theory*, p 257
106 *Statesman*, September 21, 1977.
107 Asoka Mehta writes in *Reflections on Socialist Era*, "Gandhi shared the Proudhian-Kropotkin traditions and Nehru opted for the social democratic path."
108 *Statesman*, September 17, 1977.
109 *Caravan*, New Delhi, April 1959
110 Giovanni Sartori, op cit, p 51.
111 Talmon, *The Origins of Totalitarian Democracy*, p 249
112 David Selbourne, author of *An Eye to India*, statement in New Delhi, *Statesman*, December 12, 1977.

Technology, Strategy and Competitiveness

Chiranjib Sen

Liberalisation and Industrial Development in the Third World: A Comparison of the Indian and South Korean Engineering Industries by Staffan Jacobsson and Ghayur Alam; Sage Publications, New Delhi, 1994; pp 256, Rs 275.

LIBERALISATION has changed the rules of the game for Indian industry, but it would be impossible to claim that the 'caged tiger' (the *Economist*'s graphic image for the pre-liberalised Indian economy), now free at last, has leapt into the competitive jungles of the global market economy. The 45 years plus industrial infant is still a cuddly cub. Meaner animals are prowling nearby, and threatening to invade the cage itself by taking advantage of the open door. Economic reformers believe and hope that the increased competition resulting from liberalisation will spur Indian industry to graduate from chronic infancy towards maturity. This book seriously questions the validity of this complacent line of thinking. Competition does not necessarily lead to competitiveness, much else is involved. This is the central message of this book. It argues that graduating from the so-called infant industry stage is far more complex than is implied in the simplistic view which puts the entire burden of inefficiency on protectionism. The global industry is itself changing rapidly It is a 'moving target'

For successful entry, the acquisition of technological competence is absolutely crucial, and so is the strategic positioning of these third world firms in the global industry that they seek to enter. And hence the continuing importance of appropriate policy. Alice Amsden, author of an influential book on South Korea (surprisingly not cited), noted the basic dilemma of industrial policy in developing countries. The technology gap between globally competitive Northern firms and those in the South has become so wide in recent decades that many developing countries face an uneasy choice between having inefficient domestic oligopolies propped up by protection, or having their domestic industries eliminated by global competition. The South Korean answer to this difficult dilemma was to seek a third alternative. They attempted to develop globally competitive industries even in the technology-intensive sectors. How successful have the Koreans been? How could they achieve what they have? What are the prospects of the Indian liberalisation? These are the questions on which this book tries to shed some light. It will interest those who believe that there is a need for national economic strategies even under liberalisation, and that building up national industrial capability through policy intervention is important even as developing countries globalise. This book will certainly go against the grain of those who argue that unshackling market forces is all that is needed, or that in the globalised economy the national identity of firms is irrelevant.

The distinguishing features of the book are two-fold. First, it distances itself from traditional economic approaches to trade and industrial policy, particularly with respect to the concept of infant industry protection so common in inward-looking industrial strategies. The theoretical stance adopted by the authors, is a so-called 'management perspective on the entry process', strongly influenced by Michael Porter and associates. This allows them to take a more nuanced multidimensional view of what 'infancy' of industry means, and to assess the transition process of firms more satisfactorily The key idea is that within an industry, and in particular a global industry, firm behaviour is not homogeneous. Industries are characterised by clusters of similarly behaved firms cutting across national borders ('strategic groups'), whose behaviour pattern is classified by Porter into four generic types The similarity of strategic behaviour is based on the acquisition of comparable levels of resources and capacities. Strategic group members compete along similar lines in such areas as sale volume, product diversification, R and D, marketing channels. In such a situation, when developing country firms enter a global industry, the authors argue, their maturation must be judged in relation to the capacities required to compete in the strategic group they seek to enter. To achieve a mature status, a firm must have comparable competitive strength with other members of their strategic group. Moving from one group to another is possible but involves a major shift in orientation and high costs. To flounder in between is not a viable proposition.

The second distinguishing feature of the book is a set of four comparative case studies of engineering industries in South Korea and India to which this framework is applied. The industries, examined are: hydraulic excavators, machining centres, integrated circuits, and plate heat exchangers The choice of industries is justified by the authors as follows: "Each of them is to some extent a core product. Excavators constitute the core of the construction machinery industry; machining centres are one of the most important machine tools; integrated circuits make up the backbone of the whole electronics industry; and plate heat exchangers are a critical component in a range of process industries."

A fair amount of information on these industries is compiled, and an attempt is made to analyse the entry and maturation process in the two countries. In each case, there is a broad review of the global features of the industry – which are the major international firms, what are the patterns of strategic clustering and behaviour in the global industry. The infant industry in the two countries is then compared against the relevant global group to get an assessment of their progress and prospects. There is a comparison of Indian and Korean efforts for each industry. Incidentally, there is really no contest at all between the two countries, the study shows. Patriotic Indians (who may be secretly hoping that in at least one engineering industry in the sample, India may have done better than Korea) will need to seek solace elsewhere.

Thus, the book sets itself an ambitious task. The main conclusions that it reaches are reasonable and point the way to sounder policy It is quite emphatic that the length of the maturity period is longer than generally believed, and even in the Korean case it cannot be said that the firms have managed to enter the strategic group which has been targeted. It is better for policy-makers to have a clear perception of what strategic group is targeted for entry, as entry barriers and the learning process involved is different between them. Otherwise, wrong choices in technology procurement, for example may be made.

Another unequivocal conclusion of the book is that with the growing importance of scale economies in global engineering industries, it is virtually impossible to attain world class efficiency levels without an export market. And further, this necessarily

ntails also a refocusing of R and D efforts It means that some degree of global sourcing is essential, together with a focus on some areas for product development It means also that a view of competition which is measured by the number of competing firms in an industry is mistaken and clearly *passe* They point out the contrast between India and South Korea in this regard In India, prior to liberalisation there was a strong demand for foreign technology collaborations as a source of new product technology At the same time a very large proportion of industrial R and D design engineers were tied up in achieving higher local content ratio in the succeeding stages This emphasis on readapting the wheel if not reinventing it however, came at the cost of in house product development With liberalisation beginning in the 1980s while technology flowed more freely into the economy the overall effect on R and D has been highly negative The possibility of marketing mainly assembled imported kits led to cutbacks in R and D activities, as design activities became irrelevant The share of private industry in total industrial R and D fell Meanwhile the lowered entry barriers succeeded in creating a fragmented' industrial structure, characterised by relatively small firms This may have benefited the Indian consumers by suddenly permitting access to a wider range of sophisticated imported products assembled domestically But this is detrimental to the long term positioning of Indian firms in the global industry For what is involved is 'not mere production skills which are required but a range of skills, such as R and D, design and production engineering skills With an accumulation of these skills a company can respond adequately not only to internal problems of a technical nature, but also to the constantly changing environment

Their gloomy conclusion In our interpretation the new Indian policy framework is so far, associated with the generation of a set of firms and industries which stand very little chance of progressing from an infant to a mature stage in terms of both unit costs and technological change capabilities

Because this conclusion has such serious implications for Indian industry, and supports a view quite prevalent in Indian scientific and R and D circles, the book must be read by those interested in the prospects of Indian industry It cannot be ignored because it has made its arguments based on painstaking micro level case studies, and not on ideological or nationalistic appeals Its conclusions will not please any particular interest group for it does not argue for blanket protectionism. It does not say that liberalisation is bad *per se* in fact quite the contrary What its findings call for is a strategic restructuring of industry, in a manner so as to build up competitive capacity via technological competence It calls for greater specialisation by Indian firms, and their exposure to international competition particularly in export markets The book maintains a distance from the burning issue of privatisation and makes no particular case for the public or the private sector Nor does it advocate an explicit stance on foreign direct investment

What about Korea? In this case the liberalisation phase began in the 1980s Prior to that the chief aim of policy was to establish production facilities and fast growth under protective conditions, though export orientation of some key engineering industries was always there The liberalisation phase laid great emphasis on the development of an adequate technology base Policies directed to this end included a national R and D programme R and D subsidies tax deductions for manpower development and preferential capital for investment in new technology These policies were crucial and the book argues that they have been successful Korean firms in the industries studied, while not yet full members of the relevant strategic groups, are well on the way Korean technology efforts during the liberalisation phase were reflected in dramatic increases in such as parameters as the share of R and D expenditure in GNP (which more than trebled between 1980 and 1990), in the share of private sector in total R and D spending (which rose to as high as 84 per cent from 48 per cent in the same period) and in the total number of researchers which almost quadrupled) Small wonder then that there was a decline in the propensity to use foreign licences, and foreign technology payments rose slower than R and D The authors conclude

It is thus clear that the Korean industry has taken some very large steps towards improving its technological base Judging from the micro studies and the aggregate statistics the reorientation of policy in Korea seems to have been successful (although the change in firm behaviour is not only due to liberalisation)' The contrast with India is quite obvious where the erosion of R and D capability particularly for product development and the growing dominance of foreign technology collaboration is the pattern

What made the Korean effort successful? The authors point to several factors They emphasise that the Korean firms in spite of protection were always compelled to have an international mindset perceiving themselves as part of the global industry The ambitious ones wished to become exporters and laid emphasis on in house product designing They also were able to

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concentrate their engineering skills on fewer products, using the international trade route more effectively to balance domestic demands and cost effectiveness, without compromising on technological capacity building They also characterise the Korean policy intervention as 'enabling', in contrast to the Indian 'restrictive' policy framework This refers to the creation of resources to support firms, steps to improve their risk taking ability, and helping shape their vision as international competitors There was also greater selectivity in Korean intervention with respect to protection When the Koreans shifted their policy stance towards greater competition from imports the resulting competitive pressure had a salutary effect on their willingness and ability to export

Why is it that competition from imports had the desired effect (unlike India) of moving Korean firms in the direction of acquiring greater international competitive capacity? Here Jacobsson and Alam make the following important observation which succinctly sums up the key argument of their book it needs to be emphasised that import liberalisation can only have a positive effect if there has been a prior building up of firms with resources of the type and character which make the entry into a chosen strategic group in the international industry seem to be within reach of the firms That is the response capacity of the firms and industries to a trade liberalisation depends on their previous learning experience A trade liberalisation must be preceded by policies which are designed to support the learning process

The major lesson which can be learned from East Asia Japan and South Korea in particular relates precisely to this aspect of learning in their industrialisation Their remarkable performance has stimulated a vibrant literature Some authors have placed this particular feature of 'learning' at the very core of their interpretation of Korean growth as the foundation of their success For example in Alice Amsden's well known book (*Asia's Next Giant South Korea and Late Industrialisation*) the first chapter is entitled Industrialising through Learning and the last chapter 'From Learner to Teacher At the same time there has been much discussion of why India has failed to impress A critical failure of the Indian model of industrialisation (according to Sukhamoy Chakravarty's *Development Planning The Indian Experience*) was India's failure to learn It is important to understand why this disparity has occurred in the two countries which appeared on the surface to share a similar mix of state intervention and market processes Thus this book addresses a very central and relevant issue It is a welcome addition to that stream of the literature, which argues for a pragmatic and non ideological approach to liberalisation According to Jacobsson and Alam, "trade liberalisation is but one step in a long process of fostering infant industries" And to conceive and carry through these policies there has to be adequate administrative capacity

We have dealt at length with the relevance of the themes dealt with in this book, and the significance of its findings for India We shall conclude this review with an assessment of the book's main strengths and weaknesses The major strength of the book lies in the micro-level case comparative studies of similar industries in India and Korea In each case, the authors analyse by turn the salient features of the global industrial structure and its strategies groups followed by an analysis of the structure strategic orientation, and relevant policies affecting that industry in the two countries This is a very painstaking and time consuming task, but it is essential to give this type of empirical grounding to the liberalisation debate It certainly deepens the reader's understanding of the divergent industrial and technological trajectories of the two countries in a concrete way This constitutes the main reason why the book ought to be read

There are however certain weaknesses to which attention should be drawn The book comprises of 10 chapters grouped into four parts The first two parts are devoted to the Introduction and a general discussion of government policy for the Korean and Indian engineering industries Part 3 is the heart of the book consisting of a mirco level analysis of four infant industries in Korea and India The concluding Part 4 is made up of generalisations synthesis and policy conclusions. Stylistically, the book reads like a penultimate draft It conveys an uneasy impression that some 'overview chapters' have been grafted on to the core micro-case studies The theory and the empirical treatment are not fully integrated, and as a result the empirical discussion sometimes ends up seeming descriptive For example, the assignment of different firms to the different strategic groups sometimes appears to be based on anecdotal evidence The reader might feel more convinced if there were some rigorous testing of the conformity of firm behaviour with the generic strategic type Part 2 is the weakest segment of the book Here the authors try to provide readers a broad overview of the evolution of Korean and Indian industrial policies This discussion is very sketchy, and not too illuminating Another weakness (in Part 1) is the book's inability to take adequate note of the more recent literature on the role of the state in east Asian industrialisation, of which lately there has been quite a spurt It therefore fails to situate its findings in the literature of which it forms a part namely the literature on the institutional approach to comparative advantage Finally in relation to relevance of the empirical material for the current debate on Indian liberalisation, it should be mentioned that the case studies refer to the 1980s Given the fast changing policy structures in the 1990s this is a drawback for a book published in 1994 on such a topical subject This may give an excuse (to those who would disagree with its main premises) to disregard the book's recommendations

To sum up, this is a book worth reading for readers who are interested in industrial and technological policy and who do not believe that liberalisation should stop at decontrol It should stimulate researchers to undertake similar in depth micro studies of industries situating them in the global strategic context

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ADMINISTRATIVE OFFICER

Negotiating Within Patriarchy

Susan Visvanathan

Women as Subjects edited by Nita Kumar, Stree and Book Review Literary Trust, New Delhi 1994, Rs 150

WOMEN AS SUBJECTS is a non controversial book on the question of gender analyses in Indian ethnography The lack of polemic makes for safe almost familial reading Nothing in it could ruffle functionalist sociologists with pre conceived notions about the biases of feminism and its impact on value neutral sociology Women's Studies clearly is here to stay This book is about the stability and order of patriarchal systems and how women have been able to negotiate within it find positions of power and privilege complementary to masculine structures The first essay by Ann Gold and the last essay by Nita Kumar are somewhat different however from the other essays

Gold's essay shows how women's power is expressed through shakti but constantly controlled by men It shows that in some contexts women have been able to subvert masculine discourse by being sword wielding themselves The section Hadi Rani Beheads Herself' expresses the finality of women's protest When her husband defers going to war till the morning out of his desire for her Hadi Rani chastises him He asks her for a remembrance of her fidelity, she sends him her head Yet what is it for but to support masculine concepts of valour and war?

Progeneity and aggression the archetypical symbols of feminism making their entry into the classroom in India! By beginning with the strong and violent myths of Hindu sexuality the radical tones of feminist theory seem to be asserted Not just heads but genitals fly about and yes the conclusion remains that of male domination male-power male assertion The last essay by Nita Kumar is also in this mode although quieter It looks at the way in which Agarwal education for women in Benares establishes the non existence of women's voices in pedagogic records Both Gold and Kumar's essays are reminders that Women's Studies must continue looking at wounds if the journey is to continue It is not going to be easy after all one must have a vocation to delve into pain or what someone called a preoccupation with menstrual blood, sweat and tears Neutrality and dissection are extremely ambiguous terms in social science Both essays one by being flagrantly exotic erotic and the other by going into the most mundane notes on women's education make this point very clearly They are not activist, but in the Weberian sense their biases are clearly stated

The other essays in the volume assert the contribution gender studies make to a holistic sociology After all there is no doubt that whether it was caste or village studies, whether it was about hierarchy or landownership, masculinist terms of discourse operated Since women were invisible anyway, it contributed to the seeming objectivity of analyses It is only very slowly that some inroads have been made into breaking down the conventional conceptual hierarchies of sociology in and about India

It is this subjecthood of women that the essays in the book attempt to upset Gloria Raheja analyses the language of proverbs, songs and laughter of women in two villages in Uttar Pradesh She shows how patriarchal structures dominate, but women express the consciousness of subjugation through songs and proverbs of derision It is not subversion It is a finely tuned form of self consciousness and feminine awareness It takes away the violence of passivity or unthinking acceptance To say that 'we know and you know that what you do is about hierarchy and power' is to express an opinion That's what women have as a minimum option, and anthropologists have shown how often women find the space in which to articulate their experience of truth and emotion

Gail Minault has an essay on the swear words used between and amongst women in a 19th century Zenana The recorder of these insults are two Maulvis who take upon themselves to reform 'begamati zuban' Women, it would seem are the keepers of language and customs that the Maulanas feel are detrimental to purist interest Yet what Minault contributes is the sense of the laughter under situations of domination Separatist feminists may see a grave problem here but if feminism is not to be the mirror opposite of masculinism then Minault's essay and that of Patricia Jeffrey and Roger Jeffrey are of great significance

Jeffreys essay focuses on the Jats of Bijnor and considers the problems of literacy, autonomy and reproductive choices, including marriage and contraception They come up with the interesting comment that literacy doesn't always give women the advantage that reformers believe it must They cite their informants in some detail, and most of them say that whether a woman is educated or not, she is still relegated to the kitchen In an agrarian society, these women express their bondage to male kin fathers, husbands sons, and it seems as if they have no freedom at all To kill one's desires or thoughts seems to be the recurring theme here and the mode by which women survive in the complex situations of patriarchal joint family life The authors of the essay do provide alternative glimpses of women who've lost out on education and autonomy but believe their daughters will have a different destiny

William Sax shows how the songs of Garhwal represent Nandadevi in her many drunken, naked, warrior. Sax analyses this multiformity as corresponding to different points of the female life-cycle, where sexuality and danger become conjoined, and energies must be bound through sacred rituals and social conventions He handles the ambiguities of erotic and childless 'mother' goddesses with great ease and shows how myths and proverbs coalesce, and become the way in which men handle the complexity of their relationship with women William Sax represents the encounter between the two sexes as continually shifting, transitory and transformative This theme of the actual relationship between men and women certainly needs more careful handling and more detailed analysis by anthropologists Sax's contribution is significant because it shows how important a man's perspective on issue's concerning women is It is this dialogicity that will allow us the possibility of realising Marcel Mauss' dream of a total social fact'

Leslie Fleming handles the problem of women's liminality in some detail The essay looks at Cornelia Sorabji, an elite Indian Christian of Parsi origin She never married, but represented princely and high caste widows and orphans in litigation She did not challenge masculinist order outright 'but challenged men's abuse of women's rights within those structures thus achieving incremental changes for these women' Kripabai Sathianadan and Pandita Ramabai are also analysed by Fleming as two women who stood on the borders of the British and Indian worlds and negotiated carefully in the narrow passages that society allowed them

This book is useful because it has a certain theoretical tranquility about it No one needs to shout here to be heard – the point is made very correctly all the time It reminded me of Virginia Woolf's characters, many of whom describe their own lives with propriety and in pain while Woolf's political tracts and biography stand apart from the people she created Yet each of her characters is a symbol of the time, and makes sense of her life in the cabin spaces society provides Nita Kumar and her colleagues seem to be doing just this

The steadfastness of their position thus projects a certain quality of anthropological objectivity Women's perspectives, they seem to argue, is as valid a stance to look at reality from as Marxism or Functionalism Methodologically, then, women are not subjects in a disprivileged sense, they can become the definers of discourse More scholars, who are sure of their gender identity like William Sax and the novelist Peter Hoeg are necessary in the field, so that the discourse retains the multifacetedness which is the characteristic of sociology Gender studies cannot remain in a women's closet, and all theoreticians of inequality need to understand why a singer called Aurora on Music Television said "How is it women tend towards demographic majority all over the world but are treated under minority issues?"

Economic Reform and Ecological Refurbishment

A Strategy for India

J Mohan Rao

In a previous article the degraded state of India's environment was documented but the view that growth per se is the culprit was rejected. This article presents the case for an alternative economic strategy to SAP—needs oriented economic and ecological development or NFED which directs economic reforms to the fulfilment of basic needs, employment expansion and to a measure of environmental restoration and protection. Decentralisation and debureaucratisation of the public domain are advocated but class and regional inequalities are recognised as formidable obstacles.

IN an article published in a previous issue of this journal [1] we documented the broad contours of the degraded state of India's environment. Although degradation is doubtless related to the growth of economic activity and of population we rejected the view that growth *per se* is the culprit and its implication that growth must be halted. The flaw of the development model adopted in India arises not from its alleged thralldom to the so called western model but from its failure to produce economic growth suited to fulfilling the needs of the vast majority of Indians. The reckless resource intensity of growth and the social conflicts it has engendered are also ultimately related to this failure.

In this sequel we employ the analysis and results of the earlier article as the groundwork for examining alternative economic strategies. Since the crisis of 1991 the structural adjustment programme (SAP) adopted by the government has ushered in major changes in business as usual though none of these is explicitly aimed at environmental concerns. The first part of the following section the following is devoted to a brief consideration of these changes and their portents for India's ecology. The rest of the section constructs a case for an alternative to SAP - needs-oriented economic and ecological development or NEED – which directs economic reforms explicitly to the fulfilment of basic needs, employment expansion and to a measure of environmental restoration and protection. In addition to providing theoretical reasons for large areas of complementarity among economic growth (properly reckoned), equity and ecological refurbishment, we list priorities for environmental action for the coming two decades. The list is offered not as a blueprint but as a complement to the macroscopic and strategic focus of the paper.

Section II addresses critical opportunities and problems in the implementation of NEED. In joining the growing chorus of voices for effective decentralisation and debureaucratisation of the public domain (both politically and economically) we point out how NEED can exploit synergy in implementing programmes of employment creation, basic needs fulfilment and ecological reconstruction. At the same time it is noted that class and regional inequalities pose formidable obstacles to actually doing so. All the same, substantial devolution of powers to the people is advocated together with some elements of joint management, in terms of both authority and responsibility between decentralised institutions and state organs. Finally we briefly touch on the use that NEED can make of markets and prices. Market based instruments may be effectively used to finance redistributive transfers that NEED will require. In some important areas these can also be designed to cut down environmental degradation 'from above'. In yet others however such interventions if they are not outright counter productive to the goals of NFED may nonetheless produce difficult tradeoffs between social equity and efficient environmental restoration (or equity and growth).

Section III is a preliminary sketch of the macro-economic requirements and implications of NEED. Using a functional classification of economic activities into infrastructure, environment, non market basic needs, safety nets and a residual sector, we use the government's Eighth Plan document, in conjunction with assumptions that are more or less justified, to provide a rough estimate of currently planned outlays in both private and public domains for each of these sectors. This is followed by a reallocation of outlays to reflect (in very aggregative terms) the priorities of NEED. This allocation is also cross-classified organisationally into private, public and people's sectors to incorporate the proposed decentralisation of decisions and actions under NEED. We then draw out the main macro implications of NEED – for public finance, budgetary transfers, overall resource mobilisation and the external balance.

I
Needs-Oriented Economic and Ecological Development

In response to mounting internal and external debts and a massive payments crisis in 1991 the government of India initiated the structural adjustment programme (SAP). Although the reforms and even the crisis itself eventually came to be rationalised in terms of the growth constraint located in a dirigiste policy regime, this is hardly compatible with a decade of piecemeal reforms that preceded the crisis. At the very least, SAP implicitly acknowledges the unsustainability of growth achieved in the 1980s – unsustainable not in ecological but in fiscal and foreign exchange terms. The next section is devoted to an environment-oriented prognosis of the likely effects of SAP. The rest of the section constructs and defends NEED as an alternative strategy and considers institutional issues connected with its implementation.

SAP

Economic policy changes since 1991 undoubtedly mark a major attempt at redirecting India's economic fortunes. However, nothing in SAP suggests any explicit changes in environmental policies or regulations, many of which were instituted in the second half of the 1980s under pressure from the environmental movement. This does not imply, however, that it will remain business as usual so far as the environment is concerned. The impact on the environment is not invariant across policy regimes, nor will growth performance be independent of the environmental state. Trade and exchange liberalisation is the key driving force behind SAP. Since renewables are underpriced in the *status quo*, renewables-intensive production – forest products, some food and cash crops and many polluting industries – will gain from the hidden subsidies and likely show up as exports [Lele 1991] [2].

In meeting the export imperative much hope is reposed in liberalisation of

agricultural prices, trade and agro-exports including cereals, processed products of horticulture, and fish. If fulfilled, this is likely to produce a conflict with domestic needs for food, fibre and fish. Many states are in the process of reversing land ceiling laws to pave the way for the development of corporate farms, fisheries and plantations. Unless strict environmental regulations are adhered to and the growth confined to limited areas consistent with land use plans that place basic domestic requirements and people's livelihoods at the top, agri-business is likely to increase the strain on land- and water based rural production.

There is another object of trade reform – to induce efficiency in many moribund industries via competitive pressures. If successful then India may be able to export high technology and manufactured goods. This is not the place to evaluate the merits of this case.[3] But we can be certain that the pressures on many Indian industries to restructure will leave them with little patience for environmental niceties. Problems of non-compliance with standards will grow and the pollution control boards may find their limited enforcement capabilities sorely tested. As Taylor (1992) argues, there are serious conflicts between liberalised trade and environmental standards. India together with many other poor countries of the world may find dirty industries being added to its list of sectors (such as sweatshop manufactories) with 'comparative advantage'.

Timber is one area where liberalisation may swing things the other way. Import liberalisation produced a four fold rise in imports including pulpwood between 1986-87 and 1991 [World Bank 1993]. But we have already noted that with the right conservation and afforestation policies, India's forest yields could be raised. The more general point is that trade liberalisation must limit the possibilities of using trade policy as a pro-environment tool. It is one thing for an LDC to use trade to optimise its own environmental objective but quite another for it to accept the environmental implications of liberalised trade. SAP obliges planners to forego the one and to be resigned to the other.[4]

A second major thrust of SAP is deregulation, privatisation, knocking subsidies off and generally getting the state out of the economy. On the one hand, given the compulsions of India's political economy, much of this is as yet pious hope and, on the other, indistinguishable from mere fiscal belt tightening. On the third hand, for two do not suffice even if they should come to fruition and do wonders for growth, they do not bode well for the environment. First, it is most unlikely that pollution control and environmental restoration expenditures will rise above their present measly levels given a strategy wedded to trickle-down and maximising the profit incentive. Second, with the (much-needed) dismantling of licensing, the responsibility for pollution monitoring and control has been shifted largely to the wholly inadequate mechanisms of state and city governments as part of their physical planning mandate [Sivaramakrishnan 1993 volume 1]. Third, the unscrambling of subsidies is unlikely to release funds in ways that will hurt the rich and the powerful rather than the poor. Environmental deterioration from below may then get exacerbated.

The point just made brings us to the prospect for employment and basic needs fulfilment. Labour force growth, which slowed in the 1980s, will accelerate in the next decade or two. Although the withdrawal of children and young persons will continue, the share of the working-age population will rise and women's labour force participation will also rise [Government of India 1992a volume 1]. Even if formal sector growth should accelerate, the decade ahead will probably replicate the 'jobless growth' pattern (within the formal sector) of the 1980s on account of a shrinking public sector and a private sector undergoing restructuring. Employment will have to be generated essentially in the unorganised sector. With respect to this sector, the liberalising 1980s have seen two contrary trends. One is a quickened pace of employment growth in the small scale and informal sectors, partly aided by continuing labour market barriers in the formal sector and attendant sub-contracting. While this trend can be expected to continue, recent moves to dismantle directed credit with subsidies may well hurt the employment intensive small sector. Should the structure of industrial output shift on balance away from informal to formal enterprises, this would present an unpleasant tradeoff between employment and the environment.

In all, the environmental pluses of SAP appear dwarfed by the minuses. Even if growth expectations are realised, the employment picture looks murky at best. The subsistence and resource based economy of the poor will be left to its own devices (or worse). Any growth that manages to trickle down with customary state help is all there will be to lessen the backlog of unsatisfied basic needs. The growth optimists promise in the next couple of decades what might have been realised in the past four – raising the masses of India's poor at least to the level where their basic needs would be fulfilled. But in the familiar bargain favouring growth 'over development', both human welfare and environmental health have been sacrificed (and, some would say, growth itself has been lower than it might have been). Alternatives must be found that do not, once again, gamble at the expense of the poor. That way also lies the best hope for restoring the withering environment.

NEED

> The rich seem to be getting richer, the poor more marginalised. Development priorities appear to have been reversed. The philosophy of first things first or antyodaya – the principle of addressing the last person first – appears to be standing on its head. This is the ultimate negation of Gandhi and all that he symbolises [Jain 1987 21].

Whatever view one may take of Gandhi's moral philosophy concerning the limited standing that material consumption ought to have in human well being, at the present juncture in India a powerful case can be made for an economic strategy that is Gandhian in spirit without necessarily affirming 'Gandhi and all that he symbolises'. The strategy will accord the highest priority to (a) the fulfilment of basic needs, (b) the creation of employment that will be virtually guaranteed as an individual right, and (c) the enlistment of people's efforts in refurbishing the environment. Such a strategy, we wish to argue, makes good economic and environmental sense over and above its ethical appeal. We may call this 'instrumental Gandhism' and choose to distinguish it from 'philosophical Gandhism'. But given the multifarious connotations[5] that Gandhi's name evokes, it is simpler to call it 'NEED' (needs oriented economic and ecological development).[6]

NEED is centred on the inter-related goals of basic needs (BN), employment and environmental restoration. Its ethical justification may be founded on 'antyodaya' or equivalently on Rawls' *maximin* principle. Whereas achieving a significant measure of social equity will be a *sine qua non* of NEED, economic growth may be its fallout, not its prime mover.[7] Nevertheless, NEED envisages institutional and policy changes in favour of equity and environmental restoration, not just as marginal correctives of market inefficiencies but as critical inputs for growth itself. Its economic justification is based on the belief that combining BN and environmental restoration rather than pushing economic growth is the low cost route to both – costs reckoned not only in terms of investment and foreign exchange but also in terms of uncertainty, irreversibilities and uncertainties attached to economy-environment interactions favour prudence. Operationally, this means minimising the time required for the demographic transition on the one hand and for meeting basic human needs on the other.[8]

BN may be classified in terms of the mode of production and/or distribution of the relevant goods and services – market, individual subsistence activities and public/collective provision. A somewhat different categorisation, the one adopted here, is in terms of private goods (food, fuel, clothing, housing), quasi-public goods (drinking water, sanitation, health, education, land for

housing) and public goods (clean air) Quasi-public goods, though not public goods in the Samuelsonian sense, are subject to significant scale economies, externalities and transaction costs that typically require, especially in a poor economy, that their provision and management are in the public domain We should note in passing that BN standards – certainly for housing but even for nutrition - are not easily defined ' This is not, however, an insuperable obstacle

Though we treat employment and environment together with BN as the goals many would argue that only BN constitutes human welfare, employment and environment being merely instruments for furthering welfare This is of course debatable but that is not the tack we wish to take Rather, we believe (i) that employment is critical more so in a poor capitalist economy where a social wage is all but absent than in a rich one to the acquisition of purchasing power for meeting BN satisfied by private goods and (ii) there is a high degree of complementarity in both policy design and implementation between BN provision and environmental restoration Choices and actions under NEED must be governed by minimising costs for set standards By far the most difficult part in elaborating these is the setting of environmental standards – a task that we address in this paper in only the broadest terms

Complementarity

We begin by noting the direct links of complementarity and then address the indirect ones Some BN are also defining elements of the environment Improved access to drinking water and sanitation constitute environmental improvements The satisfaction of these needs removes some of the most pernicious negative externalities on health and productivity Better land use planning in rural and especially urban areas designed to meet the land requirements of housing can similarly promote a healthy living environment and reduce slums Secure and low cost availability of fuels that are safe for health can similarly restrict encroachments on forests and commons

While some BN are best satisfied in the public domain an unemployed or underemployed person lacking sufficient income will soon find herself unable to satisfy some of her most pressing needs including food Even BN services rendered in the public domain such as schooling and health care require complementary private expenditures of time and money But the converse is also true, i e, a person whose BN are satisfied will be more employable and more productive as a worker healthy and educated people also generate health and knowledge externalities for others

NEED also offers about the best chance for the steady and rapid expansion of employment opportunities This is especially so at the present juncture when industrial and trade reforms otherwise necessary for efficiency and fiscal savings are likely to diminish job growth Massive employment could be created through activities aimed at the restoration of the ecological infrastructure, including forests land, and water resources, through employment guarantee schemes [10] This will have multiplier effects on employment and incomes particularly if the poor have the right to use the assets created [van der Hoeven 1992] [1]

Reduced population growth is an important vehicle for complementarity within NEED Following the discussion in the previous paper we assume that it is desirable to limit the growth of numbers chiefly for ecological reasons This will also ease the required rate of growth of job creation As per the Eighth Plan's long-term projections [11] population is expected to be about 1208 million in 2 013 or 1 38 times its present size of 876 million at an annual growth rate of 1 62 per cent (Table 1) The plan also anticipates the economy to grow under an SAP initiated trajectory at about 5 62 per cent per annum to about 2 98 times its present size

The Eighth Plan projections are already premised on the assumption of unprecedented future success in achieving population control In fact comparison shows that India is projected to enjoy the same growth rate that Kerala had during the past two decades Kerala's annual rate of population growth was 1 92 per cent in the 1970s and 1 28 per cent in the 1980s or an average rate of 1 60 per cent for the 20 year period only slightly lower than the projected rate for India as a whole

We do not doubt that Kerala's population trajectory could be replicated by the rest of India over the next two decades What we find implausible is that it could be done with business as usual Kerala spends over half its budget on education and health Elsewhere the dysfunctional devotion to the family planning component has had a catastrophic effect on healthcare [Antia 1992 44] Unless expenditure priorities in the problem states and at the centre are changed substantially, the replication of Kerala's experience must remain out of reach An increased total and altered composition of expenditures in the social sectors will be needed because infant mortality, female literacy and job opportunities for women are the crucial determinants of birth rates The fact that the effective demand for reproductive control is significantly lower among the rural and below poverty groups also points in the same direction Thus the aforementioned population projections could/would be supported by the reorientation of policies and expenditures envisaged under NEED

With business as usual and population growing at, say 2 0 per cent annually, the 2013 population will be 1302 million or nearly a 100 million larger than the NEED-based' projection This is not a small difference from the viewpoint of reducing pressures on the environment especially as much of the difference will be concentrated in the states which are presently suffering from low human development indicators as well as severe ecological problems

Pro-environment and pro equity (including BN) policies are often feared to

Table 1 Population Projections (VIII Plan)

Period	Birth Rate	Death Rate	Population	Growth Rate
1961 71	41	19	548	2 20
1971 81	37	15	683	2 22
1981 91	33	11	844	2 12
1991 2013	21	7	1208*	1 62
1991 2013			1302	2 00

Note * Extrapolated from the year 2007
Source Government of India (1992a)

Table 2 Combined Outlays VIII Plan

(*Rs crore*)

	State Sector	Market Sector	Total
Infrastructure	2 26 964	49 038	2 76 002
	(26 1)	(5 6)	(31 7)
Environment	39 906	5 776	45 682
	(4 5)	(0 7)	(5 2)
Non market BN	50 302		50 302
	(5 8)		(5 8)
Safety nets	47 533		47 533
	(5 5)		(5 5)
All other	69 393	3 82 186	4 51 579
	(8 0)	(43 8)	(51 8)
Total	4 34 098	4 37 000	8 71 098
	(49 9)	(50 1)	(100)

Note Figures in parenthesis are percentages
Source Government of India (1992a)

detract from economic growth. This issue needs to be considered at two levels. The first concerns proper accounting. Conventional national income accounting counts pollution abatement expenditures as part of GNP and makes no allowance for the depreciation of unpriced natural capital or the cost of unmitigated pollution. Likewise, it weighs each rupee equally regardless of who receives it or what it is spent on. Even supposing that NLLD will reduce growth as conventionally measured, this need not imply a reduction in welfare as measured by income properly adjusted.

At the second level we must confront the growth implications (as conventionally measured) of NEED. Other things (equity, BN, natural capital) remaining the same, we argued earlier that income growth is broadly desirable both for raising consumption and to improve the environment. It is time now to look at the growth environment links more closely.

Traditionally the optimal growth problem with a labour surplus has been analysed on the twin premises that employed workers must be paid an institutionally set wage and that wages are wholly consumed. Under these conditions the saving rate cannot be directly optimised (through fiscal policy for example) and the capital labour ratio emerges as the control instrument [Marglin 1976]. Given the stock of (physical) capital, increased current employment or labour intensity reduces saving and growth. Depending on the discount rate, the social optimum requires current employment and output to be raised above the market level (to favour the present) and reduced below the unconstrained level (to favour the future).

A parallel formulation of the debate over sustainable development is possible. First assume that output is determined by labour and stocks of physical and (renewable) natural capital. Second suppose that difficulties in directly policing the environment preclude the first best optimum. Then restraining current output may be necessary to limit the resource intensity of production, i.e. to let natural capital renew itself. The lower the social discount rate, the lower must current output be, at the constrained optimum.

Neither formulation is adequate to the present discussion. The first one ignores natural and human capital formation while the second ignores unemployment and human capital. Observe first that the addition of human capital (or BN broadly) that is undersupplied by the market effectively places a premium in the first model, on current consumption as conventionally measured in national accounts (provided it is of the right sort and in the right hands). Even without the complications of natural capital, this is the basis for promoting BN. Second, if such human capital is complementary to natural capital, a similar premium arises in the second model as well. Third, the premium on human capital (or current output) in the second model is raised further if there is unemployment, and additional employment adds to the fulfilment of BN. Fourth, if increased BN fulfilment reduces unemployment by reducing the growth of population, this raises the premium still further. In short the unified model with the stated assumptions favours the promotion of basic needs and employment in order to (1) directly increase productive capacity and (2) indirectly protect natural capital from inadequate regeneration. On these grounds, it may be argued that NEED is the valid policy even if growth is the goal.

That the market undersupplies (certain kinds of) human capital and that reduced unemployment augments human capital are not assumptions open to doubt in poor countries. In a previous section we have argued also that increased BN fulfilment reduces population growth. But why should human capital and natural capital be assumed to be complementary? The main justification is as follows. When people (the poor or unemployed) have little access to the capital available in the organised or market economy, they meet their most basic needs as best they can through (more or less unpoliced) subsistence activities.

> The poor live within a biomass based subsistence economy all their fundamental needs (food, fodder, fuel, firewood, cowdung, crop wastes, fertilisers – dung/manure, leaf litter, building materials, timber, thatch and herbal medicines) are collected (*often freely*) from the immediate environment. To these may be added water which though not a biomass itself is biomass related and crucial for survival. (CSE 1985, emphasis added)

To be sure, this need not, in and of itself, destroy natural regeneration. We have seen how the growth of population, the enclosure and expropriation of the resources of the poor under the combined onslaught of technology and the organised market economy, and the breakdown of traditional community – in brief, the marginalisation of the poor – renders their self-provisioning activities destructive of natural capital. So long as these conditions continue to marginalise them, natural capital must degenerate. Conversely, when their needs are met by the organised economy so that physical capital substitutes for (at least some) natural capital, the degeneration is reduced if not halted.

Our argument is not that meeting BN through the organised economy is not destructive of natural capital. This may or may not be the case as argued earlier much depends on institutions, policies and the wealth distribution whose influence is only visible when 'natural capital' is disaggregated. Our argument is simply that under certain institutional conditions subsistence becomes differentially more destructive (or less constructive) of the natural environment than the organised economy. The differential is to be explained not only by differences in production technologies (higher intensity of physical capital and scale economies in the use of natural capital in the organised sector) between the two modes but also by differences in policing technologies.[13] Nor should our argument be construed to imply a purely technology based solution. The rehabilitation of marginalised people will have to confront the very institutions and property relations that have marginalised them.

TABLE 3: ENVIRONMENTAL EXPENDITURE BASED ON WDR 92 AND WIDER

	Mid 1990			2000	
	LDCs	India	Share (Per Cent)	Env Expenditure ($ billion) WDR 92	WIDER
Population (m)	4 146	850	20 50	14 35	16 81
Area (000 sqkm)	78 919	3 288	4 20	2 94	3 44
GNP ($ b)	3 482	255*	7 30	5 11	5 98
Equal weights			10 67	7 47	8 74
	Relative Expenditure Equal Weights				
	Mid 2000		Env Expenditure		
			WDR 92	WIDER	
Population	1 006		$7 43	$8 69 (per cap)	
Area	3 288		$2 272	$2,658 (per sq km)	
GNP $ b (at 5 5 per cent pa)	436		1 71 per cent	2 00 per cent (share)	
	Relative Expenditure Population Weights				
	Mid 2000		Env Expenditure		
			WDR 92	WIDER	
Population	1 006		$14 26	$16 71 (per cap)	
Area	3 288		$4 364	$5,113 (per sq km)	
GNP $ b (at 5 5 per cent pa)	436		3 30 per cent	3 86 per cent (share)	

*PC GNP is taken to be $300

Source: Based on data in World Bank (1992) and Jayawardena (1991).

Finally, we must explain why we consider equity to be a sine *qua non* of NEED For one thing, NEED will require additional fiscal or other ways of using the income of the rich to pay for redistributive tfansfers and to finance the public domain For another, our analysis is consistent with understanding degradation 'from below', in Myrdallian terms as the 'backwash' effects of inequitable growth whose spread is narrowly limited Equitable growth will be necessary to establish a more efficient margin between forced degradation from below and wanton degradation from above by arresting these backwash effects Furthering equity in the present is critical to fostering equity between the present and the future In the medium term, equitable growth is green growth, in the long term, this can also mean a higher rate of sustained growth

Priorities

Taking our preceding analyses of both environmental experience and strategic alternatives as a basis, this section suggests a list of priority environmental actions for the coming two decades The list is, for the most part, qualitative in character Available evidence on the investment and operating costs of various actions, their employment potentials and efficacy in terms of environmental indicators is skeletal and fragmentary Nor are there extensive studies of the health and productivity benefits of various pollution abatement and resource regeneration options While effluent and emission standards for various industries or sources are around they do not add up to standards for water or air quality Natural resource accounting has barely made a beginning in India [see IGIDR 1992]

The list of environmental priorities that follows, supplemented by BN priorities, is offered not as a blueprint but as a complement to the central analysis of the paper which is strategic and macroscopic It is fairly close to the itemisation in a statement prepared for UNCED [Government of India 1992b]

Employment + Basic Needs	food, clothing, housing, health, education, land for housing fuel drinking water, sanitation clean air
Environment	population biomass and forest regeneration soil-water conservation and agriculture irrigation and flood control urban habitats energy options

Environmental priorities listed above merit more detail which is provided in the rest of this section leaving the discussion of investment allocations for a later section

(i) *Population*

Although listed as a 'high priority', population control will be a fallout of NEED rather than a major area for public expenditure, at any rate, nowhere on the scale proposed by the World Bank (1992) or by WIDER [see Jayawardena 1991] [14]

(ii) *Biomas and Forest Regeneration*

A realistic target for the forest area in 2013 as a share of total area would be 30 per cent or 100 mh, which implies afforestation of 36 mh over a 20 year period Of this 26 mh can come from wastelands already recorded as forest areas, the remaining 10 mh could come from afforesting a quarter of all presently unproductive non-forest areas Forest growth at about 2 2 per cent per annum will not be much above the expected growth rate of population after allowance is made for conservation forestry While non fuelwood demand is bound to grow faster than this, this should still leave enough room to meet most demands including fuelwood needs Nonetheless with technical inputs and better management, there is considerable potential for raising forest yields With such efforts, it would become possible for India to have a stable forest cover and yet have a surplus of timber for export

Provided the growth of the cattle population can be kept at or (ideally) below past rates the growth of agricultural residues can be made to bear an even larger share of the burden of fodder demands than they presently do With local efforts at rehabilitating grazing commons, it would appear that the fodder requirements of the country can be adequately met while, at the same time, containing grazing pressures on forest areas

In one sense, the arithmetic above is misleading Fodder fuelwood and biomass generally are not notably tradeable goods Hence, the key difficulty will be growing biotic pressure in the more backward agro-climatic regions Great migrations are probably not on the cards Hence land-based production in these regions are going to need substantial public expenditures and subsidies to support the required growth

(iii) *Soil Water Conservation and Agriculture*

The immense problem of soil erosion and land degradation must be attacked with both curative and preventive measures If all of the degraded agricultural land (85 mh) is targeted for refurbishment the annual recovery rate works out to about four mh a year On grounds of efficiency, it would be proper to first target the water logged (six mh) and saline lands (seven mh) in irrigated areas where the returns to reclamation will be highest

On the preventive side, protective and productive combinations of soil and water conservation efforts are called for Micro watersheds for the more fragile and water stressed soils of the semi arid regions will have to be a top priority Watersheds in flood prone areas and soil conservation in upper catchments are also needed to reduce damage by floods and the silt load in rivers Afforestation everywhere will be a necessary part of these efforts

There is no viable alternative if food needs are to be met, to the current model of high input agriculture But Indian land yields remain very low by world standards relative to non land inputs Efficiency in the use of water and other inputs will become increasingly necessary to ensure sustained growth in the irrigated regions such gains

Table 4 Allocation of Combined Outlays SAP versus NEED

	States	Communities	Markets	Total	Change
			(Per Cent of GDP)		
Infrastr					
SAP	6 6		1 4	8 0	
NEED	6 6		1 4	8 0	0 0
Environ					
SAP	1 1		0 2	1 3	
NEED	1 1	1 0	0 4	2 5*	+1 2
Basnds					
SAP	1 5			1 5	
NEED	1 0	2 0		3 0	+1 5
Sfty nts					
SAP	1 4			1 4	
NEED	0 7		0 5	1 2	0 2
All other					
SAP	2 0		11 1	13 1	
NEED	1 6		9 0	10 6	2 5
Total					
SAP	12 6		12 7	25 3	
NEED	11 0	3 0	11 3	25 3	
Change	−1 6	+3 0	−1 4		



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will also help reduce the harmful (soil erosion, water pollution) effects of modern monocropping Research will have to particularly focus on ways of raising the low yields in the rainfed regions Shifting over to a less water-intensive production mix (away from rice and wheat and towards coarse cereals and pulses) can conserve water and enhance nutrition substantially Biotechnology research for Indian conditions must assume a high priority in national research programmes – for example, genes resistant to water-stress will produce far higher returns (besides generating employment) than genes that will be weed resistant (which will reduce employment)

(iv) *Irrigation and Flood Control*

The non engineering elements of large dam projects can no longer be ignored or under funded Procedures and criteria in rehabilitation and resettlement programmes as well as all other planning aspects should be open to public scrutiny Soil conservation in the catchments is essential to stem the decline in the useful life of reservoirs Similarly command area development must be fully funded to ensure efficient use of soil and water Soil water conservation investments may actually raise the benefit/cost ratio of water projects [Khoshoo 1987] contrary to the fears of engineers

All things considered a tilt in favour of minor irrigation would best serve the country's interests with large dams being confined over the next decade or so to those areas where no other alternative exists A related reorientation of priorities would be in favour of micro watershed development projects and smaller hydel projects These should help postpone the day when large dams will once again become necessary Since nearly two thirds of groundwater resources are yet to be exploited, there is urgent need for major reforms in the management regime

(v) *Urban Habitats*

The country will have to make use of cost saving technologies in responding to the basic problems of drinking water supply and sanitation – deepwell handpumps rather than piped water supply [Srivastava 1990] pour flush toilets rather than conventional sewerage in smaller urban centres [Sivaramakrishnan 1993], common toilets and pit latrines in rural areas [Carr Harris 1992]

Control of water pollution, particularly in urban areas, will require major efforts Sewerage is by far the major pollutant of water But by 2000, a third of urban waste water will be industrial with a much higher load of BOD [Khoshoo 1987 115] Besides enforcing the minimum national standards, special water treatment efforts will be needed for thermal plants, distilleries, paper mills and hazardous chemicals industries A parallel set of efforts is needed in respect of air pollution The urban transport mix must be shifted steadily in favour of public modes both to save fuel and cut down pollution and congestion At least for the major cities overall air quality standards must be set and implemented

(vi) *Energy Options*

On the energy front, a battery of options to save energy, substitute more polluting with less polluting fuels, and end-use technologies that help on both counts are available Ways and means will have to be found to implement them in a phased manner so as to achieve energy efficiency and pollution abatement

Alternatives to biomass fuels will remain infeasible for some time to come, particularly in rural India The key here is to accommodate biomass fuel demands in ways that will reduce the terrible costs of both on-site (indoor pollution) and off site (deforestation, soil erosion etc) damage Wherever feasible in terms of input availability, biogas and high efficiency fuelwood stoves appear to be desirable on both economic and ecological grounds Households must be encouraged to shift from kerosene to electricity for lighting, which will then pave the way to induce a shift of freight composition from road to rail For urban areas LPG electricity, piped sewage gas and soft coke/coal are options that can help save fuelwood [Goldemberg et al 1988] A shift to methanol (which may be produced with the fuelwood saved) as fuel for trucks and buses would also help cut down total diesel demand Finally decentralised energy sources (small hydel biogas and producer gas) cost less than centralised sources (nuclear, thermal and hydel), and conservation options are cheaper than generation options [Reddy et al 1990]

II
NEED: Implementation

NEED will be the cost-minimising route to its chosen objectives only if the modes of implementation are appropriately chosen In particular, NEED must be based on exploiting the complementarity among instruments of implementation, i e, communities, states and markets This will require recasting property relations, changing governance mechanisms, devolving public finance and implementation responsibility to lower levels in the public domain, and a creative use of market-based instruments (MBI) There is already a growing demand in the country for effective decentralisation and debureaucratisation of the state machinery (both politically and economically). This presents both opportunities for NEED and some challenges It is to these that we now turn

Communities

By excluding people from the mainstream of the development process, the environment must inevitably get marginalised This process which has been underway for a long time will require people's involvement to be reversed This can only be accomplished with decentralisation of the public domain and its de-bureaucratisation Creating self-management structures at the community level (primarily the villages but also users' groups and citizens' councils especially on a locality basis in urban centres) will be the key to the first and breaking down various aspects of state monopoly (in ownership of forests, in regulation of farmers trading timber, in delivery of education or health services) to the second

Several considerations argue powerfully in favour of decentralised decision-making, not just implementation First, some of the more important problems relating to the environment in India such as land, biomass, water and even forests are localised Therefore, relevant knowledge is often local Second, preferences over basic needs, natural resources and infrastructure also tend to be quite varied locally [15] Third, though environmental services, employment provision and BN goods/services all have a significant public goods or quasi-public goods character to them, self-management can harness people's own incentives to meeting them efficiently Finally, decentralisation can promote participation activating local democracy and public spiritedness

Biomass undergirds the basic needs of the rural poor – food, fuel, agricultural inputs (manure and fodder), building materials and artisanal inputs To these must be added water which is crucial for raising agricultural crops Agarwal and Narain (1989) argue that water provides the best starting point in the restoration of the village eco-system Water harvesting systems not only help agricultural production, but their protection can be expected to generate participant enthusiasm 'Slowly one thing will lead to another and the village community will start managing its entire village ecosystem" (1989 vi)

The revival and rejuvenation of commons must be oriented to meeting primarily the above-mentioned subsistence needs A fundamental case for this option rather than pure privatisation is that the latter will not serve the goal of equity or of providing a minimum safety net in terms of biomass requirements It makes no sense to privatise village commons which, especially in the regions excluded by India's agricultural development strategy, have supported the

poor and the marginalised. In addition, there are no assurances at all that the market no less than the state will take care of biomass-driven poverty. As Agarwal and Narain point out, "it would be criminal to privatise the commons" (1989 vi). This is but an extreme example of the folly of pursuing neoclassical formalism while ignoring the substantive outcomes that markets produce.

Preserving CPRs as such will also ensure that scale economies in their use are not lost through privatisation. In practice too privatisation has led to underutilisation and low yields. There are huge amounts of wasteland in private hands particularly of big farmers which themselves need rejuvenation. Part of the crisis of biomass is traceable in fact to the privatisation of village commons through encroachment and state programmes [Nadkarni 1989].

Forest property is presently predominantly in the forest department's hands. The problem of forest resource management may be posed as a property reform which provides the best resolution of issues relating to knowledge, incentives and enforcement within the framework of NEED. The key here is that without local co-operation the difficulty of policing forests cannot be handled.

Conservation forestry must remain with the state both because it requires specialised knowledge and because there will be heavy costs attached to irreversible damage. The main thrust area will have to be social forestry once again to meet basic biomass needs while preserving the environmental functions of forests. The problem with government afforestation efforts has been the low returns due to low survival rates or planting of non-browseable plants such as eucalyptus and casuarina. Community forestry can address forest management problems more effectively by creating *quid pro quo* for the community.

The forest department's monopoly over forest lands (other than conservation land) must go. That is to say, social forestry's domain will extend beyond 'people's lands' to include state forest areas. But this still leaves open a critical question: should communities share forest management and output with the forest department (the Arabari model) or should they have absolute control over village forests (the Sukhomajri model) including the case where they pay a fixed fee to the state? The latter offers a greater stake to the people but it may be vulnerable to commercialisation. The Arabari model offers output sharing in exchange for protection and a constraint on over-exploitation through countervailing checks and balances. Moreover the forest departments can be expected to have an interest in providing much-needed technical services in forest management. The model lends itself equally well to afforestation proper as to natural regeneration [Bajaj 1992].

As far as industrial needs are concerned, options usually considered include imports, corporate plantations and farm forestry. There are problems with each of these. The first is not conducive to raising yields, the second will be iniquitous. Farm forestry also, as we have seen, has certain obstacles that it must overcome for its market to be viable, but there is no rationale for restrictive regulations by the state. However there is the distinct possibility of using joint (state-community) management not only for subsistence production of basic needs, as just discussed, but also industrial needs. This can produce cash income for the communities and regularise rather than ineffectually exclude the commercial element in 'subsistence' forestry.[16]

Decentralisation is not an idea to be confined to rural areas though admittedly the latter have a ready frame for such action. There is scope for expanding urban community development programmes both to take the load off of municipal boards and to provide intermediaries between citizens and the boards [Mohan 1992 293].

Persuasive as arguments for decentralisation are, there are two main objections to be dealt with. The first is localism or NIMBY (not in my-backyard) and the second pertains to inequality, local and inter-regional. Local diversity can be easily exaggerated at the expense of dealing with problems that require co-ordinated solutions beyond the local level. Examples include treatment of river basins and their catchments, habitat cleanup in larger urban agglomerations, mining, power plants, large irrigation projects. They can neither be planned at the purely local level nor delivered at that level. But even closer to home village level management of ecology must confront disputes with neighbouring villages. The poor state of land records makes this matter worse.

A troubling aspect of 'communities' has to do with their scale, heterogeneity and conflict. Conflict is endemic and co-operation exceptional. Working examples of community self management range from reviving an irrigation tank (Sukhomajri) to protecting adjacent forest lands (Chipko movement) to equitable distribution of harvested water (pani panchayats). But village settlements are often divided into caste hamlets. Panchayats (village governing bodies) are riven with factionalism and arouse the suspicion of poor villagers due to the dominance of the better off. On average, a panchayat covers 2.8 villages and 2,306 people [Agarwal and Narain 1989 20]. These problems of excessive size, inequities and factionalism limit the capabilities of communities. In fact, "in areas where levels of inequality are high, voluntary agencies have tried to form institutions which bring together only the poor households" (1989:24). All such efforts (organised by NGOs), in fact, have had to work outside the existing village panchayats.

Many examples have been analysed in this paper linking the failure of local co-operation with inequality. In the rural context, agricultural land remains the fundamental source of production, incomes and inequality of wealth. Land also provides privileged access to groundwater, surface water, credit and state power. These are all sources of major externalities in production and consumption.[17] Can local communities function in ways that will help internalise these? How is effective soil and water conservation to be arranged within the current property regime, bureaucratic programmes having failed? If neither the visible hand of the state regulating groundwater use nor a regulated invisible hand of price signals offers much by way of resolving problems of water exploitation, can communities offer a third way? Can communities whose CPR management systems eroded for reasons of socio-economic dynamics within them as much as external forces impinging from without – the law, state power, greedy contractors, new technologies – be now called upon to rebuild those systems?

These concerns and questions are real and cannot be evaded by paying mere lip-service to land reform. The call for decentralisation must be coupled with a demand for land reforms. Many, probably most, among the rural poor are marginalised because they own little or no land and have little or no access to credit. Without land reforms that provide much wider access to the basic means of production than prevails, reforming the commons alone will not rescue them from this marginalisation but merely shore up their precarious living with sops of biomass.

Optimists might argue that even if community self management is not a balanced solution, the imbalance will produce creative pressures that can be utilised. There is a case to be made that such decentralisation will itself set up such a dynamic. "Slowly one thing will lead to another" from coming together to solve one specific common problem to greater democratisation of village affairs and then on to more egalitarian property relations.

States

Environmental regeneration without state involvement is like Hamlet without the Prince of Denmark. The authority of the state is critical for financing investments in the public domain, for resolving disputes across communities or between polluters and pollutees, for devising and implementing MBI where these are appropriate and for promoting certain types of technology. Hence, getting the state out, which is the common refrain in virtually all other areas

of economic policy under SAP simply will not do But the issue in the Indian case is not whether the state needs to play a key role, the issue is whether this should conform to business as usual or undergo thorough-going reforms to improve performance

The state is needed to solve the problems of NIMBY – it may turn out that no village left to its own devices, would be willing to spare its commons or woodlands for biodiversity preservation, to plan for indivisible resources that cut across several villages or even states and to plan for infrastructure that is intimately connected to the environment (the power grid, national and state highways research and the like) Mere indicative planning cannot address these issues Taking care of the parts will not necessarily translate into a holistic solution Some actions or at least their enforcement, have to be global

Village level decentralisation will require clear demarcation of village boundaries to delimit separate village commons Specifically pinning down the legal status of various land areas will be the first order of business

The decentralisation of BN employment and ecology programmes will require a corresponding devolution of fiscal resources from the centre and states down to the village level While this in itself is a simple almost mechanical task inter village inequalities pose formidable obstacles to politically successful decentralisation Given large inequalities both within and among states adequate sharing formulae will have to be found and these resolutions will continue to take place in the state domain The funding process can also be used to establish some connections between the national or state level plan and the village plans through a system of matching funds for areas of priority set at the higher levels

In the past rural development and employment programmes as well as afforestation or soil conservation efforts have been hobbled by bureaucratic centralisation insufficient resources inability to diffuse over wide areas and incapacity to deliver quickly Only local involvement of communities can counter each of these failures Decentralisation is supposed to help resolve these problems But panchayati raj must be implemented in the 'two-tier and not the three-tier [model] based at the district level [Antia 1992 50] – gram panchayats and panchayat samitis yes, but zilla parishads no For example, Antia notes that 98 per cent of all curative, promotive and preventive health care is best undertaken at these two levels Personalised and humanised relations, health workers becoming part of or coming from the community itself increase in the budget share for medicines and supplies, administrative and financial control in the hands of the villagers themselves these prescriptions for health care suggest just how much the quality of 'state' involvement must improve and how much of it will have to be appropriated by the people themselves

Markets

Finally we briefly touch on the use that NEED can make of markets and prices Market-based instruments may be effectively used to finance redistributive transfers, e g in favour of village communities, that NEED will require In some important areas these can also be designed to cut down environmental degradation 'from above', e g differential taxes on transport modes In yet others however, such interventions if they are not outright counter-productive to the goals of NEED, may nonetheless produce difficult trade offs between social equity and efficient environmental restoration (or equity and growth)

The key constraint on the market is not that it cannot be made to adequately reflect social costs of resource use The greater difficulty lies in ensuring the equity of the resultant outcomes The poor should not and cannot be asked to pay for the full costs of schooling or health care, for example Similarly, equitable environmental policy is best achieved by making rich polluters pay and by subsidising poor polluters to refrain from their respective counter productive activities The latter sort of policy cannot be operationalised via market prices since the activities in question are outside the market arena (or at least well beyond the practicable reach of price interventions) one may say that the relevant environmental response elasticities to prices are zero Hence, institutional design and direct state interventions (as set out above) are the relevant choice variables

The typical neoclassical view is that complementary policies i e those that raise current economic welfare and reduce environmental degradation, are almost exclusively confined to pricing reforms and privatisation of resources [Repetto 1988 3] Apart from correcting anti-conservation misuse of resources such policies also have potentially large fiscal payoffs For reasons analysed in the preceding sections, we believe that such policies are for the most part, confined to what we have called 'degradation from above' However there is another distinct set of policy reforms that can exploit similar complementarity at the other end of the income hierarchy These will require added public expenditure and/or fiscal subsidies rather than getting the prices right A blanket call for the abolition of subsidies for all natural resources is mistakenly based on the supposition that all of the benefits of such subsidies are received by the wealthy and all of their costs paid for by the poor The distributive dimension is surely central to the issue of subsidies but it does not divide neatly along the wealth hierarchy

The World Bank (1992) argues that adoption of cost-reflecting prices would reduce economic costs by reducing resource wastes But the cost-based pricing of basic needs may be quite 'uneconomic' not only for conventional reasons, e g, educational or health externalities, but also because of the environmental externalities of leaving the poor out from a social safety net that includes minimum assurance of basic needs

With forests, grazing lands, fisheries and most water resources remaining in the public domain the tasks of the market are accordingly circumscribed Infrastructural services have long suffered from excess demand and financing constraints Both are traceable, in large measure, to low administered prices In such areas as power, transport and minerals, subsidies must be done away with but there still exists a strong case for differential pricing

(i) Differential taxes favouring public over private transport are both eco-friendly and equitable

(ii) Stiff urban land taxes (backed by an effective collection machinery) should be designed to make private developers pay for social overheads and for hidden externalities The measure is both market-friendly and eco friendly Receipts can finance habitat clean up, subsidised or zero-cost amenities, particularly for the urban poor and for more rational urban development

(iii) Subsidies given to fertilisers rural power and other inputs also need to be eliminated But this will create problems of regional equity (with late arriving states not having the benefit of the subsidies) which will have to be made up say, via differential investment subsidies

(iv) The rationalisation of diesel/kerosene pricing pre supposes supporting non-market or market actions to ensure that the poor do not suffer as a result, e g a one-time connection subsidy for home electrification

(v) In the case of irrigation, there are good reasons for the inability or inadvisability of pursuing marginal cost pricing producer-consumer equity the high variability of the productive value of water across space, seasons and crops, administrative of pricing and of varying supplies to match demands, small efficiency gains due to low elasticities and the need to minimise conflict and avoid free-ridership [Sampath 1992] Where water cannot be fairly and efficiently' priced a powerful case for taxing beneficiaries by means of taxes on their lands or on their market sales (through the existing procurment systems) exists This line of argument complements the long-standing but unimplemented proposal to tax agricultural holdings

III
NEED: Macro-Dimensions

With a focus on investment allocations suitable to NEED this section provides a sketch of the macroeconomic requirements and implications of NEED. Our purpose is not so much to specify an alternative plan or work out its macroeconomic consistency, as to provide broad indications and comparisons in relation to the Eighth Plan document which serves as a benchmark.

Framework

Specifically we identify the magnitude of investment reallocations across sectors that will be necessary to carry out NEED. To this end, sectors are cross classified by ownership/control into state, community and market sectors and by function into infrastructure, environment, non market BN, safety nets and a residual (all other) sector. This classification follows analytical requirement as much as data availability for the quick comparisons undertaken here.

The main comparison is between the proposed allocation under NEED and that under SAP (as contained in the government's Eighth Plan document). We also compare environment expenditure under SAP and under proposals made by the World Bank and by the World Institute for Development Economic Research (WIDER). The functional classification of outlays is based on the items listed in the Plan document.[18] Table 2 provides a consolidated picture based on the following.

(1) State outlays include both investment proper and current outlays of a recurring and non investment nature which is needed to initiate the accrual of benefits from the investment [Government of India 1992a: 43]. The recurring component is about a sixth of total state outlays and concentrated in the social sectors. Its inclusion may be rationalised on the ground that recurring social sector expenditures capture some portion at least of the 'investment' element in human capital expenditures that is ignored in conventional national income accounting.

(2) Infrastructure includes irrigation, energy, transport, communication and research. This list is complete for the state sector whereas for the private or market sector it is probably nearly so (omitting, for example, research and irrigation).

(3) Environment here includes expenditure under the head 'Ecology and Environment' in the plan. To this, we have added the following items: soil and water conservation, flood control and drainage, non-conventional energy, forestry and wildlife, family welfare and water supply and sanitation.

(4) Non market basic needs includes state sector outlays on rural development, nutrition, services, education, health, housing and urban development. Corresponding outlays in the market sector appear as part of the item 'all other'. Observe also that this list excludes key items of BN such as food and clothing.

(5) Safety Nets includes state sector outlays on rural employment, special area programmes, village and small industries and miscellaneous welfare services.[19]

(6) All other outlays include items not classified under the above four heads.

The above classification understates the planned investment expenditures on the environment to be undertaken in both private and public sectors. It certainly includes all state sector ear marked investments on environmental resources. But it excludes environmental expenditures undertaken as part of investment in other sectors such as infrastructure, industry, agriculture and mining, e.g. pollution abatement equipment, private soil conservation investment and the like. Rather than ignore these outlays altogether, we have made purely *ad hoc* allowances out of total reported investments in both state and market sectors on the following basis: transport (1 per cent), agriculture, mining and manufacturing (2 per cent), utilities (3 per cent) and irrigation (4 per cent).

Even these probably generous allowances amount to only about 16 per cent of the total outlay on the environment (Rs 6 393 crore out of Rs 39 906 crore) in the state sector. Of course these arbitrary assignments which amount to Rs 5 776 crore constitute the whole of environmental investment in the market sector. The grand total of these *ad hoc* assignments is only 26 6 per cent of the total consolidated expenditure on the environment. It would therefore seem that significant adjustments in the above allowances will not move the environmental total by very much.

Table 2 shows that environment outlays constitute 5 2 per cent of the total outlays, of which 87 per cent are in the state sector. As much as 31 7 per cent of all outlays are for infrastructure reflecting the infra structure intensive phase of growth in which the economy presently is. Only 11 3 per cent of outlays are for non-market basic needs and for safety nets. The total outlay divides evenly between the state and market sectors.

Allocation

With the cumulative GDP generated during the Eighth Plan period (1992-97) being placed at Rs 3 439,053 crore, the above noted estimate for environment-related investment expenditure during the plan period (Table 2) amounts to 1 33 per cent of GDP. By way of comparison, we may consider India's estimated share of environmental expenditures proposed by WIDER and the World Bank for all LDCs in the year 2000. Table 3 provides the details.

India's share of total LDC expenditures may be alternatively based on population, land area or GNP shares. We consider two schemes: the first, in which each of these bases is given equal weight, gives a 10 67 per cent share for India. If population alone is taken to be the relevant base, the share works out to 20 5 per cent. We believe that the normative share ought to be between these two numbers as neither land area as such nor GNP are exclusively relevant bases for such large environmental items as population control, water and sanitation or even agriculture and forestry. Table 3 shows that India will need to spend between 1 71 and 3 30 per cent of its GNP (in 2000 AD) on the environment under the Bank proposal, and between 2 and 3 86 per cent under the WIDER proposal.

Thus the government's proposed level of environmental outlays for the Eighth Plan is between 34 and 78 per cent of what it might be under the international proposals. Even allowing for some growth within the plan period (1992-97) and beyond (1997-2000) the government's outlay falls considerably short of the international norms. This is so despite our estimate of environmental expenditure under the plan being rather more comprehensive than either of the two international estimates.

Table 4 provides an alternative comparison of the Eighth Plan outlays (listed under the SAP row heads) against the proposed allocation under NEED with all figures being expressed relative to GDP. The proposals take the following factors into account.

Infrastructure: Food among the basic needs requires considerable investment in infrastructure such as irrigation, transport and power. Particularly for the rainfed regions, this will imply an increase in infrastructure investment above the SAP levels. In addition, habitat improvement in urban areas will also need additional infrastructural services. But the substantial reduction in all other outlays being proposed (see below) should more than compensate for these increments, the urban and middle class oriented weight of these expenditures makes them particularly demanding of energy and other investments. On balance the total allocation is left unchanged and so is its composition (which, under SAP, already allows for significant private sector participation). Any slack this leaves seems to be necessary to meet the backlog of pent-up infrastructural demands.

Environment: Basically, we propose a near-doubling of total environmental outlays from an estimated 1 3 per cent of GDP to 2 5 per cent. Of the additional 1 2 per cent, a sixth will be in the market sector and the remainder in the new communities sector. The state

sector outlay is left unchanged but given that several of the environmental programmes presently in that sector are to be decentralised to communities under the proposal, this does imply an increase in outlays for the higher-level programmes such as conservation forestry, pollution abatement in public sector industry and infrastructure, river basin clean up programmes etc

The desirable priorities and associated levels of expenditures will always remain difficult to work out, but this is especially so at the current juncture when studies of valuations of natural resource services are in their infancy Consider one case the valuation of forests An early estimate [Das 1980] of the value of environmental services rendered by a medium sized tree over 50 years amounted to Rs 1 57 million or assuming 100 such trees per hectare, Rs 157 million per hectare Maudgal (nd) reports a figure of Rs 7 7 million per hectare of forests submerged by the Narmada project Lal (1992) places the net present value (all services included) of a hectare of forests at Rs 2 12 million Finally Chaturvedi (1992) calculated the opportunity costs of 1 hectare of forests displaced in one particular location at Rs 0 032 million Be that as it may the SPWD (1991) has argued that at the funding rate of 1990 91 afforestation covers no more than 1 6 per cent of the degraded forest area This in turn, is only a quarter of the target we have suggested earlier in this paper which provides some perspective on the proposed doubling of the environment budget

The matter may also be viewed from the energy sector perspective The total outlay on non conventional energy plus forestry (including wildlife) is less than 5 per cent of the outlay on the commercial energy sector even though biomass accounts for 34 per cent of the total primary energy supply in the country

Basic Needs Here too the NEED allocation is twice as large as the SAP level Enlarged expenditures on health primary education nutrition and immunisation programmes for the young together with investments in employment creating CPRs and other rural development programmes are envisaged All of this increase plus a third of the SAP allocation currently in the state sector will be assigned to communities

In nutrition, India needs to move beyond 'phase I' of the transition (eradication of famines, reduced incidence of florid nutritional deficiency diseases and better child survival) to phase II requiring the optimal nutrition and growth of 'survivors' [Gopalan 1992] Some of the nutritional problems, such as zinc deficiency in rice areas, are directly related to environmental problems caused by prevalent production practices Current levels of health sector spending in India at 5 24 per cent of GDP is considered better than average for its income level However, India "gets a poor return in terms of health improvement" [Berman and Dave 1992 341] because much of the spending is misdirected in favour of curative rather than preventive measures two-thirds of the total being in the private sector and 54 per cent of state spending being in the urban areas

Safety Nets With the above measures to raise levels of spending and their composition in the areas of environment and basic needs in place there will have been created considerable room for the consolidation and rationalisation of existing employment and special areas/needs programmes under those heads The proposals taken together will allow the integration of various employment and anti poverty programmes with the sectoral programmes specific to various areas This will serve to exploit the synergy in implementation of efforts to generate employment build infrastructure and rejuvenate environmental assets It is therefore proposed to prune state outlays on safety nets by as much as a half Overall outlays however will fall only by a seventh as much of the saving is proposed to be channelled as human capital investment and employment generation programmes (training technical services credit subsidies) for the small scale and informal sectors which are listed under the market economy

All Other State investments in this category will be cut by 20 per cent This is also consistent with SAP proposals to privatise some state industries and retrench in many others A proportionate cut is proposed under this heading for the market sector as well which incidentally provides the largest balancing item to support the overall thrust of NEED It also defines the key role of equity in the NEED package

Implications

Our proposals add up to the following functionally a doubling of investments for employment oriented basic needs fulfilment and environmental restoration balanced by a 20 per cent cut in investments that by and large meet the wants of the top few deciles of the income hierarchy sectorally a redirection of 12 per cent of total investment outlays to decentralised communities compensated by a 13 per cent scaling back of the state sector and an 11 per cent shrinkage of the market sector

Macroeconomically our proposals for NEED hinge on three things first overall resource mobilisation for investment must remain unchanged from the scenario contemplated by the present government (as incorporated in the Eighth Plan), second, public finance available for investment (in communities, not the state sector as such) must rise by 1 4 per cent of GDP, finally, NEED must make no additional demands of foreign saving

These requirements have major implications for economic policy The most important one is the necessity to get the government s fiscal house in order to generate the needed fiscal surplus This alone will scarcely be adequate hence, there will be need to raise additional resources from taxation of incomes and wealth, land taxes, higher user prices and elimination of subsidies for the better-off segments (several such proposals are listed in the previous section

Given the redirection of incomes called for overall saving can be maintained only if growth does not fall below the SAP scenario SAP purports to produce growth driven by middle class consumption and foreign investment This is a recipe that runs the risk sooner or later of hitting another payments bottleneck NEED on the other hand, will have growth driven by the expansion of employment mass consumption and human capital accumulation It will be less prone to payments constraints and more able to contain fissiparous political conflicts Although the environmental and BN components of NEED no doubt require inputs of labour, capital and resources a good deal of the investments can be designed to be labouresque With higher priority given to food and informal production wage goods bottlenecks can also be avoided Hence, it seems improbable that NEED entails any additional risk of either inflation or lowered growth compared to SAP What is more, much of this activity can be organised with relatively few inputs of imports On the whole therefore NEED will be more stable than SAP while its growth trajectory need not be below SAP s

This order of changes in investment allocation and macro balances may seem infeasible But SAP contemplates a similar magnitude of changes from what was business as usual before the 1991 crisis To be sure NEED demands changes that go against the present tide in some respects But this reorientation commends itself as being most conducive to the future well being of the mass of Indians And it would be positively counter productive for India to wait for another crisis to make things happen

IV
Conclusion

It is easy enough to correlate environmental degradation In India with the expanding scale of population and per capita incomes Malthusian pessimists see environmental distress as signalling the exhaustion of the economy s carrying capacity' and call for slowing down or halting the wheels of growth, especially the growth of population This conclusion is belied by the potential

for economic growth based on existing technologies: growth can not only serve to raise living standards (which in turn is a prerequisite for reducing population growth) but also provide the means for redressing environmental ills. But we hope to have provided sufficient grounds in this paper for not supposing that realisation of this potential is automatic. The transition to a sustainable scale of economic activity, at which population is stabilised and incomes are sufficient to meet at least the basic needs of the whole population, is very far from being assured.

The fundamental obstacle to be overcome in accomplishing this transition is rooted in inequality of wealth and power. We have argued at length that, (a) inequality is inseparably linked with both suboptimal returns to private inputs and the inefficient and damaging extraction or use of natural resources. Damage ensues both from above and below: the perverse incentives of the rich and the marginalisation of the poor cause existing technologies to be inefficiently utilised and constrain the adoption of more efficient ones; (b) the failure of local co-ordination which underlies both economic inefficiency and environmental degradation is strongly related to wealth inequality; (c) improper public policy is itself the result of collusion between private and bureaucratic interests.

Economy-environment interactions thus add an important dimension to the adverse consequences for growth flowing from unequal wealth distribution. We have illustrated this with a number of important examples. While it needs to be acknowledged that harmful feedbacks from environmental losses to growth are not widely documented, neither their reality nor their potential can be assumed to be negligible. The reality is concealed in output aggregates and average yields; the potential is clouded by the uncertainty of our knowledge of the relevant processes. Soil erosion, waterlogging and salinisation, deforestation and declining commons have doubtless reduced primary sector output and yields. The past few decades have not only seen a sharp rise in the visible fiscal subsidies, but also increases in marginal capital-output ratios in critical sectors such as irrigation and power. Besides, many forms of resource subsidy and falling returns remain invisible. Health and productivity losses are even harder to document, especially for the marginalised populations.

The growth strategy currently in place is built on faith in trickle down and what may be termed long-run Malthusian optimism. It does little to address the problems of transition to a sustainable economy. While the prospect of accelerated growth under the strategy is, to say the least, uncertain, it is all but certain that both inequality and environmental degradation will worsen over the medium term. If the latter effects prove sufficiently large, the strategy will fail even on its own terms. It is in this sense that SAP is a gamble against the majority of Indians.

The alternative we have proposed is explicitly geared to solving the problems of the transition. Major policy thrusts and institutional restructuring under NEED are designed to promote equitable outcomes and to exploit complementarity between income gains, employment growth and environmental refurbishment. In the medium term, equitable growth is green growth; this can also enable a faster and less uncertain transition to a sustainable economy. To be sure, there are formidable problems mainly of a political nature that need to be overcome to put NEED in place. Uncertainty also attaches to the success with which its goals can be attained. But if the proposed alternative is a gamble, it is nonetheless a gamble for the majority of Indians. NEED, rather than trickle-down growth, can assure realistic hope for the majority of Indians who are poor, insure against costly social conflict and attendant economic instability, and provide the pause that seems needed to keep environmental degradation from getting out of hand. At least in this sense, we believe that NEED is not merely the path of prudence but also the alternative with a better prospect of success.

Notes

1 'Whither India's Environment?' Vol XXX, pp 677-86, April 1, 1995.

2 Observe that many renewables - including air, water, land and the environmental services of forests *in situ* - are non-tradable, so are some pollution-intensive sectors such as most power generation and transportation. But many of the products of land, water and forests, though subject to significant transport costs, are eminently tradable.

3 Suffice it to note that (a) liberalisation may hurt even healthy industries by unleashing unfair import competition (the former is exemplified by brand-name consumer products and the latter by public sector capital goods industries hobbled by unequal tariff schedules and political controls); (b) building up technological capabilities is a function of many weighty but largely domestic considerations that the simple-minded Darwinian logic ignores.

4 The problem is one of having policy instruments adequate to national goals. Trade taxation has long been justified (at least partly) in terms of the paucity of income-elastic or easily administered domestic fiscal instruments. Similarly, trade policy can (at least partly) redress the inadequacies of domestic instruments in regulating environmental externalities.

5 Few today would accept as realistic Gandhi's concept of trusteeship, the wealthy holding property for the benefit of all, or of voluntary abdications of wealth.

6 To be distinguished from 'get-rich exploitative and expropriative development' or GREED.

7 The socially necessary growth rate is to be determined by BN requirements rather than vice versa. The scenario in which forced degradation sets in is defined by the extent of BN unfulfiled, not a minimum growth rate. 'Sustainable development' is *not* "the pattern of structural change in natural and man-made capital stock ... which ensures the feasibility of at least a *minimum socially desired rate of growth* in the long run [Karshenas 1992: 9].

8 NEED complements previous attempts to adumbrate environmentally-oriented policies for India. Goldemberg et al (1988) took the energy sector as their focal point. Agarwal and Narain (1989) elaborated a blueprint for village-centred ecosystems, and Gadgil and Guha (1993) cover wider territory including political, sociological and ideological dimensions. Our own focus here is on the economic and institutional choices to be made and their economy-wide implications. Some of these elements were also championed in the approach to the Eighth Five-Year Plan put

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out by the National Front coalition [Government of India 1990]

9 See Streeten et al (1981) for a detailed discussion of this issue

10 Afforestation and wastelands development can be a handsome complement to agricultural employment A hectare of planted eucalyptus provides 600 700 person days of employment a year Farm forestry generates even more employment Such employment can be arranged to coincide with agricultural slack and thus be of considerable help to the underemployed including women [YCP 1993]

11 The controversy over the right to work' proposal has obscured the case for employment oriented infrastructural and environmental programmes While formally a justiciable right to employment may well be expensive or difficult to implement the substance of such a right can be secured with the sort of programmes envisaged by the Approach to the Eighth Plan or under the Maharashtra government s employment guarantee scheme Decentralisation (of which more later) will also help to counter infirmities of bureaucratic centralisation

12 The plan projections which cover a 15 year span from 1992 have been extrapolated to cover the period through 2013

13 We hasten to reiterate that the organised mode has not become more fit to survive than the subsistence mode by fair means (technology) alone foul means (enclosure etc) have indeed been employed and served also to strengthen its technological prowess

14 The current plan proposes an annual expenditure of $ 0 42 billion on family planning By contrast under the Bank s proposal such expenditure will amount to $ 1 58 billion in the year 2000 and under WIDER s proposal this will be $6 72 billion' The latter figures are computed by applying India s population share among LDCs to the WDR and WIDER allocations

15 Based on village survey evidence presented in Gadgil and Guha (1993 281) the following is the *mean* of lists of priorities roads irrigation drinking water education health care afforestation electricity veterinary services milk marketing and housing in that order But the variance around the mean is far from negligible

16 By contrast Gadgil and Guha (1993) argue for a neat separation of ownership by function state forestry for conservation farm forestry for industrial needs and joint state community management for subsistence and basic needs

17 See Chopra Kadekodi and Murty (1990) for an analytical and empirical investigation of the possibilities of participatory development in the context of local externalities and commons

18 All amounts are at 1991 92 prices A crore is 10 million and the current exchange rate is about Rs 31 per US dollar

19 Expenditures on basic needs and safety nets in the private sector but outside the market economy may well be non negligible and imperfectly captured in the SNA

20 According to Bowonder Arvind and Rao (1990) the annualised cost of existing (1988 89) environmental investments (stacks cooling towers FSPs of 99 per cent efficiency) in the thermal power sector was 4 51 per cent of sales Pollution measures suggested (flue gas desulphurisation, coal beneficiation and reclamation of mined land) involve five times the existing expenditure For large paper mills the cost of current effluent treatment investment was 1 per cent of total cost, the additional costs for colour removal was put at 5 per cent That is to say existing provisions cover only one sixth the required expenditures in these two major polluting sectors

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Standard Chart

STANDARD CHARTERED BANK-INDIAN BRANCHES
(INCORPORATED IN THE UNITED KINGDOM WITH LIMITED LIABILITY)
(Amounts in thousands of Indian Rupees)

BALANCE SHEET AS AT MARCH 31,1995

	Note	1995	1994
CAPITAL AND LIABILITIES			
Capital		390,000	240,000
Reserves and surplus	5	4,374,147	4,316,505
Deposits	6	21,640,282	25,149,576
Borrowings	7	2,760,579	706,230
Other liabilities and provisions	8	2,724,412	3,603,889
		31,499,420	33,776,200
ASSETS			
Cash and balances with the Reserve Bank of India	9	4,046,017	3,330,346
Balances with banks and money at call and short notice	10	292,900	864,303
Investments	1(c), 2 & 11	9,466,678	13,452,382
Advances	1(d) & 12	10,351,166	8,583,036
Fixed assets	1(e) & 13	1,479,979	1,340,810
Other assets	2 & 14	5,862,680	6,205,323
		31,499,420	33,776,200
Contingent liabilities	2 & 15	92,232,459	22,507,120
Bills for collection		1,465,463	1,657,667

The accompanying notes are an integral part of this balance sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31,1995

	Note	1995	1994
INCOME			
Interest earned	1(f)&16	2,867,808	3,384,540
Other income	17	795 806	1,373,661
		3,663,614	4,758,201
EXPENDITURE			
Interest expended	18	2,096,538	2,675,398
Operating expenses	19	1,329,709	1,071,679
Provisions and contingencies		1,31,409	350,290
		3,557,656	4,097,367
PROFIT			
Profit for the year	1(h)	105,958	660,834
Prior period items	21	(30,117)	
Net profit		75,841	660,834
APPROPRIATIONS			
Transfer to statutory reserve	5	15,168	132,167
Transfer to Head Office account	5	60,673	528,667
		75,841	660,834

The accompanying notes are an integral part of this statement

Arthur Andersen & Associates
Chartered Accountants

Martin Fish
Chief Executive,India

Bombay
June 30,1995

Vijay Sahni
Partner

Dru Narwani
Chief Financial Officer

Standard

STANDARD CHARTERED BANK — INDIAN BRANCHES
(INCORPORATED IN THE UNITED KINGDOM WITH LIMITED LIABILITY)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1995

(Amounts in thousands of Indian Rupees)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The accompanying financial statements of Standard Chartered Bank — Indian Branches (the Bank) are prepared under the historical cost convention (as modified by Note 1 (e) below) on the accrual basis of accounting and conform with the statutory provisions and practices prevailing within the banking industry in the country

(b) Transactions involving foreign exchange

(i) Monetary assets and liabilities in foreign currencies are translated at rates of exchange notified by the Foreign Exchange Dealers' Association of India (the FEDAI) at the year end except in the case of deposits accepted under the Reserve Bank of India's (RBI) Foreign Currency Non Resident Accounts scheme which are valued at the relevant rates notified by the RBI and deposits accepted under the RBI s Foreign Currency Non Resident Banks scheme (FCNR B), which are swapped into rupees at the spot rate prevailing on the date of acceptance The profits/losses on the swaps arising out of the difference in the exchange rate between contract date and maturity date are reported under Other liabilities and pro rated over the tenor of such FCNR B deposits All profits/losses resulting on year end revaluations are included in the profit and loss account

(ii) Income and expenditure items are translated at the exchange rates prevalent on the date of the transaction

(iii) Outstanding forward exchange contracts and spot exchange contracts are revalued at the rates of exchange notified by the FEDAI prevailing at the year end and the resulting profits or losses are included in the profit and loss account

(c) Investments

(i) Permanent investments

Permanent investments are carried at cost adjusted for amortisation of premium over the period to maturity

(ii) Current investments

Investments in Government and other approved securities and other quoted investments are valued at the lower of cost or market value Market value is determined on the basis of the market yield curve specified by the RBI Unquoted investments, including investments in subsidiary companies, are valued at cost Treasury bills, commercial paper and other similar securities are valued at their carrying cost

(d) Advances

Doubtful advances are identified by periodic appraisals of the portfolio by management, and appropriate provisions are made The related interest on such doubtful advances is credited to an interest in suspense account and not included in profits until received Advances are stated after deduction of provisions and interest in suspense All provisions against doubtful advances are made on a gross basis with tax relief being accounted for only in the year of write off

(e) Fixed assets and depreciation

(i) Fixed assets are stated at historical cost less accumulated depreciation, except premises which were revalued at March 31, 1993 and stated at market values as at that date, determined by a Government registered valuer The surplus arising on revaluation has been credited to a revaluation reserve

(ii) All assets are depreciated on a straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956 This represents a change from the practice followed in the prior years wherein assets acquired from 1984 and onwards were depreciated on a straight-line method and all other assets were depreciated on the diminishing balance method Had the Bank not revised its method of depreciation, fixed assets and the net profit for the year would have been higher by Rs 1 million In respect of revalued assets, depreciation is provided on the revalued amount and charged to the profit and loss account An amount equivalent to the depreciation arising out of the revaluation is transferred from the revaluation reserve to the profit and loss account

(f) Income recognition

Interest income is recognised on an accrual basis, except in the case of non-performing advances where it is recognised on receipt

(g) Staff benefits

The Bank has created separate recognised funds for pension and gratuity benefits for its employees Provisions for pension and gratuity benefits are based on actuarial valuations. However, retiring allowances paid voluntarily to pre-scheme retirees (ie employees retiring prior to January 1, 1978) are accounted for on a payment due basis

In respect of its Voluntary Retirement Schemes ('VRS'), the Bank pro-rates the aggregate cost over the pay back period of the VRS The amounts to be paid are determined on the basis of actuarial computations

Standard Chartered

STANDARD CHARTERED BANK — INDIAN BRANCHES
(INCORPORATED IN THE UNITED KINGDOM WITH LIMITED LIABILITY)

Net profit

The net profit disclosed in the profit and loss account is after accounting for, inter alia, provisions for income-tax, doubtful advances and other necessary provisions

INVESTMENTS AND CLAIMS

The developments during the current year in respect of various claims of the Bank on account of deficiencies in its assets, and claims against it, arising from its earlier transactions in the securities markets, are described below

(i) Subsequent to the year end, the Central Bureau of Investigation ('CBI') filed criminal charges against certain individuals named in the Bank's First Information Report consequent to its investigations into the Bank's criminal complaint in respect of the reported deficiencies

(ii) Civil action against several banks financial institutions and individuals to recover amounts, some of which are also the subject matter of the CBI investigations, continue to be pursued At March 31, 1995, the assets in question, after recovery of Rs 445 million during the year (1994 Rs Nil), amounted to Rs 1,268 million (1994 Rs 2,066 million), net of cumulative provisions and write offs aggregating Rs 10,989 million (1994 Rs 10,636 million), are included as claims under 'Other assets'

(iii) In addition, subsequent to the year end, the Bank has secured a favourable judgement and a settlement aggregating Rs 1,188 million in respect of certain claims which were fully written off or partly provided for, in an earlier year These recoveries and attendant losses, if any, pending final disposition, are to be recognised in the following years

(iv) The Bank continues to have claims against it aggregating Rs 2,087 million (1994 Rs 2,204 million), which are included in Contingent liabilities Of these, claims amounting to Rs 708 million (1994 Rs 1,060 million), if successful against the Bank, would result in the Bank itself having claims on other parties The Special Court constituted under the Special Court (Trial of Offences Relating to Transactions in Securities) Act 1992 has based on its judgement which declares "ready forward" transactions to be illegal, ordered the Bank to deliver securities or provide guarantees amounting to Rs 713 million (1994 Rs 216 million) in respect of certain of the above claims The Bank, along with other banks and the Indian Banks' Association, has appealed to the Supreme Court against the Special Court's judgement Based on legal opinions obtained, the Bank believes that it has a reasonable chance of reversing the Special Court s judgement

Because of the legal and other complexities surrounding the above matters, it is not possible to determine their eventual outcome In view of the above management considers that appropriate provisions and write-offs have been made in these financial statements and no further provisions are required

As part of the civil actions referred to in notes (ii) and (iv) above, certain of the Bank's investments continue to be affected as follows

(i) Bankers Receipts ('BRs') and Subsidiary General Ledger forms ('SGLs') issued amounted to Rs 322 million (1994 Rs 322 million), net of assets on account of BRs held Rs 480 million (1994 Rs 481 million) and SGLs held Rs 2,330 million (1994 Rs 2,328 million) at March 31, 1995 The securities underlying the BRs and SGLs are valued at the lower of the cost or market value Although these BRs and SGLs held, issued by nationalised banks and other institutions, have not been settled on their due dates, the Bank is confident of their settlement without any significant loss

(ii) Certain securities aggregating Rs 542 million (face value Rs 665 million) (1994 Rs 309 million, face value Rs 380 million) are still to be registered in the Bank's name by the issuers The Bank continues to pursue the registration of such securities and is confident of resolving related disputes without any significant loss

Following the completion of assessment proceedings in respect of assessment year ('AY') 1991-92, the income-tax authorities have raised demands aggregating Rs 161 million, after adjusting for a refund of Rs 665 million arising from a summary assessment for the AY 1992-93 This amount of Rs 665 million along with other amounts of tax paid in advance amounting to Rs 1,234 million are included in 'Other assets' Further, the assessment proceedings for the subsequent assessment years are yet to be completed The Bank considers the demands for AY 1991-92 and any other similar demands which may be raised for subsequent assessment years, to be largely unsustainable and believes the demands, if any, would eventually be set aside Accordingly, no provisions for the impact thereof has been made in these financial statements

3. INQUIRY PROCEEDINGS

Certain inquiry proceedings by regulators, also including the conduct of the Bank's past securities transactions and its vostro accounts, continue The outcome of such proceedings is uncertain Accordingly, no provision has been made in these financial statements to reflect the impact, if any of the outcome of such inquiries

Standard Chartered

(INCORPORATED IN THE UNITED KINGDOM WITH LIMITED LIABILITY)

	1995	1994
4. CAPITAL		
Deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	390,000	240,000
5. RESERVES AND SURPLUS		
Statutory reserve		
Balance, beginning of year	266,065	133,898
Additions during the year	15,168	132,167
Balance, end of year	281,233	266,065
Revalution reserve		
Balance, beginning of year	1,098,328	1,116,527
Transfer to profit and loss account	(18,199)	(18,199)
Balance, end of year	1,080,129	1,098,328
Head Office account		
Balance, beginning of year	2,952,112	(7,804,596)
Remittances received	-	10,264,884
Other adjustments	-	(36,843)
Transfer from profit and loss account	60,673	528,667
Balance, end of year	3,012,785	2,952,112
	4,374,147	4,316,505
6. DEPOSITS		
In India		
Demand deposits		
From banks	318,752	157,837
From others	2,569,056	2,493,309
	2,887,808	2,651,146
Savings bank deposits	2,375,472	1,937,883
Term deposits		
From banks	—	6,375,000
From others	16,377,002	14,185,547
	16,377,002	20,560,547
	21,640,282	25,149,576
7. BORROWINGS		
In India		
From Reserve Bank of India	350,080	489,960
From Banks	1,562	13,771
From other institutions and agencies	27,915	23,388
	379,557	527,119
Outside India		
From banks	2,381,022	179,111
	2,760,579	706,230
8. OTHER LIABILITIES AND PROVISIONS		
Bills payable.	450,568	1,181,428
Inter-office adjustments(net)	-	68,856
Interest accrued	1,052,783	869,734
Others (including provisions)	1,221,061.	1,483,871
	2,724,412	3,603,889
9. CASH AND BALANCES WITH RESERVE BANK OF INDIA		
Cash in hand (including foreign currency notes)	69,052	53,154
Balances with Reserve Bank of India		
In current account	3,976,965	3,277,192
	4,046 017	3,330,346

	1995	1994
10. BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
In India		
Balance with banks		
In current account	45,200	681,014
Outside India		
In current accounts	247,700	183,289
	292,900	864,303
11. INVESTMENTS		
In India		
Government securities	6,273,089	8,675,237
Other approved securities	479,684	1,145,926
Shares	76,241	110,484
Debentures and bonds	921,740	2,316,653
Subsidiaries	501	501
Others	1,715,423	1,203,581
	9,466,678	13,452,382
12. ADVANCES		
a) Bills purchased and discounted	1,206,226	1,608,432
Cash credits, overdrafts and loans repayable on demand	6,536,129	6,040,344
Term loans	2,608,811	934,260
	10,351,166	8,583,036
b) Secured by tangible assets	9,308,683	5,861,928
Covered by bank/Government guarantees	50,084	1,332,528
Unsecured	992,399	1,388,580
	10,351,166	8,583,036
c) Advances in India		
Priority sector	2,539,741	1,470,967
Public sector	197,701	1,702,938
Banks	21,619	24,736
Others	7,592,105	5,384,395
	10,351,166	8,583,036
13. FIXED ASSETS		
Premises		
Balance, beginning of year	1,162,995	1,155,575
Adjustment during the year	(1,456)	-
Additions during the year	84,651	7,420
	1,246,190	1,162,995
Less Depreciation to date	(52,475)	(34,648)
	1,193,715	1,128,347
Other fixed assets (including furniture and fixtures)		
Balance, beginning of year	366,070	321,732
Adjustment during the year	1,456	-
Additions during the year	127,341	45,586
Deductions during the year	(7,843)	(1,248)
	487,024	366,070
Less Depreciation to date	(200,760)	(153,607)
	286,264	212,463
Net book value	1,479,979	1,340,810

Premises were revalued at March 31, 1993 and the surplus of Rs 1,116,527 arising was credited to Revaluation reserve

Standard Chartered

(INCORPORATED IN THE UNITED KINGDOM WITH LIMITED LIABILITY)

	1995	1994
14. OTHER ASSETS		
Interest accrued	411,050	282,526
Inter-office adjustments (net)	50 238	-
Tax paid in advance/tax deducted at source (net)	1,899,145	1,758,855
Stationery and stamps	4,655	1,062
Others	3,497,592	4,162,880
	5,862,680	6,205,323
Others include		
Claims	1,268,064	2,066,364
Other items	2,229,528	2,096,516
	3,497,592	4,162,880
15. CONTINGENT LIABILITIES		
Claims against the Bank not acknowledged as debts	2,099,425	2,242,354
Liability for partly paid investments	500	500
Liability on account of outstanding exchange contracts (including spot exchange contracts Rs 9,623,941, 1994 Rs220,988)	79,142,683	13,868,645
Guarantees given on behalf of constitutents		
In India	5,081,626	4,032,842
Outside India	189,466	165,341
Acceptances, endorsements and other obligations	4,720,585	1,948,107
Other items for which the Bank is contingently liable		
Bills rediscounted	831,299	177,731
Underwriting commitments	166,875	71,600
	92,232,459	22,507,120
16. INTEREST EARNED		
Interest/discount on advances/bills	1,652,080	1,389,497
Income on investments	1,096,431	1,877,405
Interest on balances with Reserve Bank of India and other inter-bank funds	101,001	107,343
Others	18,296	10,295
	2,867,808	3,384,540
17 .OTHER INCOME		
Commission exchange and brokerage	386,196	292,073
Net profit on sale of securities	151,128	1,025,467
Net loss on revaluation of securities	(37,474)	(146,099)
Net loss on sale of other assets	(2 196)	(257)
Net profit on exchange transactions	280,331	180,380
Miscellaneous income	17,821	22,097
	795,806	1,373,661

	1995	1994
18. INTEREST EXPENDED		
Interest on deposits	1,264,641	1,476,780
Interest on Reserve Bank of India/ inter-bank borrowings	449,153	1,190,333
Interest refund and related payments to Reserve Bank of India	361,655	-
Others	21,089	8,285
	2,096,538	2,675,398

The amount against 'Interest refund and related payments to Reserve Bank of India ('the RBI')' above, relates to the show cause notice served on the Bank by the RBI during the year in respect of maintenance of inadequate cash reserves. The amount includes a refund of interest of Rs163 11 million relating to interest earned by the Bank on its deposits with the RBI in previous years

	1995	1994
19. OPERATING EXPENSES		
Payments to and provisions for employees	613,338	554,712
Rent, taxes and lighting	79,390	64,411
Printing and stationery	46,843	28,749
Advertisement and publicity	109,362	44,120
Depreciation on the Bank's property	49,392	41,648
Directors' fees, allowances and expenses	89	97
Auditors' fees and expenses	1,200	1,600
Legal charges	84,818	35,058
Postage, telegrams, telephones, etc	86,511	60,684
Repairs and maintenance	71,215	43,975
Insurance	9,739	15,558
Other expenditure	177,812	181,067
	1,329,709	1,071,679
Other expenditure includes		
Travelling	75,458	96,246

Included in 'Payments to and provisions for employees' is an amount of Rs15 9 million relating to gratuity which is management's estimate of the charge for the year after considering an actuarial valuation at May 31, 1994

20. VOLUNTARY RETIREMENT SCHEME

During the year, following a decision to rationalise its operations, the Bank introduced a Voluntary Retirement Scheme ('VRS') for certain employees The aggregate costs of the VRS, determined on the basis of actuarial computations, amounted to Rs 450 million This cost has been pro-rated over a pay-back period of five years The charge for the year amounting to Rs 90 million (1994 Nil) is included in 'Payments to and provisions for employees' and the balance is included under 'Other assets'

	1995	1994
21. PRIOR PERIOD ITEMS		
Adjustment to Head Office account	4,461	-
Incorrect recognition of income on revaluation of contingencies	25,656	-
	30,117	

22. PRIOR YEAR COMPARATIVE AMOUNTS

Prior year amounts have been reclassified, wherever necessary, to conform with the current year's presentation

Standard Chartered

Standard Chartered Bank — Indian Branches
(Incorporated in the United Kingdom with limited liability)

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

We have audited the accompanying balance sheet of Standard Chartered Bank — Indian Branches ('the Bank') as at March 31, 1995 and the related profit and loss account for the year then ended. Our audit was conducted in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not, drawn up in accordance with Schedule VI to the Companies Act, 1956. The financial statements are, therefore, drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

In our opinion, the accompanying financial statements give a true and fair view of the state of affairs of Standard Chartered Bank– Indian Branches as at March 31, 1995 and of its profit for the year then ended.

As explained in Note 2 to the financial statements, it is not possible to ascertain the outcome of various matters in respect of the Bank's past securities transactions because of the legal and other complexities surrounding these matters. The Bank believes that appropriate provisions and write-offs have been made in respect of such matters. Accordingly, no further provision to reflect the impact, if any, arising from these matters, has been made in these financial statements.

Also, as explained in Note 2 to the financial statements, certain demands made by the income-tax authorities are considered by the Bank to be unsustainable. Accordingly, no provision for the impact, if any, arising from this matter, has been made in these financial statements.

Further, as explained in Note 3 to the financial statements, certain inquiry proceedings against the Bank continue, the outcome of which is uncertain. Accordingly, no provision to reflect the impact, if any, arising from these matters, has been made in these financial statements.

Furthermore in our opinion,

(a) the transactions of the Indian Branches which have come to our notice have been within the powers of the Bank;
(b) the balance sheet and the profit and loss account are in agreement with the books of account, and give the information required by the Companies Act, 1956 in the manner so required for banking companies; and
(c) the Bank has maintained proper books of account as required by law insofar as appears from our examination of those books.

Arthur Andersen & Associates
Chartered Accountants

Bombay
June 30, 1995

Vijay Sahni
Partner

One Hundred Years of Brahminitude

Arrival of Annie Besant

V Geetha
S V Rajadurai

Annie Besant's arrival in 1893 lent prestige to a brahminical version of nationalism based on caste exclusivity and aryan superiority. The Justice Party and the Self Respect League countered this political brahminism through a cultural resistance centred around Tamil Dravidian fraternity.

ANNIE BESANT arrived at the southern port of Tuticorin in Tamil Nadu on November 23, 1893. Did she imagine then that her work and life in Madras would serve to catalyse into action a historical process that had long been unfolding and now merely waiting its 'appointed hour in these modern times'? A moot question, certainly but it is clear Annie Besant was not entirely unaware of the import of the political choices she made during her time as the editor of *New India* and an active participant in the activities of the Home Rule League in the Madras presidency. She saw herself as an inspired political muse who could quicken into energetic political action colonial south India's native elites.

In this 100th year of her arrival in the Tamil country, it seems important to assess her political mission in Madras since it proved extremely far-reaching in its effects. The Home Rule Movement in Madras which she galvanised into fitful action caused political opinion to crystallise into brahmin and non brahmin political formations. More importantly, the cultural vehemence she brought to her practice of nationalism resulted in the gradual emergence of a complete and total counter ideology. The non-brahmin resistance of political brahminism in the Madras presidency came to attack and challenge the social practices, cultural pride and philosophical worldview which, together, sustained brahmin hegemony in the related spheres of politics and culture. This resistance evolved into a full fledged ideology of Tamil nationalism in the 1930s, engendering thus a dramatic break in the progress of 'Indian' nationalism in the Tamil country.

In this article we attempt to indicate the significance of Annie Besant's political role and examine the nature and content of the Tamil nationalist response which arose as a spirited counter to the political brahminism she espoused and promoted.

I

Writing of the delegates to the first session of the Indian National Congress the *Indian Mirror* noted that the men from Madras seemed particularly impressive. It seemed benighted Madras was likely to outrun not only Bengal but every other province in the race for progress though preserving its national characteristics than any other province' [Suntharalingam 1974: 247-48]. *The Tribune* likewise was taken up with the Madras delegates 'all of good education and standing':

> Clad in conservative Hindu garments with their shining foreheads rubbed with sandal after the orthodox Hindu fashion and speaking in eloquent English about the various ways in which India should improve her political status they exhibited a spectacle at once charming and instructive charming inasmuch as it was a glorious sight to behold genuine Hindus (preserving intact ancient customs of their great race) holding the most radical views about politics instructive inasmuch as it was capable of infusing a belief that India could improve to the highest extent desirable its political status without being anglicised [Suntharalingam 1974: 247-48].

The delegates to the first session of Congress from Madras may be taken to represent the 'constituency' which attracted Annie Besant. Almost entirely brahmins there were exceptions – whether orthodox reformist or liberal these men of western learning were self conscious in their newly discovered political self-worth and acutely aware of the immense social and cultural distance that separated them from the rest of society in the Tamil country. They sought rather jealously to guard those privileges tradition, caste power and now colonial rule had conferred on them. This caste class of men desired like their counterparts elsewhere, to share government with their rulers and not oust them. They were often annoyed by the racism which marked the provincial bureaucracy but were not averse to the idea of empire. They were proud of their nationalist imaginings yet pragmatic enough to not flaunt it in a manner that would incur the wrath of colonial authority. Annie Besant with her studied opposition to the local bureaucracy, her reverence for 'God Crown and Country' (as was evident from the *New India* masthead that bore these words), her interest in Hindu belief, custom and creed, her qualified support for reform in the 'national interest' and finally with a decided penchant for agitational politics appealed to the deepest desires and fears, aspirations and apprehensions of the upper caste and self consciously brahmin congressman and his non political peers. Her predecessor colonel Olcott had merely vowed to reconstruct the 'ruined garden' of Hindu Sanskritic civilisation and to found an "Oriental Library – a second Alexandria" at Madras to further the cause of the Hindu faith [Suntharalingam 1974: 303]. But Annie Besant was willing to go further. She was prepared to transform the notion of caste exclusivity to represent a brave new political philosophy. She was convinced of the 'natural' superiority of brahmins over others as far as intellectual prowess was concerned:

> The caste system assigned learning to the brahmana and splendour to the kshatriya wealth to the vaishya. It has been the glory of the brahmana to be poor. Millennia of studious poverty have built up a body of fine nervous development refined sensitive and admirably adapted for its functions and have chiselled out an incomparable brain that has not its peers as a class in the whole world. The brain of the average brahmana compared with the average of any other class in the world is superior. Individual brains may be found anywhere of the finest value but taking as a class, the average brahmana brain is unrivalled and it has a quality a timbre if we may borrow an untranslatable word which is unique. Natural law has been utilised and the result is there before us [*New India* June 25 1915].

Annie Besant desired to 'restore' the lost pride and glory of the brahmins and thereby give back to them their 'rightful place as leaders of their country', in an appeal to the brahmana castes in 1913, she entreated that community to realise its destiny:

> There are two ways of change two ways in which privileges disappear when the people who no longer respect the privilege holders are angry with these privileges which outrage their sense of justice and if it goes too far you get a giant uprising like the French Revolution and the privileged perish by violence or you may have the wonderful

action of the privileged class in Japan, as privileged as any of the brahmana caste here who called on for their country's sake, stripped off every privilege they held and threw them at the feet of the Motherland in order that they may become free and great I have a vision which I hope is not only a dream of this mighty (brahmana) caste which in the past has given to India all that was greatest in her literature and arts and of you the natural leaders of the people by your high education by your brilliant intelligence by your powers of speech – I have had a vision of your mighty caste going forward to the feet of India the mother taking off the coronet of privilege from your own heads and laying it down in sacrifice at her feet I have dreamt that the great act of national sacrifice once accomplished splendidly performed India the Mother would stretch out her hands in blessing and say to her children who made the sacrifice Go back to your people and take your rightful place again as leaders still in India Give to them your splendid intellect, give to them your wonderful eloquence give to them the power of your past and the influence of your names crowned no longer with the crown of privilege but with the deathless crown of self sacrifice This is the vision I have seen Then the brahmans having stepped down will be raised up by the love of a grateful people who will follow leaders who are leaders of quality and not merely by accident of birth [*New India* November 27 1918]

This appeal shot through with pseudo millennial fervour, not only yoked together caste pride and patriotic sentiment but lent the politics of nationalism as it obtained in the Madras presidency a distinctive cultural weight and resonance Annie Besant's superb rhetoric of nation caste and culture helped to represent brahmin ritual and sacral authority as necessarily secular given these modern times She managed to endow brahminism with a new political and civilisational mission one that would confirm brahmins in their pride of place in the Aryan brotherhood' that colonel Olcott wished to constitute, 'regardless of race, creed or colour"

That Annie Besant's exhortations to the brahmins of Madras were taken to heart by a substantial section of that community is clear from even a cursory reading of her *New India*, especially its 'Voice of the People' columns Here are to be found debates on matters of social reform in the brahmin community, on the desirability (or not) of doing away with sectarian divisions among brahmins in the interests of a cohesive and unified 'national' brahmin community, on the Aryan (and therefore, brahmin predilection for liberty on the 'rightful' attitude to be observed by brahmins towards the depressed classes, as would be proper for men convinced of 'elevating' them into, at least, 'sudrahood' ! Common to these discussions was a romantic nostalgia for a lost aryan arcadia, often expressed as a will to recover that arcadia in the political here and now For instance, S Setlur, a regular columnist for *New India* in the period 1914-23 in a two-part essay, The Nature of Freedom enquired into the innate aryan love of liberty Arguing that the Western Aryan applied it (love of liberty) to the outer environment and the Eastern Aryan applied it to his inner nature', Setlur contended that the Manusmriti 'the old Aryan code common to all Aryans, whether European or Indian is better than anything that can be composed by the *New India* staff to express the main contention of the Home Ruler" Quoting Manu, he insisted that the "driving force of both Western and Eastern Aryans has been "their love of freedom the freedom which as Manu says the Aryan always regards as the sole test of pleasure and pain happiness and misery" Hence,

> the proverbially mild Hindu is so clamorous for self government while the brahmanas and the like whether English educated or not – who are known to have Aryan blood in them are in the frontline in the constitutional fight which is now raging while others are lagging behind and backsliding

Setlur however did not want non-Aryan Indians to turn away from the promises held out by the Aryan love of liberty They too have a right to freedom and self-government since they

> though not Aryan in blood have been nurtured in Aryanism for scores of years and have been saturated through and through with the Aryan love of liberty [*New India* September 1 1917]

It is not to be wondered then that Annie Besant's blueprint for a free, self governing India provoked an angry response amongst a section of the non-brahmin intelligentsia in Madras Chiefly professionals and publicists these men were keenly sensitive to the play of caste power in modern political life Colonial economic, political practices colonial knowledge systems and the missionary discovery of a perfidous brahminical Hinduism on the one hand and a received 'native wisdom which revered the idea of a seamless and ever-abiding 'Tamilness' on the other had produced in them a sense of being non-brahmin and, simultaneously, 'dravidian' and/or 'Tamil' Hence it irked their sense of self-respect that liberty should be associated with a caste known for its exclusivity and self-government be sought by a group of men who were distinguished by their resistance to equality amongst men and castes Thus, it was not before long non-brahmin publicists, professionals and the wealthy and powerful amongst them came to oppose political brahminism, both for its hegemonic intent as well as for its Aryan pretensions

II

Non-brahmin criticisms of Home Rule Nationalism represented two of the non-brahmin movement's early concerns the first had to do with coming to terms in a political sense with a community known for its 'powers of combination" and will for 'mutual advancement" [Naidu 1991 75] Non-brahmins could not abide by the good faith evinced by the brahmins in the national interest, since this was, itself, suspect To them the ideology of nationalism as it was advanced by Home Rulers and their denizen Annie Besant, seemed a sophisticated and elaborate attempt to re-interpret the ancient principle of brahminism M Venkatratnam Naidu, a prominent leader of the South Indian Liberal Federation (SILF) or the Justice Party as it was commonly known, argued that a genuine nationalism as opposed to and different from the extant one could be constructed only on the basis of common sympathies and a spirit of co operation between groups that felt bound to each other Do our present relations between caste and caste give rise to such sympathies? The answer should be a 'Decidedly not!' In some villages the lower castes are looked down by the upper castes The parariahs are given no place in the human category " Venkatratnam Naidu observed with considerable acerbity that the orthodox and exclusive minded, the doyens of varnashramadharma were ever averse to the forging of broader sympathies

> Some time ago there was an attempt to blend these different (caste) communities into one whole so as to generate that broad sympathy th it is characteristic of nationality Our orthodox friends have moved heaven and earth to oppose it and see it dropped The attempt made was the introduction of a bill to legalise the marriages between members of different castes and subcastes and legitimise their offspring What is it that influenced our friends to oppose it? Is it anything other than self interest? Is it not from a feeling that it would be a death blow to the caste? Is it not from a desire to keep their caste and birthright of supremacy intact? [Naidu 1991 36]

T M Nair, one of the founders of the SILF, also saw the Indian nationalist movement as having 'revivified the doctrines of varnashrama dharma" and deplored the phenomenon of a small, literate class "speaking for the other classes although (its) acquaintance with the (latter's) condition is of the remotest possible description"[*New India* October 23, 1918] K Subba Reddi, a youthful Justicite, likewise, doubted the nationalist intentions of a brahmin oligarchy which like its counterparts elsewhere in the world, 'has ever been subversive of the general interest of our country"

> While the British oligarchy touched us here and there, and that only superficially, the Brahmin oligarchy pursues us at every turn and makes itself felt in the innermost recesses of our life While the power of the secular oligarchy is finite and can be understood that of the spiritual oligarchy is infinite and inscrutable [Naidu 1991 75]

The apprehensions expressed by non brahmin publicists and political leaders with respect to the ideology of nationalism and its espousal by a class mindful of its oligarchic prerogatives were clearly a response to a politics that associated power whether social sacral or political, with knowledge and birth The SILF desired naturally to counter political brahminism/nationalism with a different approach to politics and came to imagine a different community and nation For nationalism to become a reality a living creed that would be appealing to all sections of society certain conditions had to be fulfilled The SILF defined these conditions in very specific terms (i) Primary education ought to be made free and compulsory so as to enable the emergence of a literate community of citizens (ii) Non brahmin castes were to actively pursue secondary and higher education and the poor amongst these castes ought to be given scholarships and concessions (iii) Equal representation of all communities in the services and administration must be ensured (iv) Communal safeguards must be provided in the matter of elections to the legislative council so that all communities in proportion to their numbers in the population, may be represented in Council It is clear that the SILF was not sanguine about the hegemonic strengths of political brahminism This brings us to the second concern of the non-brahmin movement its will to cultural resistance Non brahmin leaders were uneasy with the aryanist content in nationalist rhetoric since historically the intellectual prowess of brahmins derived from their appropriation of the sacredotal Aryan language Sanskrit and the denial of knowledge of this language to others Now that this time honoured pride in being the custodians of Sanskrit learning was being upheld and underwritten by the findings of modern philology and linguistics it seemed important that such rights to cultural supremacy be challenged and displaced

If the non brahmin political challenge to nationalism came to oppose the brahmin s appropriation of secular knowledge his acquisition of western educational skills and his familiarity with modern forms of government and administration non brahmin cultural resistance to nationalism sought to counter the political brahmin s 'spiritual' prerogatives his easy and sole access to a knowledge that lay embedded in everyday practices of language ritual and culture Non brahmin intellectuals even those who did not necessarily belong to the Justice Party, now came to dispute Sanskrit's claims to sacredness, its antiquity and even its very usefulness[2] Sanskrit was viewed less as a language and more as a carrier of values as a symbol of aryanism[3] In their turn, non brahmins extolled the virtues of Tamil, asserted its irrepressible *difference* from Sanskrit and argued it could stand on its own Such a celebration of Tamil had, in fact begun even in the last quarter of the previous century when Tamil scholars and intellectuals like their peers, elsewhere had come to discover the importance of history Men like Sundaram Pillai Arnold Sadasivam Pillay and V Kanakasabai Pillai had become all too aware of the need to articulate a dravidian myth of historical origins Mainstream colonialist historiography had proclaimed the notion of aryan beginnings to civilisation in the Indian subcontinent that was eagerly accepted and re articulated by upper caste chiefly brahmin writers and intellectuals Thus, these Tamil men of letters sought to refute the aryanist argument and came to propose a dravidian alternative a dravidian view of history It was held that such a history could be written on the basis of evidence gathered from Tamil literature through the ages Sundaram Pillay argued that Tamil literature of the past could be scoured for the most reliable data for reconstructing extinct societies and social conditions [Pillay 1985 29] The need for such a history was eloquently expressed by T Selva Kesavaraya Mudaliar when he wrote in 1904 that if they were to counter the taunts and disparaging comments of Sanskritists, Tamil lovers must produce evidence of their ancient culture and achievements [Sivathamby 1988 91] Dalit intellectuals and publicists during this period also expressed their need for a history free from aryan excrescences Men like Ayothidas Panditthar who characterised dalits as 'Poorva Tamizhar (original Tamils) produced a radical historiography that privileged dalits as the agents of history in the subcontinent who had, unfortunately, been duped of their rights to this history by scheming aryan priests [Geetha and Rajadurai 1993 2091-98]

Thus it was not long before that non-brahmin leaders clustered around the Justice Party and dalit leaders such as M C Raja resorted to an extremely imaginative and political use of history, as they attempted to disengage it from its Aryan/Sanskrit context Before we proceed to consider in some detail the intense politicisation of the Dravidian/Tamil myth first by the Justice Party and later by the Self-Respect League, it would be useful to consider the nature of Sanskrit Tamil encounters as these have occurred in Tamil history

The sense of difference which was believed to inhere in the Tamil language and dravidian culture and which distinguished these from an aryan-sanskritic ethos has been articulated at various times in Tamil cultural history This sensibility, often grounded in felt notions regarding the uniqueness of the Tamil language, conceived of Tamil as a metaphor which could at different times, yield different meanings Tamil thus came to embody the existential longings historical aspirations and even religious and spiritual agonies of Tamils Through significant segments of Tamil history it persisted as an invaluable site for the play and resolution of historical conflicts and for the emergence of questions over matters such as identity legitimacy and value K Sivathamby has argued that Tamil literary history if ably written and conceptualised could tell us important things about how Tamil rulers, aided ably by their literary and scholarly elite, looked to the Tamil classics whether sacred or secular and sought to derive legitimacy from constructions and reconstructions of texts into anthologies and definitive editions which they initiated and encouraged [Sivathamby 1988] P Krishnan has pointed out in an excellent and exhaustive study how references to the Tamil language and its uniqueness as well as references to the Tamil race and the Tamil country abound in Tamil literary texts He suggests that these references varied as they are in their meaning and significance indicative of the persistence of a stubborn historical memory of difference [Krishnan 1984]

It was through a deft and delicate use of Tamil that Saivite and Vaishnavite poet saints had countered the hegemonic and philosophic attractions of Jainism and Buddhism, while it was through a conscious 'Tamilising' of their creed that these religions had initially struck root in the Tamil country The Tamil language had stood the imperial Cholas in good stead when they sought to legitimise their rule through an invocation and celebration of brahminical Hinduism The two great Tamil epics of this period Kambar's *Ramayanam* and Sekkizhar s *Periyapuranam* not only testify to the grandeur and suppleness of the Tamil language but reveal how literature and hagiography may serve to inscribe the imperial present within Sanskrit as well as Tamil pasts These epics may be viewed as great legitimising historical narratives (in the manner of Virgil's *Aeneid* that attempted to endow an upstart Roman empire with a mythical aura) that brought together aryan notions of kingship, rule and culture and the patently Tamil and somewhat protestant bhakti traditions into a coherent seamless unity, a unity that was seen as present in Tamil life under the Cholas Tamil had figured as an important religious trope in the Srivaishnavite debates of post-medieval south India and was made a vehicle of a semi-popular, less rigid and broad-based Srivaishnavism,

subsequently identified with the Tenkalai prabhandic school of worshippers In the 18th century, when the Tamil country was rocked by a series of intermittent wars, an anonymous poet recalled in his long poem, Tamizh vidu Thoothu (Message sent through Tamil) the glories of the Tamil language and its antiquity and constructed in verse a veritable history of Tamil literature This poetic act was a response to the political anomie and disintegration that characterised the Tamil countryside on the eve of the British conquest Recognisably modern reconstitutions of Tamil language as the bearer of a distinctive cultural and civilisational impulse owed a great deal to the work of Christian missionaries who in their various bids to deploy that language to carry the message of Christ came to identify it with a useful vernacular popular tradition as opposed to a classical literary one Men like Bernard Schmidt and later Robert Caldwell, developed the theory that the Tamil language possessed a genius integral to it and owed nothing to Sanskrit Schmidt and his better known peer Rhenius argued that language constituted the very warp and woof of a peoples culture and held that particular languages expressed particular historical and cultural sensibilities Unlike the Tamil poets of yore they located this difference in everyday speech and in common and popular uses of Tamil[4] Missionary appropriations and use of the Tamil language fructified into a systematic attempt to record and describe the genius of Tamil when Robert Caldwell published his Comparative Grammar of the Dravidian Languages in 1856 Caldwell's work may be said to have systematised and rendered coherent those complex social, historical as well as linguistic developments which had obtained over a period of time in the Tamil country Caldwell's discovery of a Dravidian alternative to Aryan-Sanskrit culture was neither purely reactive nor fortuitous In his work, the sense of cultural difference which inhered in Tamil literature the visibly modern protestant articulation of the vernacular as a semi popular medium of expression and communication and the idea of a dravidian (as opposed to aryan) civilisation and family of languages propounded by colonialist linguist and historiographical research coalesced together Thus, a new episteme came into existence, one that would inform social political and cultural activity in the Tamil country

The political arrival of this new episteme was, of course, occasioned by the founding of the SILF The dravidian cause was now sought to be displaced from the sphere of culture into the sphere of politics In his welcome address to the first non-brahmin confederation held in December 1917 at Madras, P Theagoraya Chetty, the venerable leader of the Justice Party held that

> the genius of Dravidian civilisation does not recognise difference between man and man by birth The leaders of Dravidian thought Thiruvalluvar, Avvai and Cumbar do not claim to be born from the brain of the godhead The Nayanars and Alwars do not claim greatness in virtue of birth It is the Aryans who have introduced this birth distinction which they have elaborated into the system of varnashramadharma with its concomitant evils [Naidu 1991 139]

For Justice leaders the genius of Dravidian civilisation was a veritable touchstone that would help them measure the worth of aryan culture and judge the adequacy (or inadequacy) of this culture in democratic times P T Chetty for instance was quite clear and emphatic that brahminism was ever averse to democracy and noted that even when the tyranny of varnashramadhatma had provoked revolts brahmin oligarchic interests had refused to tread the path of reform but had, instead put down such revolts savagely

> More than two thousand four hundred years ago the Buddhist reformation sought to unify all classes but the influence of varnashramadhirma was too strong Ramanuja though a Brahmin tried to mitigate the rigours of the social and religious tyranny of the Brahmin priesthood and succeeded partially for some time But in course of time his priesthood sank to the level of the rest Basavaiya made a similar attempt which was attended with a similar result Thus every successive attempt to put down the Brahminical tyranny ended in failure so that the Brahminical influence grew stronger and stronger with the result that they elaborated the present system of untouchableness and pollution [Naidu 1991 140]

But the conscious politicisation of the dravidian idea by the Justice Party did not produce any long lasting results Not only was the party's oppositional cultural rhetoric not integrated with its political programme but its social and cultural agenda was not sufficiently radicalised for it to transform the dravidian (Tamil) value of social egalitarianism into a living creed in late colonial south India Besides there existed the inevitable hiatus between professed radical aims and possible practice.

III

The radicalisation of the non-brahmin movement was accomplished by the activities of the Self-Respect League From 1926 onwards, the League under the leadership of E V Ramasamy Periyar, and guided in its day-to-day propagandist and ideological work by a team of committed and eager men and women, issued open challenges to Hindu faith, custom, creed and practice The League professed a militant egalitarianism and insisted that unless social, cultural, linguistic and religious inequities were levelled out, self-government of India by Indians was an unrealistic and deceptive political option The League did not choose to work out a concrete political programme In the early 1930s it encouraged the formation of a 'Samadharma' party with avowed socialist aims but its socialism remained, at best, an index of its fundamental philosophy of self respect If socialism could help non-brahmins in their war against brahminism and help them constitute an egalitarian social order, it was to be welcomed The Self-Respect League's opposition to Hinduism and therefore, to aryan brahminism was more pointed and consistent than its political opposition to nationalism, so much so that the League managed to excavate a political underside to its anti aryanism and anti-brahminism For in the mid 1930s and after, the League's ideology and practice of self-respect came to form the basis of a new kind of politics in the Madras presidency the politics of Tamil nationalism

While the Self Respect League's leading ideologues including Periyar espoused a creed of conscious rejection of all social and cultural practices that implicitly or explicitly accepted brahmin ritual hegemony and the sacral powers of the Sanskrit language, they did not automatically extolled the virtues of dravidian culture or the Tamil language The self-respecters upheld Tamil chiefly because it was the spoken language of thousands of non brahmins but did not grant it an epistemological pride of place in their speeches and writings In rare instances, for purely prolemical purposes, they would proclaim the innate superiority of Tamil over Sanskrit but they were neither language purists nor romantics However, they chose to construct a political alternative to nationalism on the basis of, and in the name of Tamil nationalism It is clear that the significance they attached to the Tamil language was vastly different from that posited by the literati Likewise, they discovered new uses for the Tamil language and made it the marker of a new and radical political identity

The Self Respect League was thus suited to transform a cultural idea into an effective political weapon of protest Firstly, it functioned at a variety of levels as a broad-based forum for the expression of non-brahmin concerns as a popular exponent of a radical philosophy of rights and liberation as a militant pressure group that could induce, at times, the more staid Justice Party to adopt radical social programmes and finally as an arbitrator of opinion amongst a class of intellectuals with cross cutting affinities, that is, a class that comprised Tamil enthusiasts and anti Sanskritists as well as

those who were iconoclasts and who eschewed atavism of the Tamil as well as the Sanskrit variety. Secondly, the League's practice of self-respect, which included militant campaigns against untouchability, encouraging inter-caste marriages, upholding the rights of all non-brahmins including dalits to enter temples and other public spaces, challenging superstitious and obscurantist religious and cultural practices, protesting the subordination of women and the demeaning of their selfhood through various means, was chiefly agitational. It rarely awaited legislative or executive ordinances to ratify its radical measures. Thus, it came to adumbrate a new kind of activity, one that was not oriented towards specifically political objectives but whose social relevance and unrelenting intensity defined a different practice of politics. The Self-Respect League achieved an intensive politicisation of culture and thereby came to anticipate an entirely novel politics, one that would yoke popular energies to specific demands and integrate these within an overall counter-hegemonic framework

In 1937, the Madras presidency's provincial congress ministry announced its decision to render the teaching and learning of Hindi compulsory in educational institutions. The decision had the chief minister C Rajagopalchari's (henceforth Rajaji) specific sanction. The issue of Hindi-imposition became all-important overnight as various sections of society excitedly discussed its implications. Rajaji's own congressmen, amongst whom were a substantial number of non-brahmins, were surprised and incensed. Even the pro-Congress press in the presidency was astounded by the decision to impose Hindi and, initially at least, opposed it [Viswanathan 1983: 161-234]. The loudest and most vociferous protests emanated from the Tamil literati quarters: poets, songsters, scholars of Tamil learning, purveyors of Saiva Siddhanta, a self-consciously dravidian philosophical alternative to the brahminical vedanta, doyens of the 'Pure Tamil' movement who had been campaigning since 1914 for a purification of the Tamil language and a purging of Sanskritisms and aryan ideological constructions. Members of the Justice Party also joined in the protest against the cultural imposition on dravidian people and spoke and wrote against it. The anger against Hindi cut across class and caste lines, with self-respecters, samadharmists and even a few brahmins registering their ire [Viswanathan 1983: 161-234]. In terms of actual participation in the anti-Hindi campaigns, the brahmin presence was, perhaps, negligible. But it is significant that the sense of being 'Tamil' was not always overwhelmed by the sense of being 'brahmin' (though the contrary could be sighted, as it often did). Ultimately, the success of the anti-Hindi agitations owed a great deal to popular participation. Those men and women who had been 'awakened' into self-respect were now eager to define themselves in terms of a horizontal dravidian (Tamil) community. The fight for Tamil, or more specifically the rejection of Hindi, catalysed the emergence of a new identity, one that would transform non-brahmin concerns into dravidian-Tamil ones. The old negative identification was exchanged for a new positive one as the fight against Hindi (and by implication against Sanskrit and aryanism, and the new national outlook that wished to erect a modern state on the basis of the latter) crystallised into a desire and demand for a differently organised and imagined fraternity of peoples, the dravidian (Tamil) nation.[6]

It is clear the struggle over language was fought on multiple platforms, and not all those who joined the fray felt equally or intensely about the Tamil language or its hoary past. The self-respecters themselves were wary of plunging the anti-Hindi movement into an abyss of atavism and romantic nostalgia. However, they realised the importance of counterposing Tamil to Hindi, of defining the language to signify a form of resistance in itself. Tamil ceased to be a mere instrument of a cultural opposition but came to embody a non-brahmin will to power and counter-hegemony. The centring of resistance to northern, Sanskritic dominance in and through the Tamil language possessed a long history, as we have attempted to indicate. This history assumed form and coherence for the modern times in the anti-Hindi agitations. Just as at each historical conjuncture, the resistance or hegemonic intent signified in a particular use of Tamil realised itself differently so was the cultural resistance centred in the Tamil language during the anti-Hindi campaigns interpreted in specific historic terms. Likewise, Tamil also came to represent a well-defined historic sensibility.

What was the meaning of Tamil for the self-respecters? Periyar was quite clear as to what Tamil did *not* mean, as far as he was concerned

> I love Tamil, but not because it is my mother tongue or because it is the national language; or becuase it is a language that can stand on its own. Neither is my love due to its antiquity, to the fact it was the language spoken by Lord Siva or the one created by the sage Agasthya... I love a particular thing for its quality, for its usefulness. I do not extoll a thing just because it happens to be my language, my nation, my religion.
>
> If I ever am convinced that my nation cannot help me realise my ideals, if I cannot make it serve this purpose, I will move away from it. Likewise, if I ever come to think that my language will not serve my ideals, if it will not help my people live with honour and help them progress, I will give up on my language and look to something that would have its uses.
>
> If I love Tamil, it is because I have weighed the good that I expect to come out of it against the ill effects its disappearance is likely to cause and have, on that basis, extended my love and support. Similarly, I oppose Hindi on the basis of the ill effects it may cause. I oppose it because I have realised the nature of these effects and unable to tolerate them have decided to resist them; but not because I will not be able to understand Hindi or that it is an alien language [Sitambaranar 1939: 213-15].

This may sound starkly utilitarian, but Periyar's 'use' theory of language helped him assess a language's ideological resonance and disambiguate its usefulness from the superstitious and worthless dross that rendered it opaque and unfit for rational, intelligible communication. Thus, he held that a Tamil language free of Sanskritic influences and aryan concepts would be ideologically acceptable to a self-respecter

> It is my opinion that the Tamil language can help its people progress in all fields, liberate them and help them lead a rational and honourable life. Of course, some may ask if Tamil is indeed capable of all this. Tamil may not help its people achieve all of these, but I do know that, of all the Indian languages, Tamil possesses those arts, manner of speech and custom as well as the words requisite for a peoples' progress [Sitambaranar 1939:213-15]

Periyar was no purist and advocated the language should borrow freely from all languages except Sanskrit to enrich and extend its vocabulary. He held that it was because of the unwelcome intrusion and takeover of Tamil by Sanskrit, the Tamil people who had discovered civilisation and culture when people elsewhere were yet to leave their savagery behind had failed to keep up their initial momentum and had, as a consequence fallen behind in the march towards progress [Anaimuthu 1974:972-93]. To Periyar, and indeed in the general discourse of self-respect, Sanskrit signified an aryan-brahmin will to power and dominance through religion and caste. Sanskrit, thus, embodied an entire system of values, the means through which the Tamil people had been enslaved. Periyar argued that identities are fixed in speech and reified through reiterative habits of language use. The Sanskrit words for caste, salvation, marriage, obsequies, heaven hell etc, had entered the Tamil speaker's vocabulary and had been internalised over the years: "These are words that foment superstition and blind faith", held Periyar, and insisted that there are no original Tamil words that correspond in meaning to these and other such words

that are so clearly of aryan import [Anaimuthu 1974:971] Periyar blamed the eager acceptance of an aryan religion, such as Saivism by the Tamil rulers of the past for the language's low status

> The Tamil kings accepted an aryan faith and to explain the concepts and nuances of this faith Sanskrit words were invoked If we were to free Tamil from aryanism and Saivism we will be able to get back our old Tamil [Anaimuthu 1974 971]

If Tamil was to be brandished as a weapon against Sanskrit and aryanism, if it was to be an antidote to a language which according to Kuthoosi Gurusamy had awed people through the ages by its sheer sonority and incomprehensibility and its association with caste power, what did it stand for? In other words how could it be a powerful arm of the anti brahmin resistance? Tamil had to, necessarily express the ideology of self respect and bend itself to new habits of speech use and communication Periyar clearly desired to modernise Tamil and to render it supple enough to express new ideas scientific concepts and his own philosophy of self respect The aims of the Self Respect League were to

> do away with blind faith superstitions and meaningless rituals remove the inequalities created in society in the name of caste religion and class and make the people live as a *single* community in brother(sister) hood creating (among them) a spirit of self awareness so that they would henceforth live as rational and self respecting beings [Anaimuthu 1974 458]

Tamil was to facilitate the constitution of this new fraternity of peoples endow them with a distinctive identity and equip them with a sense of a cultural and political difference to resist political brahminism/ nationalism

In upholding the liberative energy and uses of Tamil, Periyar was clearly responding to the political use of Hindi His criticisms and rejection of Sanskrit were directed against Sanskrit s modern descendant Here, Hindi was conceived not so much as a language as a modern metaphor of brahminism The historical linkages brahmins had established between knowledge and power were now being reforged In a historical context dominated by the rhetoric of nationalism the caste-class basis of nationalism had to be effectively expressed and rendered consensual Hence, the leaders of Indian nationalism had chosen Hindi as the means to forge, and in some instances, impose this consensus [Rajadurai forthcoming] Periyar since his early political days, had waged an unrelenting war against nationalism devoid of social reform and pledged to caste exclusivity He had characterised nationalist ideology as the ideology of an unreformed brahmanocracy' Therefore, when the Congress ministry in Madras attempted to constitute polity and society in the Madras presidency along nationalist lines, by forcing a unity on the basis of a falsely imagined 'national' language, Periyar sensed the will to power, so evident in Rajaji's move If this decision were to fructify into a sustained campaign to displace the hard-won gains of the non-brahmin movement and marginalise the counter hegemonic work of the self respecters Periyar knew that the work of several years would come to nought He was scornful and sharply critical of the reasons that were offered in defence of the imposition of Hindi

> Rajagopalachariar and his cohorts tell us that if we were to learn Hindi we would be able to read Tulsiram s Ramayana that we could easily learn Sanskrit read the Hindu scriptures It seems we must learn Hindi for spiritual reasons for our salvation Nowhere is it said that our worldly uses will be served by Hindi [Anaimuthu 1974 651]

This scorn and anger however did not blind him to the essential political intent behind the Congress move In fact his repeated insistence on the suitability of the Tamil language to its speakers lifestyles their conditions of existence and to the social egalitarianism he desired, was an index of his political will and desire to make Tamil the badge of a new national identity

The anti Hindi agitations served to constitute Tamil as the marker of a new political spirit one that was sustained by a creed of social justice and animated by a cultural desire to preserve and render durable a sense of historical difference For the self respecters this difference was less a matter of cultural glory than of ideological worth For Tamil enthusiasts of various persuasions the self respecters philosophy of language and society was less important than their political will and determination to resist Hindi For the thousands of men and women who eagerly joined the campaigns against Hindi Tamil self respect and their future prospects for liberation were at stake For all concerned with the struggle neither caste nor class distinctions mattered since the imagined community of free self respecting dravidians made possible for the moment of the struggle at least a horizontal comradeship

Annie Besant had been haunted by a vision of a polity and society guided by and responsive to the benevolently despotic intentions of a class that had retained its exclusivity and ruled by its power over language, ritual custom and culture Now that vision was transformed into its dialectical opposite as men and women came together to claim a rule that would split knowledge from power and democratise it that would unite rather than divide people on the basis of language, a rule that would flow from mutuality and self respect and not from a finely timbered brain

Notes

1 See for instance Justice Sadasiva Iyer s highly interesting disquisition on the changed' face of chaturvarna New India July 3 16 1916

2 The Tamil literati many of whom were arch Saivites and ardent scholars of the language may be cited as examples

3 N Subramanian points out in his *The Brahmin in the Tamil Country* (Ennes Publications, Madurai 1989) The identification of Brahmin with Sanskrit a non-regional language lost him the sympathy of regional interests the situation was to cost him dearly when regional expressions became sharp and politically effective in the twentieth century The occasional but brilliant contribution made by Brahmin scholars to Tamil thought did not however save the brahmin *per se* from the consequences of exclusive proprietary interest in Sanskrit, particularly the sacred texts (p 147)

4 For an exhaustive account of missionary scholarship put to popular use see Sarojini Packiamuthu *Vividhyamum* Tamizhum, Gurukulam Lutheran Theological College and Research Institute and APATS (India) 1990

5 O Kandasamy Chetty a former Justice publicist and a radical reformer wrote bitterly of that party in 1922 that it had allowed its social reform agenda to gather dust as it consolidated its power in office (see *New India* September 23 1922)

6 It is important to keep in mind that the categories Dravidian and Tamil were often considered interchangeable Even though some Telugu Justicites subscribed at times to the notion of an overarching dravidian identity it was common knowledge that dravidian almost always meant Tamil

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BALANCE SHEET OF INDIAN BRANCHES AS AT 31ST MARCH 1995

(Rs. in thousands)

	Schedule	As on 31 03 95	As on 31 03.94
CAPITAL AND LIABILITIES			
Capital	1	2,000	2,000
Reserves and Surplus	2	1,671,535	1,227,165
Deposits	3	11,194,836	7,174,958
Borrowings	4	363,927	318,562
Other Liabilities and Provisions	5	2,275,007	1,607,240
TOTAL		15,507,305	10,329,925
ASSETS			
Cash and balances with Reserve Bank of India	6	797,777	457,654
Balances with banks and money at call and short notice	7	140,447	269,861
Investments	8	3,753,589	3,823,291
Advances	9	9,329,033	4,825,705
Fixed Assets	10	797,903	274,036
Other Assets	11	688,556	679,378
TOTAL		15,507,305	10,329,925
Contingent Liabilities	12	146,532,642	29,758,244
Bills for Collections		1,762,826	829,748

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES FOR THE YEAR ENDED 31ST MARCH 1995

(Rs. in thousands)

	Schedule	Year ended 31 03 95	Year ended 31.03 94
I. INCOME			
Interest earned	13	1,531,749	1,199,311
Other Income	14	325,967	199,556
TOTAL		1,857,716	1,398,867
II. EXPENDITURE			
Interest expended	15	818,962	485,688
Operating expenses	16	485,183	282,619
Provisions and contingencies		437,308	414,696
TOTAL		1,741,453	1,183,003
III. PROFIT			
Net Profit for the year		116,263	215,864
Profit brought forward		172,691	1,738
TOTAL		288,954	217,602
IV. APPROPRIATIONS			
Transfer to statutory reserves		23,263	43,173
Transfer to Capital Reserve		2,419	–
Transfer to head office accounts		172,691	1,738
Balance carried over to Balance Sheet		90,581	172,691
Notes forming part of accounts	17		
TOTAL		288,954	217,602

As per report of even date
For P. C. HANSOTIA & CO.
Chartered Accountants

Sd/-
RAVI VAZIRANI
Partner

Bombay: 30th June, 1995

For Deutsche Bank A.G.
Indian Branches
Sd/-
HARKIRAT SINGH
Chief Executive Officer—India

Sd/-
LALIT MAKHIJA
Controller—India

Deutsche Bank AG



(Incorporated in Germany with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH 1995

(Rs in thousands)

	As on 31 03 95	As on 31 03 94
Schedule 1—Capital		
(A) Face value of securities deposited with the Reserve Bank of India under sub section (2) of Section 11 of the Banking Regulation Act 1949	113,600	63 600
(B) Amount brought into India by way of start-up capital	2,000	2 000
TOTAL	2,000	2 000
Schedule 2—Reserves and Surplus		
I Statutory Reserves (Reserve under Sec 11(2)(b)(ii) of Banking Regulation Act, 1949)		
(i) Opening Balance	96,767	53,594
(ii) Additions during the year	23,263	43 173
	120,030	96 767
II Capital Reserves		
(i) Opening Balance	54	54
(ii) Additions during the year	2,419	
	2 473	54
III Revenue and Other Reserves		
Head office Reserve (See note 2)		
(i) Opening Balance	957,653	694,408
(ii) Additions during the year	500,798	263,245
	1,458,451	957,653
IV Balance of Profit	90,581	172,691
TOTAL	1,671,535	1,227,165
Schedule 3—Deposits		
A I Demand Deposits		
(i) From Banks	214,195	48,168
(ii) From Others	2,096,025	1,186,074
II Savings Bank Deposits	380,350	210,588
III Term Deposits		
(i) From Banks	3,689,364	2,135,048
(ii) From Others	4,814,902	3,595,080
TOTAL	11,194,836	7,174,958
B. Deposits of branches in India	11,194,836	7,174,958

(Rs in thousands)

	As on 31 03 95	As on 31 03 94
Schedule 4—Borrowings		
I Borrowings in India		
(i) Reserve Bank of India	295,100	250,000
(ii) Other banks	751	2,771
(iii) Other Institutions and agencies	–	–
II Borrowings outside India	68,076	65,791
TOTAL	363,927	318,562
III Secured borrowings included in I and II above	–	–
Schedule 5—Other Liabilities and Provisions		
I Bills Payable	187,921	340,527
II Inter-office adjustments		
(a) in India (net)	3,464	–
(b) outside India (net)	1,769,038	1,036,193
III Interest accrued	135,270	114,334
IV Others (including provisions)	179,314	116,186
TOTAL	2,275,007	1,607,240
Schedule 6—Cash and Balances with Reserve Bank of India		
I Cash in hand	6,205	5,227
II Balances with Reserve Bank of India		
In Current Account	791,572	452,427
TOTAL	797,777	457,654
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I In India		
(i) Balances with banks in India		
In Current Accounts	117,834	237,453
(ii) Money at call and short notice		
With banks	–	–
TOTAL	117,834	237,453
II Outside India		
In Current Accounts	22,613	32,408
	22,613	32,408
TOTAL	140 447	269,861

Deutsche Bank AG

(Incorporated in Germany with Limited Liability)

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Rs in thousands)

	As on 31 03 95	As on 31 03 94
Schedule 8—Investments		
I. Investments in India		
(i) Government Securities	3,251,099	1,655,067
(ii) Other approved securities	9,870	1,042
	3,260,969	1,656,109
(Market value TRS. 3,397,758 (31st March 1994 TRS. 1,659,370))		
(iii) Shares	361	361
(iv) Debentures and Bonds	400,201	177,360
(v) Investments in associated company	3,000	3,000
(vi) Others		
Commercial paper	89,058	1,986,461
TOTAL	3,753,589	3,823,291
Schedule 9—Advances		
A. (i) Bills purchased and discounted	1,402,746	779,659
(ii) Cash credits, overdrafts and loans repayable on demand	5,822,054	3,383,640
(iii) Term loans	2,104,233	662,406
TOTAL	9,329,033	4,825,705
B. (i) Secured by tangible assets*	6,424,581	3,191,332
(ii) Covered by Bank/ Government guarantees	288,781	214,139
(iii) Unsecured	2,615,671	1,420,234
	9,329,033	4,825,705
C. I. Advances in India		
(i) Priority Sector	2,990,500	1,851,786
(ii) Public Sector	–	–
(iii) Banks	–	–
(iv) Others	6,338,533	2,973,919
	9,329,033	4,825,705

*Includes loans 31st March 1995 TRS. 390,499 (31st March 1994 TRS. Nil) in respect of which security is pending creation

(Rs in thousands)

	As on 31 03 95	As on 31 03 94
Schedule 10—Fixed Assets		
I Premises		
(i) At cost as at 31st March*	215,617	123,428
(ii) Additions during the year**	484,774	92,189
(iii) Deductions during the year	–	–
(iv) Depreciation to date	–14,519	–6,240
	685,872	209,377
II Other Fixed Assets		
(i) At cost as at 31st March+	124,789	75,212
(ii) Additions during the year++	100,240	51,314
(iii) Deductions during the year	–22,041	–1,738
(iv) Depreciation to date	–90,957	–60,129
	112,031	64,659
TOTAL	797,903	274,036
Schedule 11—Other Assets		
I. Interest accrued	194,497	111,708
II. Tax paid in advance/tax deducted at source	208,195	207,362
III Stationery and stamps	594	15
IV Others	285,270	299,381
V Inter branch		
(a) in India (net)	–	–
(b) outside India (net)	–	60,912
TOTAL	688,556	679,378
Schedule 12—Contingent Liabilities		
I. Liability on account of outstanding forward exchange contracts	126,971,579	18,689,053
II. Guarantees given on behalf of constituents		
(a) In India	4,422,927	3,789,704
(b) Outside India	1,374,406	558,131
III. Acceptances, endorsements and other obligations	11,805,602	6,171,280
IV Other items for which the bank is contingently liable		
(a) Capital commitment for contracts pending execution	14,980	17,528
(b) Others	1,943,148	532,548
TOTAL	146,532,642	29,758,244

* Includes capital work in progress TRS. 176,022 (31st March 1994 TRS. 83,833)
** Includes capital work in progress TRS. 100,007 (31st March 1994 TRS. 92,189)
+ Includes capital work in progress TRS. 18,642 (31st March 1994 TRS. Nil)
++ Includes capital work in progress TRS. 5,395 (31st March 1994 TRS. 18,642)

Deutsche Bank AG

(Incorporated in Germany with Limited Liability)

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1995

(Rs in thousands)

	Year Ended 31 03 95	Year Ended 31 03 94
Schedule 13—Interest Earned		
I Interest/discount on advances/bills	897,144	724,604
II Income on investments	624,005	437,816
III Interest on balances with Reserve Bank of India and other inter-bank funds	8,333	33,778
IV Others	2,267	3,113
TOTAL	1,531,749	1,199,311
Schedule 14—Other Income		
I Commission, exchange and brokerage	195,868	85,087
II Net profit (net loss) on sale of investments	-9,719	5 006
III Net profit on sale of land, buildings and other assets	48	594
IV Net profit on exchange transactions	138,850	108,455
V Income earned by way of dividends etc from subsidiaries, companies, joint ventures set-up abroad/in India	–	–
VI Miscellaneous income	920	414
TOTAL	325,967	199,556

(Rs in thousands)

	Year Ended 31 03 95	Year Ended 31 03 94
Schedule 15—Interest Expended		
I Interest on deposits	461,973	321,129
II Interest on Reserve Bank of India/inter-bank borrowings	336,969	132,723
III Others	20,020	31,837
TOTAL	818,962	485,689
Schedule 16—Other Operating Expenses		
I Payments to and provisions for employees	103,081	58,520
II Rent, taxes and lighting	37,570	19,955
III Printing and stationery	8,487	4,689
IV Advertisement and publicity	2,830	5,616
V Depreciation on bank's property	55,401	26,342
VI Directors' fees, allowances and expenses	371	274
VII Auditors' fees and expenses (including branch auditors' fees and expenses)	296	160
VIII Law charges	126	359
IX Postages, Telegrams, Telephones, etc	15,227	12,281
X Repairs and maintenance	28,777	15,131
XI Insurance	5,749	4,271
XII Other expenditure (Includes 1994-95 TRS 181,907 (1993-94 TRS 85,086) being Head Office expenses)	227,268	135,021
TOTAL	485 183	282,619

Schedule 17: Notes Forming Part of the Accounts for the Year Ended 31st March, 1995

1 Principal Accounting Policies

A Accounting Conventions

These accounts have been prepared according to the historical cost convention and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949 and practices prevailing in the country

B Transactions Involving Foreign Exchange

1 Foreign currency assets and liabilities are translated on the Balance Sheet date at the rates notified by FEDAI except balances under Foreign Currency Non-Resident Account which are valued at the relevant rates specified by the Reserve Bank of India

2 Contingent liabilities on account of outstanding foreign exchange contracts have been reported at the contracted rates

3 Profit and Loss on revaluation of outstanding foreign exchange contracts on the Balance Sheet date at the rates notified by FEDAI have been included in the Profit and Loss Account

C Investments

In accordance with the guidelines issued by the Reserve Bank of India the investments of the Bank are classified into 'Permanent Investments" – which are intended to be held upto the date of maturity and Current Investments" – which are not intended to be held up to the date of maturity and are generally intended to be traded in Permanent Investments are valued at cost unless cost is more than the face value, in which case the premium is amortised over the period remaining for the maturity of the security Profit (net of tax) on sale or redemption of Permanent Investments is transferred to Capital Reserve where as loss on sale or redemption of Permanent Investment is charged to revenue

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In respect of Current Investments other than Treasury Bills and Commercial Paper the same are valued at cost or market value which ever is lower the depreciation if any on revaluation is charged to revenue In case of inter change of investments from current to permanent prior authorisation of the Local Advisory Board is obtained and depreciation, if any, resulting from valuation based on lower of market value or cost is fully provided for Treasury Bills and Commercial Paper are valued at carrying cost

The market value of Current Investments is worked out by means of an appropriate capitalisation of yield method as recommended by the Reserve Bank of India

D Advances

1 Provision for doubtful advances The Management reviews the advances portfolio each year in addition to periodic reviews and based on their judgement sets aside specific provision for doubtful advances The provisions made duly consider the provisioning norms instructed by Reserve Bank of India The provision for doubtful advances is made to the satisfaction of the auditors after considering present value of realisable security held by the Bank in respect of such advances

2 Advances are stated net of bills of exchange rediscounted and specific provision in respect of doubtful debts

E Premises Furniture and Fixtures etc

Premises furniture and fixtures including vehicles and equipment have been valued at cost less depreciation Depreciation has been provided on straight line method at the rates specified by Head Office which are higher than the rates prescribed under Schedule XIV to the Companies Act 1956 Lease premium is being amortised over the lease period expected to be extended Depreciation on building is provided from the day it is put to use and in case of other assets pro rata depreciation on additions is provided as per Head Office guidelines in the year it is put to use No depreciation is provided on assets in the year of sale

F Income Recognition

i) Interest Income is recognised on accrual basis and in the case of non performing advances the same is recognised on recovery and settlement

ii) Commission and fees are treated on accrual basis except commission on Letters of Credit and Guarantees which is accounted as income on cash basis

G Staff Benefits

Liabilities in respect of retiral benefits to employees are provided for by payments to duly recognised Gratuity Fund Pension Fund and Provident Fund The amount of payments to the Funds except for Provident Fund are determined on the basis of actuarial valuation

H Net Profit

The net profit disclosed in the profit and loss account is after

i) Provision for taxes on income in accordance with statutory requirements

ii) Provision for doubtful advances

iii) Adjustments so as to value trade investments at lower of cost and market value

iv) Other usual and necessary provisions

2 Lease Premium Amortisation

The Bank has two premises (including one acquired during the year) on land leased from Bombay Municipal Corporation Based on legal opinion and correspondence with the State Government regarding the general policy of renewal of such leases, the Management is of the opinion that the lease would normally be extended Hence the lease premium of Rs 391 255 375 paid to acquire the lease rights has been amortised on the basis of the lease period expected to be extended instead of the residual contracted lease period Consequently a sum of Rs 3 913 407 has been amortised during the year

3 Head Office Reserve Account

Head Office Reserve Account represents funds remitted by Head Office and a portion of approved remittable surplus for an earlier year retained by the Bank to meet the cost of acquisition of residential and bank premises at Bombay and to meet capital adequacy norms as per the Reserve Bank of India s guidelines

4 Special audit initiated by Reserve Bank of India

During the year Reserve Bank of India initiated a special audit to verify the transactions of the Bank under the Foreign Currency (Non Resident) Account Scheme for the period 1st April 1990 to 31st March 1994 The verification of the transactions of BombayBranch is in progress and the report for New Delhi Branch has been submitted to the Management and Reserve Bank of India Pending review by Reserve Bank of India liability if any cannot be determined

5 Audit under Section 142 (2A) of the Income Tax Act 1961

During the year the Income Tax department initiated a special audit under Section 142 (2A) of the Income Tax Act 1961 for the financial year ended 31st March 1992 and 31st March 1993 which has been completed and the report has been submitted to Management and the Income Tax Department Pending review of the same by the Income Tax department provision for liability, if any, has not been made in the Financial Statements for the year

6 Regrouping

The previous year's figures have been regrouped/rearranged wherever necessary

Per our attached report
For P C HANSOTIA & COMPANY
Chartered Accountants
Sd/
RAVI VAZIRANI
Partner
Bombay 30th June 1995

Sd/
H SINGH
Chief Executive Officer—India

Sd/
L MAKHIJA
Controller India

Deutsche Bank AG

(Incorporated in Germany with Limited Liability)

Auditors' Report on the Accounts of the Indian Branches of Deutsche Bank AG

We have audited the attached Balance Sheet of the Indian Branches of Deutsche Bank AG (Incorporated in Germany with limited liability), as at March 31, 1995 and the Profit and Loss Account of the Indian Branches of the Bank for the year ended March 31, 1995 annexed hereto

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, together with the notes thereon are not required to be drawn up in accordance with Schedule VI of the Companies Act, 1956 The accounts are therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule of the Banking Regulation Act, 1949

We report that

The Bank has two premises (including one acquired during the year) on land leased from Bombay Municipal Corporation. Based on legal opinion and correspondence with the State Government regarding the general policy of renewal of such leases, the Management is of the opinion that the lease would normally be extended Hence, the lease premium of Rs 391,255,375 paid to acquire the lease rights has been amortised on the basis of the lease period expected to be extended instead of the residual contracted lease period Consequently, a sum of Rs 3,913,407 has been amortised during the year Had the amount been amortised based on residual contracted lease period, the charge to the Profit and Loss Account for the year would have been Rs 20,470,681 and the profit for the year lower by Rs 16,557,274

Subject to the above

1 We have obtained all the information and explanations which in our opinion and the best of our knowledge and belief, were necessary for the purpose of audit and have found them to be satisfactory,

2 the transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branches of the Bank,

3 in our opinion, proper books of accounts as required by law have been kept by the Indian Branches of the Bank so far as appears from our examination of those books,

4 the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

5 In our opinion, and to the best of our information and according to the explanations given to us, the accounts read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for the Banking Companies and on such basis; the Balance Sheet give a true and fair view of the state of affairs of the Indian Branches of the Bank as on March 31, 1995 and the Profit and Loss Account of the profit of the Indian Branches of the Bank for the year ended on that date

For P. C. HANSOTIA & CO
Chartered Accountants
Sd/-
RAVI VAZIRANI
Partner

Bombay: 30th June, 1995

Income Spreading Mechanisms in Common Property Resource

Karanila System in Kerala's Fishery

John Kurien
A J Vijayan

An important feature of small scale fishing communities in developing countries is community-evolved mechanisms to ensure that the resources, livelihood opportunities and revenues from the common property fishery are spread as widely as possible in the whole community. This article examines the case of an income spreading mechanism which has been practised in the coastal encircling net fishery of Kerala for about half a century. It shows how a combination of inappropriate technology choices coming in the wake of free market policies, and a now increasingly common pattern of state patronage of rural producers, often combine to create open access conditions in common property resources and thus put eminently desirable communitarian systems of sharing and caring under great strain.

AN important feature of small scale fishing communities in developing countries is the existence of numerous community evolved and community sanctioned mechanisms to ensure that the resources, livelihood opportunities and revenues from common property fishery are spread as widely as possible in the whole community. These take various forms and include, to mention a few, free distribution of fish, community taxation of earnings, rights to all willing persons to go fishing and spreading of income to an extended contingent of crew.

These mechanisms of sharing and caring, which have been instituted as an integral part of the distribution of the returns from the common property have often disappeared under the pressures of modernisation and the wholesale incorporation of these communities into the world market. Some have however withstood these pressures by being modified to suit the compulsion of the times.

Platteau and Baland (1989) have elaborated extensively on a variety of arrangements for the sharing of income and the spreading of work. Many of these arrangements also form the basis of traditional, informal social security systems in communities which are united predominantly by family, kinship, ethnic or caste ties. Platteau and Baland also propose a matrix of six different combinations of such income and work spreading arrangements based on a classificatory schema which considers (a) whether the income and work spreading are done *within* or *between* enterprises and (b) whether the costs of the income and work spreading are borne by the workers (crew) owners, or both. Their analysis points out that the small scale fishery sector is a remarkable case in which all six forms of income sharing through work spreading can be found, even though some forms are more frequently encountered than others.

In this paper we wish to examine a specific case of income spreading within a fishing enterprise where the cost is borne by the crew – constituted of working owners and non owner workers. Our case is unique in the sense that a significant number of persons have a custom bound claim to income even if they do not perform any productive work activity on that particular fishing trip. It is called the karanila system. Karanila literally means 'shore status' - a privilege granted to anyone who expresses a demonstrable interest in associating with a fishing unit by being present on shore when the unit is ready to set out to sea. Except on the very first occasion, there is no compulsion for the person to actually go fishing.

This income spreading mechanism has been practised in the coastal encircling net fishery of Kerala for only about half a century. In that sense it can hardly be classified as traditional in vintage. Consequently it exemplifies the contours of a still viable income spreading mechanism operating within the context of a common property resource. We make an analysis of the mechanism's origin, rationale, development and threatened existence today. This portrays how a combination of inappropriate technology choices coming in the wake of open market policies, and a now increasingly common pattern of state patronage of rural producers whose lives are inextricably linked to natural resources [what Dassmann (1988) has named 'ecosystem people'], often combine to create open access conditions in common property resources and thus put communitarian systems of sharing and caring, though eminently desirable, under great strain.

We begin with a brief description of the development of fisheries in Kerala – one of the foremost maritime states in India. Kerala is noted for the fact that its coastal waters are the most productive in the Indian Exclusive Economic Zone (EEZ). Kerala also became famous when it was selected to host the world's first internationally aided development project – the Indo Norwegian Fisheries Community Development Project. This is followed by a description of the canoe and ring seine fishery called the 'thanguvallam' or 'thanguvala' fishery in the local parlance. We describe the technique and the evolution of production relations within these fishing units so as to provide the material and social background to the karanila system. The working of the karanila system is then examined. The attempt is to describe its *modus operandi* and understand its rationale and evaluate its relative merits and demerits in the context of work and labour organisation. The role that this income spreading mechanism plays in the context of an overcapitalised, low income fishery, in which fishermen have no alternative employment prospects is examined. Finally, we make an assessment of the role that the karanila system has played in sustaining the small scale fishery sector of Kerala's fisheries. We also assess its usefulness and meaning in the process of creating a new fishery management regime.

Development of Kerala's Fisheries

Kerala, situated in the south-western corner of India and with a population density of 660 persons per square kilometre, is one of the most densely populated states in the country. It is estimated that the population density of its fishing villages is about three times the state average. Kerala accounts for only about 10 per cent of the country's 6,000 km coastline but is the home of over a quarter of India's half a million active marine fishermen. The coastal marine waters of the state (up to a depth of 50 m) are almost equal to its land area – 13,000 sq km. Consequently there are about 10 active fishermen for every single sq km of

coastal waters compared to the all-India average of three for a sq km.

This high density of fishermen in Kerala is to an extent compensated by the fact that Kerala also has the most productive coastal waters in the country since it is blessed with a highly productive upwelling system The average fishery potential of this inshore sea is 30 tonnes per sq km while the all-India average is only 13 tonnes The estimated maximum sustainable yield (MSY) of Kerala s inshore sea is about 400,000 tonnes This resource is composed of numerous fish species each attaining varying sizes at maturity and available in relatively small stock sizes – a standard characteristics of tropical waters The three major economic species are oil sardines mackerels and penaeid prawns which together account for over 50 per cent of the MSY

Until the 1960s fishing in Kerala was almost entirely dominated by the non mechanised, traditional country craft – kattumarams plank and dugout canoes – using a variety of tackle and gear These traditional technologies had evolved over the centuries to suit the specific ecological context of the seas as well as the distinct characteristic of the various fish species Most of these fishing gear were passive in nature and ecologically benign With the coming of nylon nets and better marketing infrastructure the artisanal fishermen started harvesting more fish leading to a steady increase in fish harvests all through the 1960s By 1970 the marine fish landings by them using traditional fishing craft reached the MSY level The overall picture in Kerala fisheries was one of abundant fish availability in the inshore waters easily accessible to the large number of artisanal fishermen There seemed very little scope for significant improvements in their craft and gear so as to increase the catches The common property nature of the fishery was also not posed with any major threats The technological barriers such as the need to have fishery specific skills, and social barriers like artisanal fishing being the occupation of a lower social caste, prevented free entry of capital and labour from outside the traditional fishing communities into the fishery

The government had been making attempts to 'modernise the fishing industry with the introduction of mechanised boats The Indo-Norwegian Fisheries Community Development Project (INP) had as early as 1953 introduced mechanised gill net boats without much success This failure was followed by the introduction of small trawlers using bottom trawl nets The introduction of this new technology coincided with the fast expanding market for prawns in developed countries Thus, the coastal waters off Kerala, which contain one of the world's richest penaeid prawn resources, became a main motivator of the state's fishery modernisation programme [see Kurien (1985) for details of the INP intervention in Kerala]

The efforts of the state to provide mechanised boats to artisanal fishermen between 1960 and 1969 failed About 1,200 trawlers distributed through co-operatives went into the hands of middlemen and outsiders The monopoly of the skill-specific and caste-bound nature of traditional fishing began to give way to strong commercial sector The coastal waters and the fish in it which the traditional fishing communities considered their own heritage and community property was converted into an open access resource By 1980 Kerala had over 3,000 trawlers and more than 30,000 traditional craft competing for space and product in the coastal waters Mechanised purse-seiners were introduced in the early 1980s in the central maritime districts of Kerala Large quantities of oil sardine and mackerel the mainstay of traditional fishermen began to be caught by these purse-seiners As a result the productivity as well as the income of traditional fishermen declined sharply between 1960 and 1982 [see Kurien 1992]

Responses to Lopsided Development

This lopsided development in the state s fisheries sector forced the traditional fishermen to look for new ways of survival Their reaction w i mainly at two levels collective action in the form of unionisation and individual technological strategies such as motorisation of their craft and the adoption of a variety of more active fishing gear to compete with the trawlers and purse-seiners

Initially there were spontaneous clashes and conflict in the open sea between traditional fishermen on the one side and trawlers/purse seiner operators on the other Soon the traditional fishermen emerged to form a militant fishermen agitation spereheaded by an independent trade union – the Kerala Swathantra Malsya Thozhilali Federation (KSMTF) [see Kurien (1992) for details on the process of building this union] From 1981 onwards every year, Kerala wintnessed organised struggles of the traditional fishermen The main demands were exclusive fishing zones for traditional fishing crafts total ban of purse-seiners and night-trawling and the banning of bottom trawling during the monsoon months considered the breeding season for many fishes

The militant struggles of the fishermen's movement in the state still continue and have had many favourable outcomes too Many expert committees were set up by the state to look into the issue of overfishing and suggest proper management measures The enactment of the Kerala Marine Fishing Regulation Act (KMFR Act) 1980 empowered the state to prohibit, restrict and regulate fishing so as to conserve the fish wealth and to protect the interests of traditional fishermen. Using this power, the government promulgated many management measures over this period They included a ban on purse-seiners and on trawling at night, zonal restrictions for mechanised boats, registration and licence for fishing, etc But the most unfortunate part is that many of these important management measures remain largely on paper

In 1989, the government conceded the long-standing demand of banning monsoon trawling The enforcement of this ban, though for a shorter period, during the last five years can be considered the most important fishery management action in the state However, this was also challenged in the court of law, and in 1993 the boat owners succeeded in getting a verdict in their favour, they were allowed to leave the harbour to 'open seas' during the ban period in the name of 'deep sea fishing

Apart from unionisation the other major response of the traditional fishermen was their adoption of new technologies to enhance their fishing capabilities The major manifestation of this response was the motorisation of traditional craft, which began in 1981 This became possible only after the liberalisation of imports that opened the market to Japanese outboard engines (OBM) backed by hard sell marketing strategies In a matter of five years these Japanese MNCs like Yamaha were able to ensure state patronage for their products As a consequence artisanal fishermen were *en masse* 'locked in' to this new state of-the-art propulsion system, ruling out all other viable indigenous options for a more self-reliant solution to motorisation

By 1991 there were a total of 9,914 motorised craft in Kerala The share of motorised craft in the total marine fishing landings of the state increased from 3 per cent in 1981 to 37 per cent in 1985 and touched 63 per cent in 1989 Motorisation gave the impetus for using more harvest-efficient gear designs as well as enhancing the size of gear taken by each unit What remained of the non-motorised units – mainly the 15,000 non-motorised kattumarams – accounted to a mere 5 per cent of the fish landings in 1989 harvested by a fifth of the active fishermen population

Motorisation and new gear designs resulted in a large increase in the capital investment in traditional fishing units During the eight years from 1981-89 at constant prices there was a near 10 fold increase in the average capital investment per unit [PCO-SIFFS 1991] With motorisation, the operating costs of traditional fishing also increased phenomenally While examining the costs and earnings of different motorised units of the state, it was found that fuel costs alone accounted for between 12 and 52 per cent of the value of output depending on the type of craft gear combination Motorisation had

compelled the fishermen to borrow heavily to remain in fishing. The net result was a high level of indebtedness to middlemen and merchants. This has in turn meant that fishermen lost what little effective control they originally had on the sale of their fish. If the high depreciation and interest rates in the informal credit market were taken into consideration, many of the units would hardly be economically viable [PCO-SIFFS 1991].

Kerala faced a situation where the trawlers, purse-seiners and the newly motorised craft using more efficient gear caught less and less fish each year. From a peak of 4,30,000 tonnes in 1973-75 the fish landings dropped to an abysmal 2,94,000 tonnes in 1979-81, and in 1985-87, despite motorisation, recovered only to 3,37,000 tonnes. At the level of the individual units, the relative stagnation in the aggregate fish catch led to more fishing effort since fish prices increased and partly offset the cost of the enhanced effort for some time. The negative economic, social and ecological consequences of overfishing are many and are a burden for society as a whole. Despite this, the commercial sector (trawlers and purse-seiners) and the small-scale sector (motorised craft) cannot be viewed alike for the purpose of effective fisheries management.

In Kerala, where a large contingent of active fishermen exist, the negative social consequences of excessive fishing effort of the small-scale sector is comparatively less serious than that of the commercial sector. Like in many other cases, in Kerala too the social relations of production in the small-scale sector are shaped more by non-economic factors. Profit and accumulation are only two goals among many. The ownership patterns, division of labour and sharing systems assure more distributive justice in income and more equal access to fish resources. This helps them to uphold the value of the collective good in favour of maximising personal gain. Such social values are also linked with and strengthened by traditions and customs. Though now under stress and strain, they still provide a good basis for a more just and sustainable fisheries management.

In this context, the karanila system of income spreading thanguvallam fishery in Kerala has special significance. The role it played before the 1980s, before motorisation and the changes that have occurred thereafter, are the focus of the remaining sections of the paper.

Thanguvallam – Ring-Seine Fishery

The karanila system is most prevalent in the canoe and encircling net fishery popular in Alleppey and Ernakulam – the central maritime districts of Kerala state. Before the advent of motors, the encircling net was called the thanguvala and its craft the thanguvallam. Motorisation permitted enhancing the size of the net and the fitting of rings to the top and the bottom, making it function like a purse-seine and thus becoming more harvest efficient. This new modified net came to be called a 'ring-seine'. In this section we describe the technical and organisational aspects of this craft-gear combination in a historical perspective for a better understanding of the social and material basis of the karanila system.

Fishing Operations

The thanguvallam fishery has a long tradition and history and has always contributed a major share in Kerala's fish landings. The thanguvallam is a large wooden plank canoe most suitable for calm weather operations. The thanguvala, an encircling net, is used in this craft as an effective gear to catch fast-moving, pelagic shoaling fish like oil sardines and mackerel. Prawns are also caught using this net when they move up to the surface layers of the sea during the pre-monsoon months during what is called the chakara season. The thanguvala is a rectangular shape of net when spread out. When a moving shoal is spotted, the craft is driven ahead of it and one of the crew on sighting the shoal jumps into the water with one end of the net. The craft is then rowed quickly around the shoal with the other end of the net so as to encircle it. The lower portion of the net is then lifted out of the water thus enclosing the shoal in it. The net is quickly lifted onto the thanguvallam.

This craft and gear combination underwent tremendous changes after motorisation. While the overall sizes of both the craft and gear increased considerably, the most important transformation is in the form of the attaching of rings to the thanguvala, thus creating a sort of mini-purse seine which came to be called 'ringvala' or ring-seine. The fitting of rings made the encircling, enclosing, and lifting processes much easier and quicker. However, all these net related operations continue to be achieved with human hands aided by only a pulley to pull up the bottom of the net.

Prior to motorisation, the technique of using a thanguvallam and the thanguvala existed only in the central maritime districts of Kerala. But after motorisation and the introduction of the ring-seine, the immense success in increasing productivity and efficiency of fish harvesting resulted in this technique spreading quickly all over Kerala. Consequently a wide variety of traditional types of encircling nets and boat seines used for harvesting pelagic species were all replaced by the ubiquitous ring-seine. The change was not smooth. There were clashes between traditional fishermen arguing for and against it. In some districts the traditional 'courts of the sea' banned the ring-seine. However such traditional sanctions did not [illegible] became the predominant gear all along the coast of Kerala from Quilon district in the south to Kasaragod district in the north. A traditional fishery marked by its diversity became a mono-gear fishery in less than five years.

The state played an important role in the diffusion of this technology by providing credit and liberal subsidies to fishermen groups who were keen to acquire a motorised thanguvallam and ring-seine. By 1991 there were a total number of 1,741 ring-seine units in Kerala. It is estimated that they provided employment for about 60,000 fishermen – nearly half the active fishermen in the state [SIFFS 1992].

The present motorised thanguvallam-ringseine are of varying size both with respect to the craft as well as the length and depth of the ring-seine. The smaller sized craft below 15 metres length use only one motor, while those above that use two motors and also carry larger ring-seines. In Alleppey district the unit is composed of only one craft whereas in Ernakulam an additional carrier boat is used. In the northern districts as many as four craft can be involved in the fishing operation. The capital investment required for a large unit is about Rs 5,00,000. This equals the capital investment of an average trawler in Kerala. But unlike trawlers, it is the gear – the ring-seine – which accounts for about 60 per cent of the investment.

Ownership Pattern and Crew Organisation

About 50 to 60 years ago, the thanguvallam units in Alleppey district were owned by a landlord class. Men from the traditional fishing communities were hired for work through a kind of bonded labour system. The influence of a peasant uprising in the district the 1940s – the Punapra-Vayalar struggles – resulted in land reforms and dispossession of the landlords. The greatly influenced the ownership pattern of the thanguvallam and production relations in the fishery sector. Bonded labour in the fishery was abolished and the fishermen formed groups which collectively owned and worked on the thanguvallam units. Group sizes varied from 4 to 25 and kinship was most often the basis of group formation. This pattern of ownership and group formation continued until the advent of motorisation.

The state came into the picture in the mid-1980s offering for the first time a substantial amount of financial incentives for traditional fishermen. Such largesse was normally linked to political patronage and became an important basis for group formation to lay claim to these loans and subsidies. Kinship and clan were no more the main basis for group formation on these new fishing units. A common feature observed in Ernakulam district has been that the number of members in the ownership group reduces over time

due to friction between members of such artificially formed groups. However, all members of the ownership group are working fishermen. In the beginning they raise some money for initial capital. Very often this forms only a small portion of the capital required and the rest is borrowed from merchants and moneylenders. Borrowing from the organised sector like the nationalised banks has also been on the increase.

Prior to motorisation, when the thanguvallam was comparatively smaller in size, a crew of 15 would be enough to operate the large thanguvallam. Now a minimum of 25 persons is required to operate the larger motorised units. A crew of 35 to 40 can be accommodated on it. For the medium type 'choodavala' (anchovies net) unit a crew of 15 to 20 will still do. In areas where the carrier boats are used, an additional working crew of 5 to 8 is needed. Motorisation has helped the thanguvallams to enhance their area of operation into slightly deeper waters. However, despite the use of motors for propulsion, the increase in the size of the gear has warranted an increase in the amount of physical labour required in each unit. The hauling of the net is still being done physically with bare hands Consequently, despite the freedom from arduous rowing, and a larger number of crew, the fishing operation has become harder and more strenuous. Skilled crew are few. They include: an experienced helmsman to guide the craft and with a good eye to spot shoaling fish; one person in charge of the net to release it properly, layer after layer; one person who looks after the rings and ring rope to handle them efficiently; and the engine operators.

Most of the thanguvallam units have an excellent system of account keeping. An accountant/cashier (normally one among the ownership group or from that family) is entrusted with this job. He uses a diary or an account book in which the details of each day's operating cost, quantity and type of fish caught, sales proceeds, names of crew, etc, are noted down. Interestingly, in order to cross-check there are others too among the crew noting down the accounts continuously, because balances often carried forward and the system of sharing sometimes becomes very complex and involved.

There is a leader for the unit selected from among the ownership group. He conducts the weekly meetings in which all the crew participate. The main function of these meetings is to share the net income for the week; decide on whether or not to grant karanila to the semi-permanent crew who availed of leave; settle old balances; and discuss other work-related issues. It is important here to distinguish two types of sharing – the sharing of fish and the sharing of the net income.

The first charge on the fish which is landed by any thanguvallam unit is for the consumption needs of all the working crew and those with karanila (shore status). Equally important are the legitimate 'first right' claims on the fish by widows, handicapped members of the community, and others, such as the barber, who render services in the community. Their shares in the form of fish are first handed out. Only after the settlement of these claims of consumption, community social security and service payments are fulfilled, is fish put to auction.

The proceeds from the auction are rarely fully received on the spot. Usually an advance is paid which will be used to pay for the food taken by the crew in the tea stalls and to purchase fuel. At the end of a week, once the payments are received from the merchants, the accounts are settled at the weekly meetings.

From the total sales proceeds the total operating costs – fuel costs, sales commission, cost of the food expenses of the crew and the customary taxes – are first deducted leaving the divisible income. Forty per cent of this divisible income is the claim of the owner group (returns to capital) and the remaining 60 per cent is shared among the crew (returns to labour). Prior to motorisation the ratio was 30.70. In instances when the divisible income is small (say, below Rs 2,000), the whole amount is shared among the crew alone. The crew of course always includes the working fishermen of the ownership group. The skilled fishermen get a greater number of shares. The amount apportioned for the crew (i e, 60 per cent of the divisible income) is divided into a number of shares before it is distributed to the claimants. The total number of shares is calculated in the following manner.

Total number of shares = [working crew x 1.5] + [non-working crew x 1] + [2 or 3 extra shares for skilled crew]

What distinguishes this system of calculation of shares is that a significant amount of money is paid out to a group of persons who have no productive role *in that particular fishing trip*. The system of giving a share of the earnings to the non-working crew who stay back on the shore – i e, those with karanila – had its origin more than half a century ago. Old fishermen explained that the origin of this system is closely related to the evolution of the group ownership system in the thanguvallam fishery.

Karanila System

The transition from a feudal to a communitarian system of ownership spearheaded by an ideologically motivated political struggle thrust a moral responsibility on the new class of owner-workers to create mechanisms of income spreading. The fishery was deemed community property, and the wealth from it was intended for all. The rationale of providing fish for consumption to all, and the karanila system, are rooted in this context.

To understand the logic of the karanila system we must first comprehend the nature of the crew formation and crew rotation system in the thanguvallam units. The term 'crew rotation' as it exists now in the thanguvallam fishery of Alleppy and Ernakulam districts does not really imply that there is always an excess number of fishermen attached to a unit who then take turns to fish.

Strictly speaking, the ownership group is the only 'permanent' crew attached with the unit. There is another set of fishermen, who have no ownership stake in the unit but who in normal circumstances will always be attached with that unit. Generally they work with a particular unit for a minimum period of one year and then they may or may not opt to continue with it. These fishermen can be termed the 'semi-permanent' crew. There are various influencing factors which help a fisherman to choose the fishing unit with which he will attach himself. These include distinguishing features or specialities such as the newness of the craft and gear, size of the unit, efficiency of the ownership group, their history of success in the fishery, and even its celebrity status in the village.

There is yet another category of fishermen normally associated with a thanguvallam unit. They constitute a highly mobile group (they can even be from outside the fishing community, or migrant fishermen) whose number cannot usually be predetermined. They can be termed as the 'temporary' crew; they come and go or change units as and when they like. It is this group of temporary standby crew who are granted karanila or 'shore-status'

On any fishing day, the total number of fishermen present at the seashore with the unit at the starting time of the fishing trip are considered the crew of the units *for that day*. From among those present, the required number will get into the craft and go fishing. The remaining karanila fishermen stay back on the shore. The names of the working crew and the non-working crew (karanila) are noted down by the accountant every day. There is no rigid pattern in this crew rotation system. Normally no one is forced to get onto the craft or advised to stay back. However, when a new fisherman offers to work with the unit for the first time he must join the working crew at sea and prove his 'seaworthiness'. This practice precludes the possibility of persons unwilling or unable to work at sea from exploiting the karanila system.

As indicated earlier the karanila fishermen are merely entitled to one share from the divisible income allotted to the crew. The semi-permanent workers enjoy certain extra benefits and concessions. They are eligible

for leave of absence at times of sickness, marriages or deaths in their family, etc. During such leave they are considered karanila and hence given one share. Nowadays even if members from the semi-permanent crew go for fishworkers trade union meetings or to participate in the rallies they are also given the karanila share. However, such leave of absence will have to be ratified or sanctioned by the group at their weekly meetings. The semi-permanent fishermen also get annual festival allowances, bonuses and cash advances from the owner group. From the money kept apart to pay customary taxes (about 2 per cent of the net income), after paying the contributions to church/temple trusts, trade union, etc, the balance is assessed and shared among the semi-permanent crew as bonus. The ownership group may also give extra money from their income to these fishermen.

The role of karanila fishermen in the fishery gains extra importance in two specific situations. When the size of the ownership group is small, the permanent and semi-permanent fishermen together are not sufficient to operate a fishing unit. Karanila fishermen are crucial to the working of the unit in such a circumstance. Also, in the pelagic fishery, which is the mainstay of the thanguvallam units, during the pre-monsoon chakara season it becomes necessary and indeed lucrative to make more than a single trip during the day. In such situations there is a need for more than just the right number of crew to man a single trip. Having a large karanila fishermen group ensures work rotation so that each trip-team will get sufficient rest and recoup their energy for the next trip.

Consequently, just as the group ownership pattern has come to stay in Alleppy and Ernakulam district, the karanila system also became an integral part of the production relations and got wedded to the social relations of the fishing communities of the area. Karanila has become an unquestioned social custom and all thanguvallam units continue to remain open to accept any fishermen willing to do work.

The fact that karanila fishermen were not 'attached' to any particular unit meant that when the fishing season was bad they were free to leave the unit and seek better income-earning opportunities elsewhere. This meant that there was no undue 'social pressure' to increase fishing effort during the natural lean fishing season. The karanila system consequently provided the basis for fuller work opportunities and, more importantly, for a spreading of income in the community. It ensured a fair degree of distributive justice so long as there was community control on the number of fishing units in the village and a good, stable fishery.

Being a custom-bound income-spreading mechanism, we need to examine the impact of modernisation on its functioning. The three most important aspects of the modernisation of the thanguvallam fishery have been the introduction of motors and the ring-seine, and the intervention of the state in providing these productive assets.

Impact of Modernisation

The motorisation of thanguvallam units first took place in Alleppy district in 1981. Initially the motorised thanguvallams continued to use thanguvalas. The mere increase in the speed of encircling a shoal resulted in a boost in the catch rates and the total fish landings. In 1985 the first ring-fitted thanguvala was launched. It was a resounding success.

It was during this time that the state entered in a big way into extending credit and subsidies for purchasing fishing craft and gear for the artisanal fishing sector. Being a highly politicised action [see Kurien (1992) for details] it resulted in a sudden spurt in the number of thanguvallam units in the area. The ownership groups formed to take advantage of the incentives were based on criteria other than kinship. One crucial impact of this was that the erstwhile community control on the nature and level of investment in the fishery got substantially eroded.

Between 1985 and 1989 there was an unrestrained growth in the number of motorised thanguvallam units using ring-seines. Consequently there was a sharp increase in the number of fishermen required to man the fishery. This demand for labour attracted a larger number of persons from various walks of life into the fishery. Though they came largely from the traditional fishing communities and other communities residing near the fishing villages, they also included persons who had other sources of income. Even some lower-level government functionaries availed of the karanila to earn extra money from the initially vibrant and expanding fishery. While there was resentment to this kind of influx of labour availing of the karanila system, their claims had to be honoured so long as the custom was still valid. Soon, however, the excessive effort in the same fishing area resulted in a drop in the catch rates to below the 1981 pre-motorisation levels but at a near ten-fold increase in the investment [Kurien 1988].

One response to this situation of lower catch rates of oil sardines and mackerels was the introduction of a net called the choodavala – a small-mesh ring-fitted encircling net to fish for a hitherto unexploited stock of anchovies. Initially choodavalas were taken on the thanguvallams as subsidiary gear. But when the catch of anchovies was seen to be large and often unprecedented for this area, the gear began to gain prominence.

The fishermen of Alleppy were thus faced with a tricky situation in 1989. They wanted to get rid of their big motorised thanguvallams

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and ring-seines was found to be used on smaller thanguvallams. The answer to this problem was found by introducing their ring-seines to the northern districts of Kerala where the fishermen were also getting large doses of state finances and eager to switch to using motors Consequently there was a large movement of fishery capital from Alleppy and Ernakulam district – the pioneer regions in motorised thanguvallam-ring-seine fishing – to the northern fishery districts of the state

Between 1989 and 1991 there was a sharp decline in the number of motorised thanguvallam-ring-seine units in Alleppy and Ernakulam from 200 in 1989 to 93 in 1991 [SIFFS 1992] This 'boom and bust' process in the fishery had its impact on the karanila system too With half the units suddenly leaving the fishery of the area, a large number of fishermen were left with no employment Some fishermen switched back to using smaller non-motorised fishing units Some others regrouped themselves and invested in new motorised choodavala units

Both these adjustments took time In the interim everyone took undue advantage of the karanila system and began to attach themselves to the remaining thanguvallam units During this transition period the karanila system faced its severest test During this period, each of the remaining units were faced with a situation of having more karanila fishermen than those working at sea on the unit Even when the catches were good the average income to the individual crew was depressed because of the claims of the karanila fishermen

Given the nature of the sharing system in the fishery, the main burden of income spreading due to karanila is borne by the working crew and not by the owners of the unit However, to the extent that most owners are also involved as crew, their total income is also reduced, although their share as owners remains unaffected The larger number of karanila fishermen therefore in effect reduced the income of the working fishermen This began to cause social strains between the semi-permanent crew and those who availed of the karanila

The response to this situation was to adopt new rules for the karanila system One such rule, now accpeted by all the units in Ernakulam, is that if a minimum of 35 fishermen are not on board the craft, no fishermen – even if they are part of the ownership group – who stands on shore can claim the karanila share that day Another measure has been to abolish the karanila for the semi-permanent crew who avail of leave of absence There was only one exception to this leave taken by such workers when they are indisposed due to an accident at sea while fishing on that particular unit A further measure has been the very recent practice of cooking food on the craft This means that only those who fish will be entitled to food. The practice of treating the food expenses on shore – given to the karanila fishermen as well – as part of the common expenses of the unit was terminated Despite these rigid rules it is reported that there continue to be days when the karanila shares number as many as 25

Karanila System Assessment

The karanila system was a recent custom created mechanism for ensuring an adequate supply of labour to the fluctuating needs of the fishery and also a system for income spreading If the resources of the coastal waters were the community's heritage then the earnings from it needed to be spread out for the benefit of the whole community This was the socio economic and cultural underpinning of the karanila system One strong indicator of the success of the system can be gleaned from the fact that compared to the other maritime districts of Kerala, the prevalence of Gulf migration in search of jobs is the lowest in these two districts where the karanila system operates [Government of Kerala 1987]

Since the first claim to the fish is for consumption of the household of all those associated with the fishing unit, it can be said that the karanila system has ensured that the nutritional status of a larger number of persons has been taken into account Another contribution of the karanila system to the fisheries management in Kerala has been its contribution to supporting the creation of a powerful fishworkers organisation in the state The two districts of Alleppy and Ernakulam provide the largest trade union of artisanal fishworkers – the KSMFT – with its strongest base Since fishermen attending trade union activity were given the karanila share they could participate without jeopardising their subsistence incomes This was a possibility not open to fishermen in any other part of Kerala

The advent of state-sponsored anarchic increase in fishing assets, particularly motors and more efficient gear; the consequent gross over-investment in the fishery, the 'boom and bust' phenomenon of a pelagic fishery, and the breakdown of community institutions, have threatened the karanila system A redeeming feature in this bleak scenario is that the elements of community homogeneity and interdependence which were fostered by the karanila system are still deep-rooted in the social fabric of the fishing villages in these two districts Consequently, despite this temporary setback it is indeed possible to restore to the fishery the principles of the communitarian system of sharing and caring

Such efforts cannot be unidimensional and merely attempt to revive the karanila The decline of the features of the karanila are only a consequence of the large malaise in the fishery. As a result, addressing the larger question of management of the fishery as a whole must be the focus of attention. A paramount initiative in this effort will be to reassert the common property right to the coastal fisheries as being the unalienable rights of the active fishermen alone It must also be recognised that the anarchic and competitive approach to increasing investment in a common property resource – which can also be perceived as a way of spreading work and income *between* fishing units – will only lead to socially undesirable levels of capital deployment and energy use and most certainly lead to economic and biological overfishing

Both the above call for the revitalisation and strengthening of the institutionalised communitarian arrangements which existed in the artisanal fishing communities This can only be undertaken with the collective will of these communities and the appropriate support from a state which is convinced about the economic and social rationality of such institutions in the management of the fishery

[This article is a revised version of a paper presented at the Indo Pacific Fishery Commission Symposium on Socio Economic Issues in Coastal Fisheries Management held in Bangkok in November 1993]

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Total Factor Productivity Growth in Indian Industry

Ravindra H Dholakia

Bakul H Dholakia

IN response to our comment (*EPW*, December 31 1994) on the paper by Balkrishnan and Pushpangadan (hereafter BP 1994), the authors have sought a few clarifications on the numbers we have estimated using their data (*EPW* March 4 1995) In their reply [BP 1995] they have also repeated some results already reported in their original paper [BP 1994] and claimed it to be substantial further work which strengthens their finding of no turn around during the 1980s in the total factor productivity (TFP) growth in the Indian registered manufacturing sector Moreover, they have ignored and tried to minimise the genuine limitations of the method of double deflation by referring to the ideal conditions which are hardly ever obtained or are practically non feasible even in the most advanced countries Here we would like to provide the necessary clarifications on the method and data used by us to estimate the TFPG in the Indian Registered Manufacturing Sector through the double deflation method, and also examine BP's claim (1995) of further support to their findings of no turn-around during the 1980s

Although BP (1985) have accepted our point that the double deflation method of getting the real value added critically depends on the construction of the price index for the materials, they 'remain sceptical as to what is possible under the present situation *with regard to data availability*" We had clearly pointed out in our comment that the input-mix essentially depends on the output-mix and that the output-mix significantly differs between the registered and unregistered manufacturing sectors Since the product-mix in the manufacturing sector is readily available from the *National Accounts Statistics* (CSO) for different years, the effect of the differing product mix on the input-mix can be estimated by assuming that within each product category, the input structure remains the same in the registered and unregistered manufacturing sectors Although this is an empirical assumption, the state of data availability especially in the unregistered manufacturing sector in India, does not allow its testing On this assumption, which happened to be the best possible and evidently the most plausible one to make under the present situation, we derived the break-up of the total input use as given in the CSO transactions matrix for 1973-74 between the registered and unregistered manufacturing sectors This method uses the available information on the differing product mix between the registered and unregistered manufacturing sectors which BP have ignored Moreover, as Sastry (1995) has clearly pointed out and as is actually used by Dholakia and Dholakia (1992) for constructing an input-output table at regional level, enough data exist in the 10 volumes of the Annual Survey of Industries to get the detailed input structure by individual industry groups in the registered manufacturing sector Contrary to what BP (1994 and 1995) seem to be suggesting, it is not the availability of the data but the time required to process and use the available data which poses the actual constraint The point we made in our comment was that any half hearted application of the double-deflation method should not be considered a conclusive evidence for or against any hypothesis like the turn-around of the 1980s We had clearly shown that refinements in the input price indices would lead to different results not only quantitatively but also qualitatively under the double deflation method

For this purpose we had made use of the same data set as reported in BP (1994) in the case of all variables except the input price indices which were estimated using different weights as given in our comment (*EPW* December 31, 1994) Moreover, since our purpose was to show the sensitivity of the qualitative conclusions about the behaviour of the total factor productivity growth to the weights used to arrive at the input price index, we used the average annual compound rate of growth based on the end-points to illustrate the difference [1] On the other hand, BP (1995) appear to be highly impressed with the econometric testing through what they consider to be the best procedure' of fitting a semi-log trend equation with dummy for both the slope and the intercept It is well recognised in the literature that this is not necessarily the best procedure (see, for instance, Boyce 1986) It assumes not only non-differentiability but also discontinuity which makes it difficult to interpret This procedure, moreover, assumes constancy of the error variance which may be questionable Low value of the D-W statistics in their fitted regressions also points to the possibility of specification error which is further confirmed by 'eye-balling' the TFP series in question It clearly suggests an S-shaped curve which defies a semi-log linear trend specification Thus, for illustrating a point, if annual compound growth rate based on two end-points is not considered good enough, the use of semi-log trend rate may also not be the best procedure, because with a specification error, the estimates become biased and the statistical tests carried out by BP become invalid Through numerous trials, we found that a semi logarithmic cubic function without a linear term fits the data better than most other functional forms The following is the fitted regression

$$\text{Ln (TFP-DD)} = \underset{(92\ 31)}{4\ 40} + \underset{(4\ 80)}{0\ 00594t^2} - \underset{(-3\ 94)}{0\ 00026t^3} + e$$

R-Square = 0 744, D W Stat = 1 71
F-Value = 23 22,

e is error term, brackets are t-values
(Note This regression is based on the TFP (DD)' series as reported by BP in their reply, *EPW*, March 4, 1995, Table 1)

It is also interesting to note that the same functional form with similar results fits the data well for the other TFP series reported by BP (1994 and 1995)[1]

The equation implies that the growth rate in total factor productivity in the registered manufacturing in India continuously increases with time from 1970, reaches a maximum and then declines If any arbitrary dividing line like 1980 is drawn, the average growth rates before and after should be compared Such a comparison clearly provides support to the hypothesis of a higher average growth of TFP for the post-1980 period as compared to the pre-1980 period

The main point of contention according to us, however, still continues to be the way the real value added is calculated particularly for estimating the TFP growth As Sastry (1995) argues any deflation – single or double – in practice involves approximation It is thus a matter of perception coupled with affordability in terms of time and resources at the disposal of the researcher The whole question boils down to a non-random measurement error in the dependent variable which cannot be subjected to the usual statistical testing as is attempted by BP (1995) because it would involve an unknown bias in the estimates The theoretical and interpretational considerations in the appropriate measurement of real value added have to weigh in the final choice to be made by the researcher In this context David (1962, p 154) has argued that "To the extent that the clarity with which the results can be interpreted should be a criterion in

selecting any measurement technique, the difficulties inherent in the residual deflation (i e, *double deflation*) method constitute a strong argument in favour of the alternative familiar approach to real national product directly from the expenditure side" (italics are our addition) After closely examining the distinct possibility of obtaining negative real value added with double deflation method, when the nominal value added is positive, David (1962, p 154) comes to the conclusion that the effects of changes in production techniques upon estimates derived by the residual method seriously hamper interpretation of aggregate and particularly industry CDVA estimates' (CDVA = constant dollar value added) Sims (1969 p 471) had also recognised this point explicitly when he stated 'double deflation is invalid in the presence of technical change of most sorts But if technical change has any form other than this purely 'value added augmenting' form the double deflation method breaks down

BP (1995) failed to appreciate that the numerical illustration provided by us in our comment (*EPW* December 31 1994 Tables 4 and 5) was a case where the double deflation method would break down On the contrary they have quoted Sims (1969) to defend their position[1] The most important limitation of the double deflation method according to Sims (1969) is that it is based on the assumption of separable production function between value added and materials which in turn implies a zero substitution between the two Sims (1969) argued that only under this assumption the notion of real value added made any sense and that the cases in which the double deflation method would break down invariably violated this assumption However Bruno (1984) whose framework was largely adopted by BP (1994) found this elasticity of substitution to be significantly different from zero (and insignificantly different from unity) in several of the developed economies considered in his study Thus the real world situation does not appear to support the separability assumption It is widely acknowledged that most types of technical progress would not satisfy such a strong condition Given these well established theoretical as well as empirical findings in the available literature on the subject it is just not possible to agree with BP (1994) argument that in order to estimate the extent of technical progress, the real value added should be measured through the double deflation method, which is itself rendered invalid in the presence of the very phenomenon

Bruno (1984) clearly pointed out the measurement bias of the double deflation method indicating that the double deflated value added would understate the growth of real value added (or net output) with monotonic changes in the relative material prices. He further showed that this bias would disappear only if (i) relative material prices are fixed, or (ii) elasticity of substitution between materials and value added is zero Since these conditions are not likely to be fulfilled in reality, taking some plausible values of the parameters involved, he came to the conclusion that double deflation would involve considerable errors in the productivity growth measurements (see Bruno 1984, p 26) BP (1995) tried to defend their position by again quoting a footnote from Bruno (1984) which states that the bias can be eliminated when double deflation is done with a continuously shifting base year' This again is practically non feasible As an alternative BP (1995) repeated their exercise with a change in the base year from 1970-71 to 1980 81 In their reply [BP 1995] they again reported those results already reported in their original paper [BP 1994 Table 3] Such an exercise in no way removes or even reduces the measurement bias particularly when the series is prepared not by shifting the base year but by independently considering an alternative base year

Moreover it is important to note that the measurement bias of the double deflation as pointed out by Bruno (1984) assumes presence of no errors in the price indices for inputs and outputs On the other hand when the input price index is known to be containing unknown margins of error arising not only out of the inappropriate base period weights but also their being held constant unnecessarily over time the use of double deflation with such inadequacies does not necessarily become a more efficient method of measuring the TFP growth The choice between single deflation and double deflation is essentially the one involving the lesser evil It is evident from the above discussion that the claim of BP (1994) that their estimate of TFP growth based on double deflation 'makes a distinct improvement over those measures that have been provided so far is clearly exaggerated and unconvincing In our opinion there is no conclusive evidence to suggest that the double deflation method represents a better method (as compared to the single deflation method) of measuring total factor productivity growth in Indian manufacturing sector during the last two decades

Notes

1 It may be noted here that BP (1994) have used factor shares at constant prices without any justification when the most acceptable and widely used practice to calculate TFP is to use the factor shares at current prices This could be a possible source of difference in their calculations and ours

2 We have used here the TFP series as calculated by BP (1995) based on the input price deflator implied by the weights for the registered manufacturing sector as estimated by us because we feel that it represents a better approximation than ignoring the data on product-mix by using the weights based on a combination of registered and unregistered manufacturing sectors for constructing the input price index meant for the use only in the registered manufacturing sector There is hardly any controversy here since BP (1995) also agree in principle with this

3 These results are available from the authors upon request

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The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

Balance Sheet of the Indian Branches as on 31 March 1995

	SCHEDULE	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
CAPITAL AND LIABILITIES			
Capital	1	490,000	375,000
Reserves and Surplus	2	3,355,069	2,683,284
Deposits	3	34,006,383	26,752,545
Borrowings	4	2,893,895	1,626,435
Other liabilities and provisions	5	3,324,407	2,607,027
TOTAL		**43,579,754**	**33,669,291**
ASSETS			
Cash and balances with Reserve Bank of India	6	7,029,917	2,274,908
Balances with banks and money at call and short notice	7	1,441,644	888,637
Investments	8	14,162,516	15,104,732
Advances	9	16,047,919	10,882,510
Fixed Assets	10	1,779,736	1,876,341
Other Assets	11	3,118,022	2,642,163
TOTAL		**43,579,754**	**33,669,291**
Contingent Liabilities	12	56,493,551	37,032,170
Bills for Collection		2,353,716	1,373,635
Notes to Accounts	17		

Schedules referred to herein form an integral part of the Balance Sheet

Sd/-
S P MEDORA
Partner
For BHARAT S RAUT & CO.
Chartered Accountants

Sd/-
G MONTEIRO
Area Financial Controller

Sd/-
J D PULLEN
Chief Executive Officer, India

Bombay 22 June 1995

HongkongBank
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The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

Profit and Loss Account of Indian Branches for the year ended 31 March 1995

	SCHEDULE	Year ended 31.3.1995 (Rs 000)	Year ended 31.3.1994 (Rs 000)
I. INCOME			
Interest earned	13	4,013,289	3,260,469
Other Income	14	1,320,925	908,071
TOTAL		**5,334,214**	**4,168,540**
II. EXPENDITURE			
Interest expended	15	2,183,194	1,983,740
Operating expenses	16	1,293,120	974,954
Provisions and contingencies		1,374,335	641,329
TOTAL		**4,850,649**	**3,600,023**
III PROFIT			
Net profit for the year		483,565	568,517
Profit brought forward		1,236,415	765,528
TOTAL		**1,719,980**	**1,334,045**
IV. APPROPRIATIONS			
Transfer to statutory reserves		96,713	113,703
Transfer from capital reserves		(20,134)	(16,073)
Profit remitted to Head Office during the year		0	0
Balance carried over to Balance Sheet		1,643,401	1,236,415
TOTAL		**1,719,980**	**1,334,045**
Notes to Accounts	17		

Schedules referred to herein form an integral part of the Profit and Loss Account.

Sd/-
S P MEDORA
Partner
For BHARAT S RAUT & CO.
Chartered Accountants

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G MONTEIRO
Area Financial Controller

Sd/-
J D PULLEN
Chief Executive Officer, India

Bombay: 22 June 1995

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The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 1 – CAPITAL		
Amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	490,000	375,000
TOTAL	**490,000**	**375,000**
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	393,903	280 200
Additions during the year	96,713	113,703
	490,616	**393,903**
II. Capital Reserve		
Opening Balance	1,050,408	1,048,138
Additions during the year	188,220	18,343
Transfer to Profit and Loss Account (See Schedule 17 Note 2(e) (iii))	(20,134)	(16,073)
	1,218,494	**1,050,408**
III. Revenue and other Reserves		
Opening Balance	2,558	7,689
Deductions during the year	0	(5,131)
	2,558	**2,558**
IV. Balance in Profit and Loss Account	**1,643,401**	**1,236,415**
TOTAL	**3,355,069**	**2,683,284**
SCHEDULE 3 – DEPOSITS		
A. I. Demand Deposits		
i) From banks	49,544	190,946
ii) From others	8,896,572	5,773,035
	8,946,116	**5,963,981**
II. Savings Bank Deposits	**5,223,380**	**4,040,839**
III. Term Deposits		
i) From banks	0	0
ii) From others	19,836,887	16,747,725
	19,836,887	**16,747,725**
TOTAL	**34,006,383**	**26,752,545**
B. Deposits of branches in India	**34,006,383**	**26,752,545**

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Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 4 – BORROWINGS		
I Borrowings in India		
i) Reserve Bank of India	1,610,000	0
ii) Other Banks	343,446	353,391
iii) Other institutions and agencies	926,100	918,976
	2,879,546	**1,272,367**
II Borrowings outside India	**14,349**	**354,068**
TOTAL	**2,893,895**	**1,626,435**
Secured borrowings included in I and II above	1,218,928	749,684
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I Bills payable	1,195,462	910,621
II Inter-office adjustments Branches in India (net)	0	4,243
III Due to Head Office	304,050	184,507
IV Interest accrued	1,258,117	1,189,615
V Others (including provisions)	566,778	318,041
TOTAL	**3,324,407**	**2,607,027**
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in hand (including foreign currency notes)	**92,243**	**96,582**
II Balances with Reserve Bank of India		
i) in Current Account	6,937,674	2,178,326
ii) in Other Accounts	0	0
	6,937,674	**2,178,326**
TOTAL	**7,029,917**	**2,274,908**

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The Hongkong and Shanghai Banking Corporation Limited
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Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with banks in current accounts	419,438	505,246
	419,438	**505,246**
ii) Money at call and short notice with banks	0	70,000
	0	70,000
	419,438	**575,246**
II. Outside India		
In Current Accounts	**1,022,206**	**313,391**
TOTAL	**1,441,644**	**888,637**
SCHEDULE 8 – INVESTMENTS (See Schedule 17 Note 2(c) and 4)		
I **Investments in India in**		
i) Government securities	8,951,127	8,866,428
ii) Other approved securities	973,074	1,043,750
iii) Shares – fully paid	22,595	32,766
iv) Debentures and Bonds	2,584,636	2,375,204
v) Subsidiaries and/or joint ventures – Fully paid	1	1
Partly paid	500	500
vi) Others	1,630,583	2,786,083
TOTAL	**14,162,516**	**15,104,732**
SCHEDULE 9 – ADVANCES (See Schedule 17 Note 2(d))		
A i) Bills purchased and discounted	2,878,677	2,398,979
ii) Cash credits, overdrafts and loans repayable on demand	6,999,109	6,344,504
iii) Term loans	6,170,133	2,139,027
TOTAL	**16,047,919**	**10,882,510**
B i) Secured by tangile assets	12,540,039	7,334,391
ii) Covered by Bank/Government Guarantees	991,839	873,582
iii) Unsecured	2,516,041	2,674,537
TOTAL	**16,047,919**	**10,882,510**
C **Advances in India**		
i) Priority Sectors (including export finance)	5,264,005	4,095,591
ii) Public Sector	259	728,314
iii) Others	10,783,655	6,058,605
TOTAL	**16,047,919**	**10,882,510**

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Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 10 – FIXED ASSETS		
I **Premises** (including Leasehold) Cost as at 1st April 1994 including revaluation or cost taken over under the Scheme of Arrangement (See Schedule 17 Note 3)	1,180,357	1,101 828
ADD Additions during the year	33,222	78,529
	1,213,579	**1,180,357**
LESS Deductions during the year	0	0
	1,213,579	**1,180,357**
LESS Depreciation to 31 March 1995 (See Schedule 17 Notes 2(e) (ii) and (iii))		
Amount taken over under the Scheme of Arrangement	(766)	(766)
Net Additions to date	(61,603)	(41,563)
	(62,369)	**(42,329)**
TOTAL	**1,151,210**	**1,138,028**
II. **Other Fixed Assets** (including furniture and fixtures)		
Cost as at 1st April 1994 including cost taken over under the Scheme of Arrangement (See Schedule 17 Note 3)	1,075,688	609,268
ADD Additions during the year	103,680	487,160
	1,179,368	1,096,428
LESS Deductions during the year	(23,560)	(20,740)
	1,155,808	**1,075,688**
LESS Depreciation to 31st March 1995 (See Schedule 17 Note 2(e)(ii))		
Amount taken over under the Scheme of Arrangement	(21,172)	(21,172)
Net Additions to date -	(506,110)	(316,203)
	(527,282)	**(337,375)**
TOTAL	**628,526**	**738,313**
TOTAL	**1,779,736**	**1,876,341**

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Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 11 – OTHER ASSETS		
I Inter office adjustments Branches in India (net)	0	0
II Due from Head Office	0	0
III Interest accrued	446 567	530,832
IV Tax paid in advance/tax deducted at source (net)	444 416	96,699
V Stationery and stamps	20 337	15 158
VI Items in course of collection	1 161 230	801,030
VII Others (See Schedule 17 Note 5)	1 045,472	1 198 444
TOTAL	**3,118,022**	**2,642,163**
SCHEDULE 12 – CONTINGENT LIABILITIES (See Schedule 17 Notes 6 and 7)		
I Claims against the bank not acknowledged as debts (including indirect tax matters)	696 322	1,097 836
II Liability for partly paid investments	500	500
III Liability on account of outstanding forward exchange contracts	39 564 821	24,009,436
IV Guarantees given on behalf of constituents		
a) In India	7,115,199	4,140,859
b) Outside India	871 021	520,047
V Acceptances endorsements and other obligations	7 884 189	5,681,272
VI Bills rediscounted	318,928	555,877
VII Other items for which the bank is contingently liable	42,571	1,026,343
TOTAL	**56,493,551**	**37,032,170**

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The Hongkong and Shanghai Banking Corporation Limited
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Schedules forming part of the Profit and Loss Account of the Indian Branches for the year ended 31 March 1995

		Year ended 31.3.1995 (Rs 000)	Year ended 31.3.1994 (Rs 000)
SCHEDULE 13 – INTEREST EARNED			
I	Interest/discount on advances/bills	1,956,064	1,669,426
II	Income on investments	1,836,465	1,366,323
III	Interest on balances with Reserve Bank of India and other inter bank funds	162,624	117,792
IV	Others	58,136	106,928
	TOTAL	**4,013,289**	**3,260,469**
SCHEDULE 14 – OTHER INCOME			
I	Commission, exchange and brokerage	567,491	414,399
II	Profit on sale of investments (net)	341,797	95,275
III	Loss on sale of land, buildings and other assets (net)	(2,520)	(1,477)
IV	Profit on exchange transactions (net)	381,669	363,272
V	Miscellaneous Income	32,488	36,602
	TOTAL	**1,320,925**	**908,071**
SCHEDULE 15 – INTEREST EXPENDED			
I	Interest on deposits	1,840,997	1,465,866
II	Interest on Reserve Bank of India/inter-bank borrowings	285,672	267,917
III	Others	56,525	249,957
	TOTAL	**2,183,194**	**1,983,740**
SCHEDULE 16 – OPERATING EXPENSES			
I	Payments to and provisions for employees (See Schedule 17 Note 2(f))	448,877	331,317
II	Rent, taxes and lighting	47,383	54,569
III	Printing and stationery	37,846	30,460
IV	Advertisement and publicity	57,703	45,057
V	Depreciation on bank's property (See Schedule 17 Note 2(e) (ii) and (iii))	222,719	112,206
VI	Indian Advisory Committee Members' fees, allowances and expenses	360	1,084
VII	Auditors' fees and expenses	1,100	750
VIII	Law Charges	6,214	2,482
IX	Postage, Telegrams, Telephones etc	72,547	64,854
X	Repairs and maintenance	63,017	51,056
XI	Insurance	24,656	15,481
XII	Head Office Charges	119,543	82,634
XIII	Other expenditure	191,155	183,004
	TOTAL	**1,293,120**	**974,954**

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The Hongkong and Shanghai Banking Corporation Limited
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SCHEDULE 17

NOTES FORMING PART OF THE FINANCIAL STATEMENTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED 31 MARCH 1995

1 The financial statements for the year ended 31 March 1995 reflect the results of the Indian Branches of The Hongkong and Shanghai Banking Corporation Limited ("the Bank"), which is incorporated and registered in Hong Kong The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated and registered in England

2 Principal Accounting Policies

(a) General

The accompanying financial statements are prepared on the historical cost basis as modified by the revaluation of premises, and in accordance with generally accepted accounting principles and the statutory provisions and practices prevailing within the banking industry in India

(b) Transactions Involving Foreign Exchange

(i) Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year end, except for those foreign currency non-resident deposits eligible for conversion with the Reserve Bank of India ('RBI'), which are translated at the notional rates applicable to these deposits Revenues and expenses are translated at the rates prevailing on the transaction date

(ii) Outstanding forward foreign exchange contracts are revalued at the forward exchange rate prevailing at the year end and the resultant gain or loss is included in the Profit and Loss Account

(c) Investments

(i) All investments are classified as "Current Investments" and are valued at the lower of cost and market value in aggregate by type of security

(ii) Cost represents the acquisition cost adjusted by the amortisation of premium or discount over the period from the date of purchase to the date of maturity

(iii) Market value is determined in accordance with the RBI circular DBOD No BP BC 44/21 04 048/95 dated 15 April 1995 Quoted investments are valued based on market quotations Unquoted investments are valued by reference to the yield to maturity as prescribed by the RBI

(d) Advances

Advances are stated net of provision for doubtful advances and interest in suspense Provision for doubtful advances is made in respect of identified advances based on a periodic review and in line with the provisioning guidelines issued by the RBI Interest on doubtful advances is credited to interest in suspense account and not recognised in the Profit and Loss Account until received

(e) Fixed Assets

(i) Fixed assets are stated at historical cost less accumulated depreciation, with the exception of premises which are stated at valuation or cost less accumulated depreciation

(ii) Depreciation is provided on the straight line basis at 2% per annum on Premises and 20% per annum on other fixed assets

(iii) Depreciation on the surplus on revaluation of fixed assets is charged to the Profit and Loss Account and a corresponding transfer is made from the Capital Reserve to the Profit and Loss Account

(f) Staff Benefits

(i) Provision for post-retirement benefits in respect of approved pension funds is made based on actuarial valuations conducted by a qualified actuary

(ii) Pension payments to staff who retired on or before 31 December 1980, prior to the creation of the approved pension funds, are accounted for on a cash basis The annual cost of this pension is Rs 3 million.

The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

(iii) Monthly payments made under the Voluntary Retirement Scheme introduced in 1991 are also accounted for on a cash basis The liability at 31 March 1995 in respect of this scheme is Rs 10 1 million, provision for which is not made in these financial statements

(g) Net Profit

The net profit disclosed in the Profit and Loss Account is after

(i) provision for any depreciation in the value of investments

(ii) provision for doubtful advances,

(iii) provision for taxation,

(iv) provision for other unusual and necessary expenses,

(v) charge for head office expenses

3 Fixed Assets

(a) The most recent valuation of the freehold and long leasehold premises was conducted by independent professional valuers in November 1992 and the results of the revaluation were included in the Balance Sheet at 31 March 1993

(b) Certain premises acquired under a Scheme of Arrangement are held in the name of Hongkong Bank (Agency) Private Limited a wholly owned subsidiary, for the benefit of the Bank Accordingly, these premises have been treated as assets of the Bank in these financial statements

4 Investments

Investments include securities of Rs 23,850,000 which have not been transferred to the Bank's name The Bank has filed an affidavit with the Custodian under the Special Court Ordinance, 1992 and awaits the Court's ruling In the opinion of management, these securities will be transferred into the Bank's name thereafter

5 Other Assets

The Bank holds a valid Banker's Receipt for 110,760 Canstock Units of face value Rs 100/- each which have not been physically delivered by the counterparty pending settlement of an unresolved issue, included under contingent liabilities, in respect of securities transactions with the same counterparty The units were redeemed during the year and the proceeds due on redemption are included in Other Assets pending settlement of the dispute In the previous year the asset was included in Investments

6 Securities Transactions

There are certain securities transactions currently in dispute with the Bank involving an aggregate sum (including interest) of Rs 331 3 million (Previous year – Rs 1,030 million) which are not acknowledged as debts by the Bank In addition, the consequential taxation implications of the above transactions remain unclear The Bank intends to defend itself against these claims vigorously On the basis of information and advice currently available, management does not anticipate any material loss to the Bank Provisions and contingencies includes payments totalling Rs 524 million in respect of prior years' securities transactions

7 Taxation

Tax liabilities in respect of Mercantile Bank Limited taken over by the Indian Branches are pending final outcome of the tax assessments/appeals filed by the Bank/Tax authorities relating to the assessment years 1967-68 to 1983-84 and those in respect of the Bank for assessment years 1984-85 to 1991-92 The amount of liability is not ascertainable In respect of assessment year 1992-93 there is a Contingent Liability of approximately Rs 293 million which is presently in appeal

8 Previous year's figures have been regrouped and reclassified as far as practicable and wherever necessary

HongkongBank
Member HSBC Group

Auditors' Report on the Financial Statements of the Indian Branches of The Hongkong and Shanghai Banking Corporation Limited under Section 30 of the Banking Regulation Act, 1949

We have audited the Balance Sheet of the Indian Branches of The Hongkong and Shanghai Banking Corporation Limited (incorporated in Hong Kong with limited liability) ("the Bank") at 31 March 1995 and the related Profit and Loss Account for the year then ended. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not drawn up, in accordance with Schedule VI of the Companies Act, 1956. The financial statements are therefore drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

In respect of the matters mentioned in notes 4 and 6 to the financial statements, we are unable to form an opinion on their outcome and consequently their effect, if any, on the results of the Bank for the year.

In our opinion, subject to the effect of the adjustments, if any, that might have become necessary had the outcome of the matters referred to in the previous paragraph been known, the financial statements give a true and fair view of the state of affairs of the Bank at 31 March 1995 and of its profit for the year then ended.

We further report that:

(a) the financial statements are in agreement with the books of account and give the information required by the Companies Act, 1956, in the manner so required for banking companies;

(b) the Bank has maintained proper books of account as required by law insofar as appears from our examination of those books;

(c) the returns received from the branches of the Bank have been found adequate for the purposes of our audit;

(d) the transactions which have come to our notice have been within the powers of the Bank.

For Bharat S Raut & Co.
Chartered Accountants
Sd/-
Sammy P Medora
Partner

Bombay: 22 June 1995

HongkongBank

Member HSBC Group

Hongkong Bank (Agency) Private Limited

Balance Sheet as at 31 March 1995

31-03-1994 Rs (000s)	LIABILITIES	Rs (000s)	Rs (000s)
	Share Capital		
	Authorised		
	100 000 Ordinary Shares		
1 000	of Rs 10 each		1 000
	Issued		
	100 000 Ordinary Shares		
1 000	of Rs 10 each		1 000
	Subscribed		
1	100 Ordinary Shares of Rs 10 each fully paid	1	
499	99 900 Ordinary Shares of Rs 10 each Rs 5 paid	499	
500			500
	Note The entire share capital is held by The Hongkong and Shanghai Banking Corporation Ltd and its nominees		
	Reserves and Surplus		
	Balance in Profit and		
57	Loss Account		62
	Current Liabilities and Provisions		
	Current Liabilities		
	Sundry Creditors		
	The Hongkong and Shanghai Banking		
502	Corporation Ltd	248	
10	Others	33	281
1,069	**TOTAL**		**843**

31-03-1994 Rs (000s)	ASSETS	Rs (000s)	Rs (000s)	Rs (000s)
	Current Assets, Loans and Advances			
	Current Assets			
	Sundry Debtors			
	Unsecured Considered			
11	Good over six months	73		
47	Other debts	9		
58			82	
	Bank balances with scheduled bank - on deposit with The Hongkong and Shanghai Banking Corporation Ltd			
500	Calcutta	500		
	On Current Account with The Hongkong and Shanghai Banking Corporation Ltd			
102	Calcutta	63		
	On Current Account with The Hongkong and Shanghai Banking Corporation Ltd			
379	Bombay	168		
981			731	
	Loans and Advances			
	Advances Recoverable in Cash or in kind or value to be received			
30	Unsecured considered good		30	843
1,069	**TOTAL**			**843**

Notes on Accounts as per Schedule attached form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date

K H VACHHA	J P SAMANT	J D PULLEN	R CHOPRA	G MONTEIRO
Partner	Secretary	Director	Director	Director
For and on behalf of				
PRICE WATERHOUSE				
Chartered Accountants				

Bombay 22 June 1995

HongkongBank
Member HSBC Group

Profit and Loss Account for the year ended 31 March 1995

31-03-1994 Rs (000s)		Rs (000s)	Rs (000s)	31-03-1994 Rs (000s)		Rs (000s)	Rs (000s)
	To Expenses reimbursed to the holding company				**By Sundry Fees**		
398	Salaries	145		279	Trusteeship	268	
40	Rent	40		18	Income	2	
23	Electricity	23		200	Acceptance	–	
16	Stationery	15		36	Management	18	
16	Postage and Telegrams	15	238	–	Investment	2	
				1	Services	1	
				1	Withdrawal	–	291
8	To Legal Expenses (net)		24				
	To Auditors' remuneration						
10	Audit Fees	15					
	Other Services	5					
2	Out of pocket expenses	3	23				
1	To Charges General		1				
21	To Profit carried down		5				
535			**291**	**535**			**291**
				21	By profit brought down		5
57	To Balance carried to Balance Sheet		62	36	By balance brought forward from last account		57
57			**62**	**57**			**62**

Notes on Accounts as per Schedule attached form an integral part of the Profit and Loss Account.
This is the Profit and Loss Account referred to in our report of even date.

K H VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

J P SAMANT
Secretary

J D PULLEN
Director

R CHOPRA
Director

G MONTEIRO
Director

Bombay: 22 June 1995

SCHEDULE OF NOTES ON ACCOUNTS FOR THE YEAR ENDED 31 MARCH 1995

Significant Accounting Policy – Fee income is accounted on an accrual basis

2. No provision has been made in these accounts for income tax for the year as also for the earlier years as the income of this Company belongs to The Hongkong and Shanghai Banking Corporation Limited, the holding company, as per the Scheme of arrangement approved by the Bombay High Court whereby the contractual obligation under the agreement dated 14 May 1929 with Mercantile Bank Limited has vested in The Hongkong and Shanghai Banking Corporation Limited
3. Contingent Liability in respect of taxation matters Rs 104,000 (previous year Rs 104,000)
4. Other additional information pursuant to the provisions of the paragraphs 3, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 has not been furnished as there are no particulars to be given

Trusteeship fees include Rs 30,000 (previous year Rs 30,000) in respect of companies where trust deeds are yet to be executed
Earnings in foreign exchange – Fees Rs Nil (previous year Rs 10,162)
The Company is in the process of running down the Trusteeship business as it is not remunerative The Securities and Exchange Board of India (SEBI) has permitted the Company to continue with the existing Debenture Trusteeships until maturity, though the Company has not been registered as a Debenture Trustee under the SEBI regulations The Company has decided not to accept any new Debenture Trusteeships as directed by SEBI
Previous years figures have been regrouped wherever necessary.

K H VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

J P SAMANT
Secretary

J D PULLEN
Director

R CHOPRA
Director

G MONTEIRO
Director

Bombay 22 June 1995

HongkongBank
Member HSBC Group

AUDITORS' REPORT TO THE MEMBERS OF HONGKONG BANK (AGENCY) PRIVATE LIMITED

1. We report that we have audited the Balance Sheet of Hongkong Bank (Agency) Private Limited as at March 31 1995 and the relative Profit and Loss Account for the year ended on that date, both of which we have signed under reference to this report.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account together with the notes thereon, give in the prescribed manner, the information required by the Companies Act, 1956 and also give respectively, a true and fair view of the state of the Company's affairs as at March 31 1995 and its profit for the year ended on that date.
3. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept as required by law so far as appears from our examination of the books and the abovementioned accounts are in agreement therewith.
4. The Company is engaged in the business of supplying and rendering services. Accordingly, as required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 dated September 7 1988 and issued by the Central Government and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
   - i. The Company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or from the companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
   - ii. The Company has not granted any loans secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 and/or to companies under the same management as defined under sub-section (1B) of section 370 of the Companies Act, 1956.
   - iii. The Company has not granted any loans or advances in the nature of loans.
   - iv. The Company has not accepted any deposits from the public.
   - v. In our opinion, there is a system of internal control commensurate with the size of the Company and the nature of its business.
   - vi. The paid-up capital of the Company at the commencement of the financial year did not exceed Rs 25 lacs or the average annual turnover for a period of three consecutive financial years immediately preceding the financial year did not exceed Rs 2 crores and as such we are not commenting on its internal audit system.
   - vii. On the last day of the financial year, there was no amount outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
   - viii. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the management.
   - ix. The Company is not a sick industrial company within the meaning of clause (O) of Section 3(1) of The Sick Industrial Companies (Special Provisions) Act, 1985.
   - x. We have not reported on the matters contained in paragraph 4A(i) to (vi), (x) to (xii), (xiv), (xvi) to (xvii) in respect of fixed assets records and physical verification of fixed assets, revaluation of fixed assets, physical verification and valuation of inventories, internal control procedures relating to purchase and sale of goods, purchases and sales made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, unserviceable or damaged stores and raw materials or finished goods, records for sale and disposal of realisable by products and scrap, cost records and provident fund and employees state insurance dues respectively as they are not applicable to the Company in respect of the financial year under audit.
   - xi. In view of the nature of services rendered by the Company, the matters specified in items (ii) to (iv) under paragraph 4(B) of the Order to the extent they relate to receipts, issues, consumption of materials and stores, allocation between materials and manhours consumed, stores and labour authorisation at proper levels are also not applicable.

K H VACHHA
Partner
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Bombay: 22 June 1995

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

BALANCE SHEET OF THE INDIAN BRANCHES AS ON 31 MARCH 1995

	SCHEDULE	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
CAPITAL AND LIABILITIES			
Capital	1	127,500	97,500
Reserves and Surplus	2	643,031	415,278
Deposits	3	7,568,895	7,022,791
Borrowings	4	731,735	821,408
Other liabilities and provisions	5	756,849	734,548
TOTAL.		**9,700,510**	**8,994,025**
ASSETS			
Cash and balances with Reserve Bank of India		1,454,851	1,878,957
Balances with banks and money at call and short notice	7	1,029,119	110,967
Investments	8	4,097,082	4,763,693
Advances	9	2,533,365	1,630,801
Fixed assets	10	81,554	89,435
Other assets	11	504,539	520,172
TOTAL		**9,700,510**	**8,994,025**
Contingent liabilities	12	2,439,553	1,648,903
Bills for collection		327,354	235,134
Notes to Accounts	17		

Schedules referred to herein form an integral part of the Balance Sheet.

SP Medora
Partner
For Bharat S Raut & Co
Chartered Accountants

MK Soni
Finance Manager

JAJ Hunt
Manager and
Chief Executive Officer, India

Bombay 14 June, 1995

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

PROFIT & LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE YEAR ENDED 31 MARCH 1995

	SCHEDULE	Year ended 31.3.1995 (Rs 000)	Year ended 31.3.1994 (Rs 000)
I. INCOME			
Interest earned	13	974,879	805,899
Other income	14	123,247	49,350
TOTAL:		**1,098,126**	**855,249**
II. EXPENDITURE			
Interest expended	15	632,051	561,944
Operating expenses	16	85,122	78,164
Provisions and contingencies		153,200	81,842
TOTAL:		**870,373**	**721,950**
III. PROFIT			
Net profit for the year		227,753	133,299
Profit brought forward		277,536	170,167
TOTAL:		**505,289**	**303,466**
IV. APPROPRIATIONS			
Transfer to statutory reserves		45,551	26,660
Transfer from capital reserves		(894)	(730)
Balance carried over to Balance Sheet		460,632	277,536
TOTAL:		**505,289**	**303,466**
Notes to Accounts	17		

Schedules referred to herein form an integral part of the Profit and Loss Account.

SP Medora
Partner
For Bharat S Raut & Co.
Chartered Accountants

MK Soni
Finance Manager

JAJ Hunt
Manager and
Chief Executive Officer, India

Bombay: 14 June, 1995

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 1 – CAPITAL		
Amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	127,500	97,500
TOTAL	**127,500**	**97,500**
SCHEDULE 2 – RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening Balance	93,800	67,140
Additions during the year	45,551	26,660
	139,351	**93,800**
II. Capital Reserve		
Opening balance	43,942	44,672
Transfer to Profit and Loss Account (See Schedule 17 Note 2(e)(iii))	(894)	(730)
	43,048	**43,942**
III. Balance in Profit and Loss Account	460,632	277,536
TOTAL	**643,031**	**415,278**
SCHEDULE 3 – DEPOSITS		
A. I. Demand Deposits		
i) From Banks	47,775	15,335
ii) From others	255,803	398,027
	303,578	**413,362**
II. Savings Bank Deposits	340,876	285,057
III. Term Deposits from others	6,924,441	6,324,372
TOTAL	**7,568,895**	**7,022,791**
B. Deposits of branches in India	7,568,895	7,022,791

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 4 – BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India		
ii) Other banks	724,384	810,296
iii) Other institutions and agencies	5,906	9,590
	730,290	**819,886**
II. Borrowings outside India	1,445	1,522
TOTAL:	**731,735**	**821,408**
Secured borrowings included in I and II above	5,906	79,590
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	37,179	40,950
II. Inter-Office adjustments with Branches in India (net)	–	566
III. Due to Head Office (See Schedule 17 Note 6)	75,183	66,593
IV. Interest accrued	621,321	548,526
V. Others (including provisions)	23,166	77,913
TOTAL:	**756,849**	**734,548**
SCHEDULE 6 – CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	4,738	4,145
II. Balances with Reserve Bank of India in Current Account	1,450,113	1,874,812
TOTAL:	**1,454,851**	**1,878,957**

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 7 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with banks in current account	6,763	2,063
	6,763	2,063
II. Outside India		
In Current Accounts	1,022,356	108,904
TOTAL:	**1,029,119**	**110,967**
SCHEDULE 8 – INVESTMENTS (See Schedule 17 Note 2(c))		
Investments in India in		
i) Government securities	2,251,030	2,930,345
ii) Other approved securities	270,703	288,113
iii) Shares – fully paid	50	50
iv) Debentures and Bonds	890,582	747,933
v) Others		
– Unit '64 of Unit Trust of India	443,950	509,932
– Certificate of Deposit	240,767	287,320
TOTAL:	**4,097,082**	**4,763,693**

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 9 – ADVANCES (See Schedule 17 Note 2(d))		
A. i) Bills purchased and discounted	385,544	296,713
ii) Cash credits, overdrafts and loans repayable on demand	1,904,439	801,044
iii) Term loans	243,382	533,044
TOTAL:	**2,533,365**	**1,630,801**
B. i) Secured by tangible assets	2,190,159	1,098,618
ii) Covered by Bank/ Government Guarantees	65,850	36,229
iii) Unsecured	277,356	495,954
TOTAL:	**2,533,365**	**1,630,801**
C. **Advances in India**		
i) Priority Sectors (including export finance)	462,489	389,084
ii) Others	2,070,876	1,241,717
TOTAL:	**2,533,365**	**1,630,801**
SCHEDULE 10 – FIXED ASSETS		
I. **Premises** (including Leasehold) (See Schedule 17 Note 3)		
At valuation as on 31 March of the preceding year	57,658	49,640
Additions during the year	22	8,018
	57,680	57,658
Depreciation to date	(4,180)	(2,466)
	53,500	55,192
II. **Other Fixed Assets** (including furniture and fixtures)		
At cost as on 31 March of the preceding year	43,643	17,271
Additions during the year	2,772	27,169
	46,415	44,440
Deductions during the year	(378)	(797)
	46,037	43,643
Depreciation to date	(17,983)	(9,400)
	28,054	34,243
TOTAL:	**81,554**	**89,435**

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Balance Sheet of the Indian Branches as on 31 March 1995

	As on 31.3.1995 (Rs 000)	As on 31.3.1994 (Rs 000)
SCHEDULE 11 – OTHER ASSETS		
I. Interest accrued	181,285	139,892
II. Tax paid in advance / tax deducted at source (net)	162,284	130,698
III. Stationery and stamps	882	1,619
IV. Items in the course of collection	26,477	52,216
V. Others	133,611	195,747
TOTAL:	504,539	520,172
SCHEDULE 12 – CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts (including indirect tax matters)		
II. Liability on account of outstanding forward exchange contracts	1,667,943	957,592
III. Guarantees given on behalf of constituents		
a) In India	266,442	342,706
b) Outside India	19,179	4,104
IV. Acceptances, endorsements and other obligations	430,057	311,739
V. Other items for which the bank is contingently liable		
a) Disputed Income Tax liabilities pending in appeal (See Schedule 17 Note 4)		
i) For Assessment Year 1991-92	32,762	32,762
ii) For Assessment Year 1992-93	23,170	
TOTAL:	2,439,553	1,648,903

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

Schedules forming part of the Profit and Loss Account of the Indian Branches for the year ended 31 March 1995

	Year ended 31.3.1995 (Rs 000)	Year ended 31.3.1994 (Rs 000)
SCHEDULE 13 – INTEREST EARNED		
I. Interest/discount on advances/bills	268,472	228,757
II. Income on investments	537,028	422,389
III. Interest on balances with Reserve Bank of India and other inter-bank funds	150,391	146,538
IV. Others	18,988	8,215
TOTAL:	**974,879**	**805,899**
SCHEDULE 14 – OTHER INCOME		
I. Commission, exchange and brokerage	24,774	20,761
II. Profit on sale of investments (net)	75,483	7,192
III. Loss on revaluation of investments	(949)	–
IV. Profit on exchange transactions (net)	23,939	21,397
TOTAL:	**123,247**	**49,350**
SCHEDULE 15 – INTEREST EXPENDED		
I. Interest on deposits	546,271	464,070
II. Interest on Reserve Bank of India/ inter-bank borrowings	83,211	95,746
III. Others	2,569	2,128
TOTAL:	**632,051**	**561,944**
SCHEDULE 16 – OPERATING EXPENSES		
I. Payments to and provisions for employees (See Schedule 17 Note 2(f))	28,427	20,047
II. Rent, taxes and lighting	3,216	2,728
III. Printing and stationery	1,967	1,642
IV. Advertisement and publicity	6,162	9,500
V. Depreciation on bank's property (See Schedule 17 Note 2(e))	10,297	4,938
VI. Indian Advisory Board Members fees, allowances and expenses	14	7
VII. Auditors' fees and expenses	300	105
VIII. Law Charges	75	92
IX. Postage, Telegrams, Telephones, etc.	4,682	3,381
X. Repairs and maintenance	3,947	1,761
XI. Insurance	3,460	5,815
XII. Head Office Charges	8,590	16,880
XIII. Other expenditure	13,985	11,268
TOTAL:	**85,122**	**78,164**

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

SCHEDULE 17

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1995

1. The financial statements for the year ended 31 March 1995 reflect the results of the Indian Branches of The British Bank of the Middle East ("the Bank"), which is incorporated and registered in England. The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated and registered in England.

2 Principal Accounting Policies

(a) General

The accompanying financial statements are prepared on the historical cost basis as modified by the revaluation of premises, and in accordance with generally accepted accounting principles and the statutory provisions and practices prevailing within the banking industry in India.

(b) Transactions involving Foreign Exchange

i) Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year end, except for those foreign currency non-resident deposits eligible for conversion with the Reserve Bank of India ('RBI'), which are translated at the notional rates applicable to these deposits. Revenues and expenses are translated at the rates prevailing on the transaction date.

ii) Outstanding forward foreign exchange contracts are revalued at the forward exchange rate prevailing at the year end and the resultant gain or loss is included in the Profit and Loss Account.

(c) Investments

i) All investments are classified as "Current Investments" and are valued at the lower of cost and market value in aggregate by type of security.

ii) Cost represents the acquisition cost adjusted by the amortisation of premium or discount over the period from the date of purchase to the date of maturity.

iii) Market value is determined in accordance with RBI circular DBOD No. BP.BC 44/ 21.04.048/95 dated 15 April 1995. Quoted investments are valued based on market quotations. Unquoted investments are valued by reference to the yield to maturity as prescribed by the RBI.

(d) Advances

Advances are stated net of provision for doubtful advances and interest in suspense. Provision for doubtful advances is made in respect of identified advances based on a periodic review and after considering the provisioning guidelines issued by the RBI. Interest on doubtful advances is credited to interest in suspense account and not recognised in the Profit and Loss Account until received.

(e) Fixed Assets

i) Fixed assets are stated at historical cost less accumulated depreciation, with the exception of premises which are stated at valuation or cost less accumulated depreciation.

ii) Depreciation is provided on the straight line basis at 2% per annum on premises and 20% per annum on other fixed assets.

iii) Depreciation on the surplus on revaluation of fixed assets is charged to the Profit and Loss Account and a corresponding transfer is made from Capital Reserve to the Profit and Loss Account.

(f) Staff Benefits

i) Provision for post-retirement benefits in respect of approved pension funds is made based on actuarial valuation conducted by a qualified actuary.

ii) Pension payments to staff who retired on or before 31 December 1982, prior to the creation of the approved pension funds, are accounted for on a cash basis. The annual cost of this pension is Rs. 258,000.

iii) Monthly payments made under the Voluntary Retirement Scheme introduced in 1992 are also accounted for on a cash basis. The liability at 31 March 1995 in respect of this scheme is Rs. 3 million, provision for which is not made in these financial statements.

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

(g) Net Profit

The net profit disclosed in the Profit and Loss Account is after:

i) provision for any depreciation in the value of investments;
ii) provision for doubtful advances,
iii) provision for taxation;
iv) provision for other unusual and necessary expenses;
v) charge for head office expenses

3. Fixed Assets

The most recent valuation of the freehold premises was conducted by independent professional valuers in November 1992 and the results of the revaluation were included in the Balance Sheet as at 31 March 1993

4 Taxation

There is a contingent liability for assessment years 1991-92 and 1992-93 of approximately Rs 56 million which is presently in appeal

5. Foreign Currency Non Resident Deposit Scheme 'A' (FCNR 'A')

During the previous year the RBI conducted an inspection of the interest claims on FCNR 'A' deposit scheme made by the Bank for prior years, wherein it observed operational deficiencies in the interest calculation. Subsequently in June 1994 the RBI appointed external auditors to audit all FCNR 'A' transactions of the Bank and submit their report. No provision in respect of FCNR 'A' transactions is considered necessary by the Bank as the Bank does not expect any material liability to arise

6. Due to Head Office

Due to Head Office includes unremitted head office charges relating to prior years of Rs 66 59 million which is not repatriable as the Bank has treated it as part of its Tier I capital

The British Bank of the Middle East

(Incorporated in England by Royal Charter 1889)

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE INDIAN BRANCHES OF THE BRITISH BANK OF THE MIDDLE EAST UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949.

We have audited the Balance Sheet of the Indian Branches of The British Bank of the Middle East (incorporated in England by Royal Charter 1889) ("the Bank") as at 31 March 1995 and the related Profit and Loss Account for the year then ended. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the financial statements are not required to be, and are not drawn up, in accordance with Schedule VI of the Companies Act, 1956. The financial statements are therefore drawn up in conformity with Forms A and B (revised) of the Third Schedule to the Banking Regulation Act, 1949.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Bank as at 31 March 1995 and of its profits for the year then ended.

We further report that:

a) the financial statements are in agreement with the books of account and give the information required by the Companies Act, 1956, in the manner so required for banking companies;

b) the Bank has maintained proper books of account as required by law insofar as appears from our examination of those books;

c) the returns received from the branch of the Bank have been found adequate for the purposes of our audit;

d) the transactions which have come to our notice have been within the powers of the Bank.

For Bharat S Raut & Co.
Chartered Accountants

SAMMY P MEDORA
Partner

Bombay: 14 June, 1995

WHAT ARE FOUR YEARS IN A NATION'S LIFE?

A page in history !

If these four years bring about a remarkable turnaround in economy loosening of shackles through liberalisation and giving more than equal status to the underprivileged

It was

June 1991

Falling farm output
Poor Industrial growth
Declining exports
Depleted foreign exchange
Inability to manage external payments
Country's gold mortgaged to a foreign bank
Political uncertainty
Country on the brink of bankruptcy

It is

June 1995

- Economy opens up fresh investments flow into many sectors power telecom petroleum steel food processing
- Foodgrains production touches 186 million tonnes an all time high
- Revamped Public Distribution System in far flung remote and hilly areas introduced in1992 — operates in 1775 blocks
- Farmers get more remunerative price for their produce Fertilizer subsidy continues
- Exports reach a new high of Rs 92 338 crore in 1994 95 — now finance over 90% of imports
- Economic growth creates more jobs 6 million new jobs created every year
- JRY generates over 5,670 million mandays
- Employment Assurance Scheme provides jobs to over 14 million people
- Wastelands Development Programme to cover 23 thousand hectares
- Panchayati Raj Act brought into force to strengthen democracy at the village level
- Rs 682 crores for welfare of Handloom Weavers
- Mahila Samriddhi Yojana and Rashtriya Mahila Kosh to help women empowerment



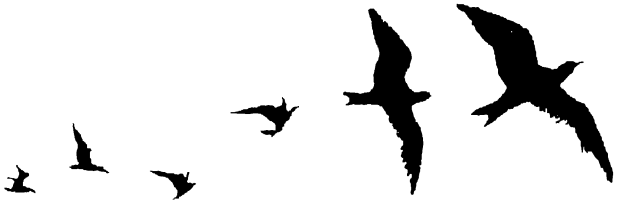
- Telephones to reach all villages in the country by 1997
- Satellite Money Order Service started
- Doordarshan network now available to over 726 million viewers
- AIR's regional programmes made available all over the country

Focus on Welfare of Weaker Sections

- 27% job reservation for OBCs in Central Government and Public Sector Undertakings
- National Commission for Safai Karamcharis set up
- National Minorities Development Finance Corporation and National Backward Classes Finance and Development Corporation set up

Striving for Peace and Harmony

- Peace and normalcy restored in Punjab and Assam
- Efforts to contain militancy and restore normalcy in Jammu and Kashmir continued



We enter the 5th year with a firm resolve to **fulfil people's rising** aspirations It is only a **vibrant nation** that aspires for things higher



INDIA POISED FOR A BIG LEAP TOGETHER WE WILL MAKE IT HAPPEN
FOUR YEARS OF PV NARASIMHA RAO GOVERNMENT

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ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication Rs 15.00 Vol XXX No 29 July 22, 1995

■ AGRICULTURAL GROWTH AND AGRARIAN CHANGE IN WEST BENGAL AND BANGLADESH

■ WATER CRISIS IN EARTHQUAKE-AFFECTED REGIONS OF MARATHWADA

■ DEVELOPMENT CRITIQUE IN CULTURE TRAP

■ CENSUS DATA ON EMPLOYMENT AMONG TRIBAL POPULATION

■ BRINGING JUSTICE TO JUVENILES: EXTENDING POVERTY ALLEVIATION PROGRAMMES

■ DESTRUCTION OF ECOSYSTEM OF KOCHI BACKWATERS

■ VIETNAM: TWENTY YEARS AFTER

■ WOMEN'S MOVEMENT IN INDIA, 1970s-1990s : CHANGING POLITICAL DISCOURSE

■ MONETARISM AND RISE OF RENTIER INCOMES

STATE BANK OF BIKANER AND JAIPUR

Abridged Balance Sheet as on 31st March, 1995 & Profit and Loss Account for the year ended on 31 March, 1995

('000s omitted)

	Schedule No.	AS ON 31.03.1995 Rs.	AS ON 31.03.1994 Rs.
CAPITAL AND LIABILITIES			
Capital	1	**20,80,00**	20,80.00
Reserves and Surplus	2	**52,58,16**	47,66,19
Deposits	3	**40,10,26,51**	34,29.81,51
Borrowings	4	**2,60,39,24**	1,13,09,00
Other Liabilities and provisions	5	**7,10,19,51**	6,79,64.64
TOTAL		**50,54,23,42**	42,91,01,34
ASSETS			
Cash and Balance with Reserve Bank of India	6	**6,54,26,48**	5,39,07,62
Balance with banks and money at call and short notice	7	**1,96,90,70**	1,80,84,38
Investments	8	**17,91,04,61**	15,14,45,62
Advances (net of provisions)	9	**21,00,17,51**	17,75,86,01
Fixed Assets	10	**28,82,30**	25,56,65
Other Assets	11	**2,83,01,82**	2,55,21,06
TOTAL		**50,54,23,42**	42,91,01,34
Contingent Liabilities	12	**7,81,48,90**	4,89,90,14
Bills for Collection		**3,35,20,90**	2,86,21,91
Notes on accounts	17		

	Schedule No.	Year ended on 31.03.1995 Rs.	Year ended on 31.03.1994 Rs.
I. INCOME			
Interest earned	13	**4,59,66,60**	4,04,67,47
Other Income	14	**93,78,50**	73,12,83
TOTAL		**5,53,45,10**	4,77,80,30
II. EXPENDITURE			
Interest expended	15	**3,10,25,14**	2,90,55,19
Operating expenses	16	**1,70,47,30**	1,40,42,64
Provisions and Contingencies		**64,68,69**	40,32,47
TOTAL		**5,45,41,13**	4,71,30,30
III. PROFIT			
Net Profit for the year		**8,03,97**	6,50,00
Profit brought forward		**6**	6
TOTAL		**8,04,03**	6,50,06
IV. APPROPRIATIONS			
Transfer to statutory reserves		**2,00,00**	1,75,00
Transfer to other reserves		**2,88,00**	1,63,00
Transfer to proposed dividend @15%		**3,12,00**	3,12,00
Balance carried over to Balance Sheet		**4,03**	6
TOTAL		**8,04,03**	6,50,06

ECONOMIC AND POLITICAL WEEKLY

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From Green to Gold

The West Bengal agrarian reforms of the late 1970s were clearly grounded in an earlier history of peasant struggle To what extent has the government's emphasis on the implementation of sharecroppers' rights, land redistribution and sweeping local government reform contributed to agricultural growth and changes in the agrarian structure? What has been the impact of agricultural growth in the two Bengals on the livelihoods of poor rural people? **1862**

Water Scarcity and Earthquakes

The earthquake affected areas of Marathwada are suffering from an acute water shortage which is likely to get worse with time But this has less to do with changes caused by the earthquake than with distorted policies for rehabilitation of the victims and for groundwater use **1826**

For More Than Half the Sky

There is no doubt that the Indian women's movement has changed the terms of political discourse in the last two decades Today, however, this very change is affecting it in peculiar ways Debates being actively promoted twist the very premises and values on which the movement has been based with terms like empowerment, choice, reproductive freedom, spiritual autonomy, etc, being widely appropriated by forces inimical to the goals of the movement Can the movement ensure the continued existence of fora to mount pressure for intervention in favour of more equitable gender relations? **1869**

State Care for Children

While provisions under the Juvenile Justice Act, 1986 certainly provide definite short-term relief to needy children there is undue emphasis on custodial care and social control Is it possible to enlarge the scope of poverty alleviation programmes to include the care of needy children in a more humane way? **1833**

Monetarism and Globalisation

A large part of the current fiscal malaise stems from monetarist policies – in terms of steadily raising the rate of interest to absurd levels And since these incomes are essentially in the nature of rentier incomes, the result has been a rise of rentier incomes in the economy **1824**

Ecology and Culture

The current cultural approach which has dominated discussions on development models inevitably romanticises traditional/indigenous cultures A fundamental theoretical error is the parallel being drawn between ecology and culture **1846**

Vietnam and US

Twenty years after the end of the brutal Vietnam war, the country is struggling to find its feet, especially with regard to its extremely complicated, but important relationship with the US **1836**

Price too High

The Kochi backwaters in Kerala house a unique ecosystem which is today threatened by a development project designed to bring, among other things, a long sought after bridge linking the several isolated islands with the mainland **1831**

Employment Patterns

A closer look at the 1981 Census data on the employment patterns of the tribal population of Orissa reveals interesting features which have implications for policy formulation **1879**

Media and Politics

Investigative reports appearing in the US media recently revealing past atrocities by American allies and client states are an indication of the role of the free press in the practice of *realpolitik* **1838**

LETTERS TO EDITOR

New Politics

AMARESH MISRA s report 'Limits of OBC-Dalit Politics (June 10) has tried to present an objective view of the BSP-BJP alliance It is ironical that every commentator on the subject has failed to admire the kind of politics played by BSP leaders like Kanshiram and Mayavati Everyone seems to be frowning upon or lamenting that they have sought an alliance with the BJP This is politics of untouchability instead of allowing the former chief minister Mulayam Singh to play the game of horse trading and defection, the UP governor has allowed Mayavati to form the government When the BSP considers every political party as 'Manuvadi which seems logical why should Misra blame the BJP as solely representing the oppressors' Although I do not admire the BJP for certain acts let us appreciate that the future trend is taking us towards a coalition form of government as every party has disappointed the voters when they were in power The BJP is likely to be a crucial partner

S K SHARMA

Delhi

Mahars as Landholders

THIS is a late response to the points raised by Gopal Guru in his review 'One Dimensional View of the Dalit Movement' (January 14) I saw the review only recently My comments pertain to the points raised by Guru and not to the book by Jayshree Gokhale under review

I agree with many of the points made by Guru with reference to the mahar elite, its formation and its role But he has made one assertion which I think is exaggerated Guru states that in the Nagpur region landholdings of the mahars are larger than those of the upper castes From our experience in Vidarbha, I do not think this is correct It is a fact that mahars in the Nagpur region as compared to mahars in other parts of the state, own more land It is also a fact that the mahar elite possesses substantial landholdings in the region and in particular villages mahar families own more land than the upper castes But on the whole the kunbis and telis are the main landholding castes (and in specific areas the pawars, malis kirads, etc) They are the dominant agricultural castes in rural Vidarbha including the Nagpur region Also even the old landed brahmin families have tried to retain important portions of their lands in the region

Another point that is significant in the context of Vidarbha is the relation of the dalit elite to the revolutionary movement that has developed among the tribals, especially the Gonds, in the past one decade While the poorer, militant dalits are drawn towards the revolutionary movement, the dalit political elite is extremely active in preventing any collaboration with the tribal movement Further, many senior government and police officers who are mahars are posted in this region As an influential section of the mahar elite, they are also involved in driving a wedge between the struggling tribals and the urban dalit masses, but this may often be out of a need to preserve their jobs, though not in all cases Definitely, the unity of the toiling masses and the growth of a wide democratic consciousness have suffered as a result

ANURADHA GANDHI

Nagpur

Pigeon Mail

I RECEIVED an airmail letter bearing a British postmark dated March 20 1995 on May 18 From the official notings on the cover it appears that the letter had arrived at the Calcutta foreign mail office not later than April 7 The inordinate delay in delivery totally vitiated the purpose of the urgent communication And for this great 'favour the post office charged and realised from me a sum of Rs 15 for some custom check

This, however, is not a stray case of postal vagary Some time ago my telephone bill was delivered to a wrong address I was able to make the payment in time only because a lady of that house had kindly telephoned me She also told me that she had been redirecting my wrongly delivered mail I have not, however, so far got any redirected mail For months I have not been getting *EPW* copies regularly Not only are the copies inordinately delayed but many issues do not arrive at all Some time ago the *EPW* office was kind enough to send me in a lot 10 consecutive missing issues by speed post Another Bombay-based friend also sent me a lot by courier service At the moment of writing this, on June 8, I have not got any *EPW* issue after the April 22 number

For my part, for all my important communications I avail myself of either speed post or the registered mail service

The postal services in my area, a newly developed township in north-east Calcutta (Bidhan Nagar or Salt Lake City) are particularly undependable Officially mail is delivered twice or thrice a week While the population of the area is growing fast, postal facilities – office space and manpower – are not Periodically, post offices are deluged with undelivered mail For years, I have been periodically making desperate complaints to the higher authorities, sometimes by telegram Earlier there was sometimes some response, followed by some improvement In recent times, there is neither response nor improvement This is obviously due to the new policy orientation at the top level Any relief is beyond the capacity of the local or medium level authorities Untrained postmen recruited as casual hands on paltry remuneration are put to work, leading to chaos and errors Basically all this is due to the diversion of huge resources to the telecommunication services catering to the privileged few, while starving the ordinary postal services catering to the common man

The Lok Sabha speaker in his wisdom guillotined the discussion of the postal budget and thus denied any opportunity for ventilating the common people's grievances – assuming of course that there was any MP interested in taking up cudgels on their behalf

AJIT ROY

Calcutta

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ECONOMIC AND POLITICAL WEEKLY

Much Ado about Nothing

THE finance minister's intolerance of any criticism of the economic reform programme and any suggestion that its fruits may not have been as wholesome as claimed by him and his admirers is well known. So it is not surprising that he should have taken umbrage at the Planning Commission's mid-term appraisal of the Eighth Plan and prevailed upon the prime minister to put off the meeting of the full Planning Commission called to consider it on the 19th of this month. (Apparently this would have been the first such meeting of the Commission in nearly two years, which is some indication of how little use the government has had for the Planning Commission and the Commission's own failure to carve out a worthwhile role for itself in the post-reform context.)

Unfortunately for the finance minister, the Planning Commission's review of the Eighth Plan has come up at a time when he and the economic reform programme are very definitely on the defensive. It has come to be widely accepted, most importantly in the ranks of the Congress Party itself, that a large part of the blame for the severe reverses the party has suffered in the assembly elections in a number of states belongs to the economic reform policies and the hardships and privations they have caused to the large majority of the people. In its own terms too the reform programme has come to be discredited for a variety of reasons. Judged by whatever criterion – the fiscal deficit as a proportion of GDP, the size of the centre's revenue deficit, the rise in the government's debt and the interest burden thereon – the finance minister's efforts to restore a measure of order to the government's finances, which task was acknowledged to be the cornerstone of structural adjustment and economic reform, have, after much huffing and puffing, conclusively failed. The situation will get even more out of control in the next few months as the government sets about doling out large sums of money for so-called welfare schemes in a desperate attempt to salvage the ruling party's prospects in the coming elections to the Lok Sabha. That the reform programme has run out of steam is also indicated by the fact that for quite a while now no new policy initiatives, including in areas where the government has been repeatedly promising them, have been forthcoming. Finally, actual developments in crucial sectors of the economy, such as power, show that, contrary to the shibboleths of free competition, transparency and elimination of rent-seeking, it is business as usual more or less, with cosy deals involving gigantic projects being struck in total secrecy, giving rise to well-grounded suspicion of bribery and corruption.

Narasimha Rao, however, realises that anything, such as the Planning Commission's mid-term appraisal, which shows the economic reform policies in an unfavourable light will provide ammunition not only to the opposition parties but to his opponents in his own party and the breakaway Congress(T). So he was quite readily persuaded to cancel the scheduled Planning Commission meeting and to keep the Commission's appraisal document under wraps.

Judging by newspaper reports, the shortcomings in the performance of the economy in the first three years of the Eighth Plan highlighted by the Planning Commission's review – among them, the unlikelihood of the Plan's growth target of 5.6 per cent per annum being achieved in the light of the actual growth rates so far, large shortfalls in Plan outlay at both the central and state levels, slow-down in public investment, poor performance of the infrastructure and social sectors and danger of a deterioration of the balance of payments on account of rapid growth of imports – have all been by and large well known. What is noteworthy, and highlights a major weakness of the government's economic reform in terms of its relative one-dimensionality, is that the review should have so offended the finance ministry particularly. Partly, of course, this has to do with personalities. It is no secret that from the time of the constitution of the Narasimha Rao government, the deputy chairman of the Planning Commission, who was first commerce minister but in a recent cabinet reshuffle was persuaded to very reluctantly accept the external affairs portfolio, has had his eye on the finance minister's job. As far as the finance minister is concerned, therefore, this lends a special edge to any criticism of the performance of the economy coming from the Planning Commission. But what is more important is that economic reform in India has been from the very beginning so completely the finance ministry's business. The focus of reform, its be-all and end-all, has, therefore, been almost exclusively matters which fall within the purview of the finance ministry. The commerce ministry may have had something to do in the easing of import regulations, but even here the lowering of import tariffs has been crucial. The ministries and departments of the government supposedly dealing with the real sectors of the economy have had virtually no role to play. And most conspicuous in its redundancy has been the Planning Commission itself. Ordinarily the Commission should have been the body to have provided vital inputs for the reform process in terms of conceptualising the objectives and modalities of an effective role for the government in the changed context and working out the structure of regulatory bodies to lay down and enforce the basic ground-rules for economic agents operating in a free market environment. Unfortunately, it has never looked as if the Commission ever wanted to even begin to move in these directions. As a result,

it has had no contribution at all to make towards, for instance, defining the terms of entry of foreign investment into a vital sector such as power - the lack of definition of which is certain to cost the country dear in terms of gold-plated power projects on the one hand and attrition of the indigenous power equipment industry and capabilities on the other

Judged against this colossal failure the Commission's Eighth Plan review recounting some known facts about the recent performance of the economy, for all the publicity it has received, is of little consequence Before the meeting of the Commission fixed for the 19th was cancelled it was reported that the meeting would, apart from considering the mid term appraisal, also discuss issues concerning the Planning Commission's future role and its restructuring in the context of the economic reforms It says much about the quality of leadership that the Commission has had that it should have taken it some four years after the institution of the reforms to realise the need to begin to talk of these matters

FOREIGN EXCHANGE MARKET

Thin End of the Wedge

THE Reserve Bank committee on the foreign exchange market has made far reaching recommendations which, if implemented, would make the market an exchange dealers' paradise One at least of the recommendations, which calls for detailed examination does not even entirely pertain to the terms of reference of the committee This is the one urging the setting up of offshore banking units (OBUs)

Offshore banking operations in different parts of the world – the primary full service centres of the advanced markets of London, New York and Tokyo the secondary collection or funding centres of the Caribbean, the Asia-Pacific and west Asia and the brass-plate or tax haven varieties which are there in some island economies bring out a range of objectives and motivations IMF and BIS data show that London is by far the largest international banking centre with 425 foreign banks and total assets of over $ 1 trillion Despite the loss of massive Euro currency transactions to the London market both the US and Japan have opposed the setting up of anything like an international offshore banking centre in their respective territories Even the international banking facilities (IBFs) set up in New York in 1981 and the Japanese offshore market in Tokyo set up in 1986 have been restrictive in their conception and operation even though data on BIS reporting banks show that nearly 40 per cent of all country assets and liabilities belong to US and Japanese banks Even now the US (which is an aggressive advocate of globalisation of financial markets for the rest of the world) and Japan refuse to allow full integration of their offshore and domestic markets for fear of the disruption this could cause to their domestic financial systems

The debate in Japan over the Tokyo offshore market has important lessons for us Serious discussion on the subject began in Japan when Singapore paved the way for the establishment of the Asian dollar market by abolishing the withholding tax on interest incomes of non residents and permitted the Bank of America to operate as the first Asian Clearing Unit (ACU) in November 1968 On a balance of considerations, the setting up of even a restricted centre in Tokyo (similar to the OBU concept now proposed here) was not favoured on the ground that what was true for an entrepot trading centre like Singapore with practically no natural resources and limited manufacturing activity did not hold good for Japan Even a limited centre it was felt, could be the thin end of the wedge threatening domestic financial stability Financial activities by themselves, it was recognised, could not contribute much to domestic welfare in large countries It was only much later under US pressure to internationalise the yen and open up the Japanese financial system, that the Tokyo offshore market came to be established in September 1985 The Japanese government had then made it clear that the model of the London market which adopts a unified approach to domestic and foreign transactions was unacceptable to Japan Instead, a system similar to the IBFs of New York, with an offshore market transacting only foreign-to foreign deals was allowed to be established The offshore banking activities in New York and Tokyo were essentially meant to divert a part of the business of the respective home-country multinationals from London and from regional offshore centres like the Cayman Islands and Hong Kong Hence the Tokyo and New York offshore financial centres are not regarded as international OFCs even though, because of the massive funds owned by the Japanese banks overseas, the Tokyo offshore market had attracted some $ 574 billion in external assets by the end of 1994 and the New York market some $ 246 billion These figures have to be set against the foreign currency position of banks in the UK of $ 1,094 billion

As for the other regional offshore centres, most of them have come up because of the narrow base of the local economies They have prospered because of their location near a large country or in regions with large foreign exchange surpluses The examples are Singapore with South East Asia, Hong Kong with Japan and China, Luxembourg with Germany and France and Bahrain in the Gulf The paper centres or tax havens which provide a regulation-free environment are a class by themselves They are used by corporate bodies and individuals to evade taxes and to register corporate entities, holding companies, trusts, and funds at low cost, free from the scrutiny of the respective home authorities Their importance has been on the wane, however Regional financial centres like the Bahamas and Bahrain have also lost their importance after the oil surpluses disappeared and the general process of liberalisation of financial markets gathered momentum accompanied by vast improvements in information and communication technology Other than London, New York and Tokyo, the only major centres which are thriving - because of their access to large surplus funds – are Hong Kong (assets worth $ 615 billion in December 1994), Cayman Islands ($ 432 billion) Luxembourg ($ 391 billion) and Singapore ($ 363 billion)

The RBI committee could claim that it has recognised that in the case of a country like India with only an emerging exchange market, total financial integration with the international market could prove destabilising and that it has therefore recommended the setting up of only OBUs and not a full-fledged offshore banking centre But the fact is that the OBUs are likely to be no less destabilising, for it is not the physical presence of offshore banks so much as the nature of the permitted dealings which can cause destabilisation A full-fledged offshore banking and financial centre such as Singapore allows physical location of offshore licence banks (Singapore hosts some 200 such) authorised to transact wholesale banking business with non-residents, it also allows what are called mere banking units Singapore's Asian currency units (ACUs), on the other hand like the New York and Tokyo offshore market systems, are of the limited variety A banking unit is a book keeping entity that is allowed to carry on banking business with non-residents by merely keeping separate books of accounts and segregating transactions with the country's residents

The OBU in the RBI committee's view, is a low cost option as only minimal investment in real estate will be required On the other hand, a range of benefits are expected to flow, such as increase in skilled employment (both direct and through the multiplier effect), training in valuable skills and exposure to international banking, wider range of services to exporters, importers and investors and access to world class infrastructure and transfer of the latest banking technology on an ongoing basis The OBUs will accept deposits and loans in foreign currency, they will also issue foreign currency certificates of deposits. The committee's scheme also envisages acceptance of deposits/loans from even such residents as are permitted to maintain foreign currency accounts, such as export earners' foreign currency (EEFC) accounts and resident foreign currency (RFC) accounts Apart from lending to non-residents, the OBUs will issue guarantees and do other business not involving the domestic currency and local exposure Taken together with committee's recommendation that exporters be allowed to retain their entire export earnings in foreign currency accounts with

banks in India, the implications of the proposed OBUs for the domestic economy are likely to be far-reaching

Banks, particularly international banks, are naturally very enthusiastic about integration of offshore and onshore operations, or at least permitting some 'seepage' between the two, so that the domestic segment can use the offshore market as a cheap source of funds to be deployed in the inter-bank market and generally lent to domestic borrowers This can, however, operate as a significant constraint on domestic monetary and financial policies and it is for this reason that the US and Japanese authorities have refused to allow full integration of the offshore and domestic markets What is more, experience has shown that even in well developed centres, separation of the domestic and offshore markets has been difficult to achieve and banks manage to surreptitiously channel cheap offshore funds into the domestic inter bank market for instance by transferring deposits taken on their offshore books to their branches and transferring them back as inter bank deposits free of withholding taxes and reserve requirements

The committee has as already noted recommended that export earnings should be allowed to be kept with offshore units on the argument that this would increase the availability of foreign currency funds which are free of reserve requirements so that liquidity and pricing of the funds will be relatively in line with international levels But for quite some years to come, the Indian economy will be short of domestic saving and permitting exporters to keep export earnings with the OBUs will adversely affect domestic liquidity and loosen monetary control The committee has also recommended exemption of inter bank borrowing from total demand and time liabilities for CRR and SLR purposes Banks are also to be allowed to lend invest and borrow short term funds up to six months at market rates in the overseas markets With this the domestic financial system is likely to be almost totally exposed to international exchange market influences and to large scale arbitrage operations and the scope for an independent monetary policy will be adversely affected

Further the notion that the OBUs operations will be low cost is likely to prove baseless The opportunity cost of various tax concessions and exemptions from domestic laws is likely to turn out to be very high The OBUs' liabilities are to be exempt from CRR and SLR requirements, they are to be charged to income tax at low rates not exceeding 10 per cent, no withholding tax is to be realised from non-residents and the instruments used by the OBUs are to be exempt from stamp duty While some exposure to sophisticated international banking and some skill development may take place, the gains will be minuscule compared to the costs, especially the intangible cost in terms of loss of autonomy in the pursuit of independent monetary, fiscal and other macro-economic policies For a large country like India which is yet to generate enough domestic saving and consequently any worthwhile surplus on the current account, such blanket deregulation and integration with the international financial markets will have serious repercussions in terms of hindering self-sustained and stable growth

The proposed OBUs will also expose the balance sheets of the parent banking companies to the vagaries of international banking The OBUs are not to be separate corporate bodies with independent capital bases They may have to adhere to some capital adequacy norms, but the legal ownership of the assets and liabilities will vest with the parent bank which will have to absorb the shocks bad debts, low earnings and even large losses – emanating from the offshore unit's activities

Finally, the system of supervision for banks and other financial intermediaries is known to be very fragile as it is and permitting cross dealings between offshore and domestic banking units will open up vast possibilities of arbitraging and risk exposure The conventional prescriptions of capital adequacy and exposure norms, accounting standards and gap limits will hardly suffice as exposures get magnified when offshore and domestic dealings get linked In any event, the task of harnessing the financial system to the pursuit of social objectives cannot be left to prudential norms and the supervisory system alone, these have to be buttressed by definite policy intervention and there cannot be any doubt that the RBI committee's recommendations will seriously hamper such intervention

MEDICAL RESEARCH

Credibility at Stake

BEER is consumed regularly by a tiny fraction of the small proportion of the population which can afford such processed drinks There are 33 beer manufacturing units in the country producing about three lakh kilo litres and all of them so far are wholly-owned Indian enterprises Not so long ago the government approved six NRI proposals for setting up units with 100 per cent foreign equity In short, beer is neither a mass consumption drink, nor is it a major manufacturing activity

And yet the National Institute of Nutrition (NIN) has considered it fit to devote precious time and resources (in terms of scientific personnel and presumably, finance and infrastructure) to study the composition of brewed beer, with special reference to a cancer-causing agent A recent report in a technical journal reveals that Indian beer contains a very high percentage of the cancer-causing agent nitroso dimethyl amine (NDMA) While the international norm for NDMA is one part per billion, Indian beer contains 3 6 parts per billion Further, beers brewed in the southern part of the country contain more of the carcinogenic component than other beers The two NIN researchers have arrived at this conclusion after testing 25 brands using 120 samples

Quite apart from the nature of the study itself, the question that arises here is about the choice of research pursued by a national institution reportedly strapped for funds to such an extent that ongoing research projects are being wound up or cut down All ICMR research institutions, of which NIN is one, follow a procedure of prioritising research before funds are allocated It is beyond the ken of possibility that a research proposal for studying the content of beer should have been approved as an internally-funded priority research project, especially when central funds for medical research have been falling in real terms The only conclusion one can draw is that the research study was funded by outside sources and so was given the green signal Clearly, the Indian beer industry, the largest unit of which is the Mallya group which runs its own research programme, is not likely to have sponsored the research

But even if this were a sponsored project, the ICMR (and presumably other allied institutions) has followed, in its early decades at least, a policy of reviewing every sponsored proposal for its relevance And for this structures such as the scientific advisory board and its constituents have been put in place If therefore a research proposal has got through these review processes then it obviously has the blessings of those who control the policies and programmes of the research institution This is indeed a come down for a research institution which in a sense, predates the ICMR and has pioneered some of the earliest studies in the area of nutrition at a time when the area itself was only just being defined internationally Its early anaemia studies were path-breaking as were those on Indian foods The NIN has housed and nurtured some of the best scientific talent in the field This is notwithstanding the fact that some of its later studies have been commented upon as having limited perspectives with an increasing tendency towards 'medicalising' problems and therefore emphasising laboratory-based analyses without giving due weightage to external factors The beer study is questionable research not only in terms of its relevance but also, it would appear, its scientific validity While the methods of analysing the material may not be questionable the scientists' attempt to relate the higher incidence of stomach cancer, as per the Indian cancer registry data, in Madras (against the northern parts of the country) to the higher content of carcinogen in south Indian beer is a shoddy and unethical piece of research These are not only two separate sets of data, gathered differently for different purposes, but the conclusion mitigates against all principles of research on incidence of disease All cancers have a number of causes and

motivating reasons; and while there are primary reasons for each, the effect does not manifest itself in the absence of other factors. This is true also of stomach cancer. Moreover, the researchers have made no attempt to separate out beer drinkers among those who had stomach cancer. Indeed it is surprising that the ethical committee of the NIN, if it functions at all, should have allowed this sort of research to be published. It is such an unscientific and irrational research products which mar the credibility of institutions whose work has earned international respect

What is happening in the NIN is not unfortunately confined to medical research With the attempts to make the CSIR industry-friendly, there is an even chance that more and more of Indian research will be market-oriented in support of producers who can pay, and scientific methods and ethics will fall by the wayside. Just as importantly, institutions like the NIN in which a great deal of public money has been invested will be increasingly used for shoddy 'market' research If this is not to happen, then these institutions must strengthen their research review processes and revitalise their ethical committees on a priority basis. For, it is possible to be industry-oriented, even while doing good research. But for that there has to be a well-grounded research policy with well-defined, people-oriented priorities.

UTTAR PRADESH

Growing Mandalisation

GIVEN its precarious hold over political power in UP, it is natural that the BSP should be making strenuous attempts to win over major segments of the population and widen its social support base. Now claiming to represent 'sarva samaj', instead of just 'bahujan samaj', a brahmin has been given a berth in Mayawati's council of ministers. And since Mulayam Singh continues to be the main contestant for the social base to which the BSP stakes its claim, efforts have been concentrated on eroding his influence. The creation of a new portfolio of minorities welfare and the announcement that the government favoured 15 per cent reservation for Muslims are intended to win over the Muslims and score a point over Mulayam Singh.

But Mayawati's dilemma is that her government depends on the support of the BJP to survive. The BJP is no doubt happy to see Mulayam Singh cut to size, but it can scarcely countenance what it regards as 'appeasement of the minorities'. Fortunately for the BSP, the Constitution has come to its aid – preferential treatment on grounds of religion is impermissible - and a confrontation with the BJP on this issue has been avoided, though the BSP has not been able to altogether avoid the impression of having succumbed to BJP pressure. Muslims of UP continue to nurse a sense of betrayal by the BSP for having turned to the BJP for support to bring down the Mulayam Singh government and catapult itself into power. A progressive section of Muslims, however, has acknowledged that the Mayawati government's order declaring 22 sub-castes of Muslims as being eligible for the benefits of reservation for backward castes is a step in the right direction. According to this view, the benefits will accrue to genuinely backward Muslims whereas the gains of a general reservation quota for Muslims would have been cornered by the better-off sections of the community.

If the BSP's effort to woo the Muslims has not met with much success, its attempt to gain the support of the yadavs by holding a 'vishal yadav' rally in Lucknow was hardly more fruitful Mulayam Singh hit back with a rally of his own at Azamgarh, which is reported to have attracted a far larger crowd, on the same day. Clearly, the BSP is going to find it difficult to loosen the yadav-Muslim combination which forms Mulayam Singh's political backbone. Further, the kurmis who, feeling neglected under Mulayam Singh's rule, had played an important role in bringing the BSP to power, have staged a revolt within the BSP camp in an attempt to assert their bargaining strength and extract the maximum benefits in preparation for the coming Lok Sabha elections.

The alliance with the BSP is not without its uneasy aspects for the BJP either. Though the BSP no more brands it as a 'manuwadi' or communal party, the BJP is not finding it easy to play its Hindutva card in a political landscape dominated by assertions of yadav, kurmi and gujjar identities In this context, the BJP may well decide to turn to the VHP's campaign to liberate the Kashi temple, which is to begin from October, as a weapon to counter the growing mandalisation of UP politics.

HEALTH CARE

Lax Monitoring

THE Food and Drug Administration (FDA) of Maharashtra, in consultation with the Drug Controller of India, closed down the Red Cross blood bank in Bombay earlier this month and cancelled its licence after investigating a complaint that blood supplied by it was contaminated with hepatitis B and HIV virus. While the FDA is apparently very pleased with itself, the entire episode makes it obvious that it has been inordinately lax with the enforcement of its own rules and regulations.

According to reports, a doctor working in the blood bank alerted the FDA about the mismanagement in the blood bank which had led to the supply of infected blood to several city hospitals for the last many years. The FDA then undertook investigations which led it to different hospitals, one of which acknowledged that blood supplied by the bank had been found to be HIV infected and had to be discarded. In its satisfaction over closing down the Red Cross blood bank, the FDA has done little to inquire into the silence of the hospitals which had received the blood, even if some of them did not give it to patients.

The Red Cross blood bank supplies blood mostly to private hospitals which do not have their own blood banks. The usual practice now is to obtain tested blood (instead of seeking donors for cases), because the testing of freshly-donated blood is a cumbersome procedure with the added requirement now of sending it for HIV testing to government-designated centres. There is invariably an acute shortage of blood, which makes for a growing black market. The recent events raise crucial questions about the responsibility of private hospitals not only towards their patients but to the general health care set-up. Clearly, even a large well known hospital, which knew that HIV infected blood had been supplied by the blood bank, did not see its responsibility extending to informing either the blood bank or the FDA. Such indifference is all of a piece with the current ethos in health care: while the customer has some claim to good service, the rest of the 'market' is nobody's responsibility.

The episode also draws attention once again to the functioning of the FDA. The FDA is charged with the task of ensuring that medical products, including blood and blood products, are manufactured and supplied as per the regulations on quality it has laid down. For blood products special regulations have been prescribed, and one would imagine that these would have required some extension of the monitoring mechanism as well. However, it has been clear for a long time that the FDA's functioning is riddled with inefficiency and corruption. The Lentin Commission set up after the tragic deaths due to contaminated glycerol in J J Hospital in Bombay had made trenchant observations on the functioning of the FDA. It had also made several recommendations, most of which have never been implemented, mainly because the long political reach of the FDA's petty officials has defeated all attempts to punish corrupt officials and repair loopholes in the rules which allow corrupt and unethical practices.

The mismanagement and gross negligence of the blood bank cannot be condoned. That it could, even after gross inefficiencies had been pointed out by its own officers, continue to supply infected blood is a blow to the institution and the credibility that it had gained in the many years it has been functioning.

None of these problems can however be dealt with in the absence of a reappraisal of the institutions set up to monitor health care in all its aspects. This includes not only the FDA, but such mechanisms as are required to be set up as part of the Nursing Homes Act which Maharashtra is among the few states to have passed and implemented. The restructuring of monitoring mechanisms is urgently required with increasing privatisation of health care.

BROOKE BOND LIPTON INDIA

Rapid Diversification

BROOKE BOND and Lipton India, the two subsidiaries of Unilever, were merged in July 1993 to form Brooke Bond Lipton India (BBLIL). The company increased its turnover to Rs 1,839 crore in the year ended December 1994 from Rs 1,303 crore in 1993, a rise of around 41 per cent. It posted a net profit of Rs 99 crore, up 26 per cent from Rs 78 crore in the previous year. Depreciation and interest costs rose by 69 per cent and 26 per cent, respectively. In view of the improved performance, the directors have declared a dividend of 50 per cent against 44.50 per cent for 1993.

The period 1993-95 has been one of mergers, acquisitions and alliances for Brooke Bond, beginning with the amalgamation of Tea Estates India and Doom Dooma, owned by Unilever, with Brooke Bond in January 1993. April 1993 saw the amalgamation of Kissan Products with the company In July 1993, the company purchased the marketing and distribution business of Dollops, the popular ice-cream brand, from Cadbury India. The company entered the market for desserts with the marketing of the famous Wall's brand in India in January 1993. Lipton India was amalgamated with the company in July 1993. Towards the end of 1994 and in early this year the company acquired the marketing and distribution assets of Kwality and Milkfood ice-cream.

The company's export turnover went up to Rs 216 crore, as a result of which it generated a net foreign exchange surplus of Rs 171 crore. Lipton India Exports, the company's subsidiary, increased its export earnings from Rs 98 crore to Rs 102 crore. The thrust was on high value-added packet and speciality teas. The company successfully marketed branded packet teas in Russia and Poland. The company says it has received continuous support in its export activities from Unilever, the parent company. Exports of the company are expected to get a boost with the commissioning of the company's 100 per cent export-oriented unit for instant tea powder at Etah in UP which is expected to go on stream by September this year.

Within the country the company, which has a 75 per cent share of the packet tea market, is stepping up operations to take advantage of the growing preference for packet teas across the country. The Indian market, by far the world's largest, consumes about 550 million kg of tea a year, of which about half is sold in packets. As a part of its marketing strategy, the company plans to rationalise its brands in order to consolidate its position. According to BBLIL's managing director, R Gopalkrishnan, this has become necessary in the face of the tough competition being offered by small tea companies and plantations. BBLIL has an estimated 35 brands of packet teas in the Indian market and there are some brands which exist at both the regional and national level and target the same clientele. Brands not doing well are to be withdrawn and only the top brands with universal appeal are to be retained. This strategy will be implemented in a phased manner over a period of four to five years. Gopalkrishnan emphasises, however, that the firm is not moving out of tea. "Our core business is still tea," he reiterates.

The company is currently selling two brands of coffee – Bru Instant, the instant coffee powder, which has been in the market for over 20 years, and Deluxe Green Label, the roasted coffee powder, which is around four years old. Coffee is the company's second largest business after tea and accounts for approximately 15 per cent of revenue compared to 60 per cent accounted for by tea. Last year the company's bottomline got a boost from its operations in coffee. The lower offtake of instant coffee and of roasted and ground coffee was compensated for by a sharp increase in the prices of coffee beans in the international and domestic markets.

BBLIL has diversified into other food areas such as Wall's range of frozen desserts and meal products such as Bird's Eye Green Valley frozen vegetables and Kissan fruit products. According to Manfred Oeschger, managing director of BBLIL, the slow growth of the tea industry has prompted the company to move into other areas where Unilever's expertise can be utilised. BBLIL has big plans in the food segment taking into consideration the changing environment in India. The company's annual report states that the foray into frozen desserts and vegetables has been encouraging in terms of market response. The Walls and Birds Eye Green Valley brands are also claimed to have gained wide consumer acceptance. A research and development centre for foods has been set up by the company at Bangalore to constantly upgrade its product lines.

The company is planning to promote new tea ventures in India and Nepal in the next two years. The idea is to expand the company's base rapidly, according to Satish Dhall, BBLIL's Doom Dooma tea division manager. The company is holding talks with the governments of the tea growing states in India and with the government of Nepal. The company aims to more than double the output of tea from the present 20 million kg to about 50 million kg. This expansion is in keeping with Unilever's global strategy and there are similar plans for Kenya, Tanzania, Malawi and Sri Lanka, India's competitors in the international market.

The company proposes to set up a tomato paste venture in Mysore at an estimated cost of Rs 40 crore to be commissioned in 1996. A joint venture is on the cards. The Japanese food giant, Ajinomoto Corp, has been holding talks with BBLIL among others for a 50:50 joint venture to manufacture its Ajinomoto brand of seasonings in India.

INDAL

Rise in Demand

The year 1994-95 was a good one for Indal, thanks to the spurt in aluminium prices coupled with rising demand. Equally important have been the company's efforts to reduce dependence on external power supply. The company, an associate of Alcan Aluminium of Canada, recorded a turnover of Rs 899 crore in the year ended March 1995, an increase of 26 per cent. Net profit rose by 80 per cent from Rs 51.08 crore to Rs 91 79 crore, despite a 73 per cent rise in depreciation provision, thanks to lower tax provision and reduced interest cost. Exports rose by 19 per cent, from Rs 121 crore to Rs 144 crore. South Africa and Vietnam were the new export markets developed by the company. Orissa Extrusions and Annapurna Foils, Indal's allied companies, performed satisfactorily. The directors have declared a dividend of 40 per cent and recommended the issue of bonus shares in the ratio of 1:2. Shareholders have reason to be happy as Indal is making a bonus issue after a gap of 17 years, after the last 2:5 bonus issue in 1977.

A diversified company, Indal manufactures aluminium sheets (foil, extrusion, metal and carbon) and chemicals and is also into electronics. The sheets division contributed 77 per cent to total turnover with chemicals and electronics contributing 19 per cent and 4 per cent, respectively.

Things brightened up for the aluminium industry in 1994-95 with the user industries coming out of the recession. Spurred by growth in demand, international price of aluminium shot up in 1994-95, aided by the resurgence of economic growth in the OECD countries. Domestic companies took advantage of this by linking domestic prices to the London Metal Exchange (LME) prices. This led to an increase in domestic prices. Reduction in excise duty by 5 per cent also contributed to improved margins. Further, a supply push born out of excess capacity helped the market to grow. Tapan Mitra,

(Rs lakh)

Financial Indicators	Brooke Bond Lipton India		Indal		Grasim Industries	
	Dec 1994	Dec 1993	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	183946	130312	89984	71270	206059	186516
2 Value of production	182686	137964	91082	72869	207643	188034
3 Other Income	5090	2888	986	313	9844	6938
4 *Total income*	187776	140852	92068	73182	217487	194972
5 Raw materials/stores and spares consumed	129592	95280	37486	32189	93503	88595
6 Other manufacturing expenses	3280	1948	16526	13513	34274	34095
7 Remuneration to employees	12346	10113	8562	7085	13855	12373
8 Other expenses	23947	18010	12365	9703	21581	21256
9 *Operating profit*	18611	15501	17129	10692	54274	38653
10 Interest	2639	2093	3975	4189	14186	11756
11 *Gross profit*	15970	13569	12992	7211	41573	31585
12 Depreciation	1559	921	3432	1983	7509	6573
13 *Profit before tax*	14411	12648	9329	5228	34064	25012
14 Tax provision	4500	4800	150	120	3200	2225
15 *Profit after tax*	9911	7848	9179	5108	30864	22787
16 Dividends	6024	5432	948	840	4100	3203
17 Retained profit	3887	2416	8231	4268	26764	19584
Liabilities/assets						
18 Paid up capital	12048	12048	4741	4741	7231	6744
19 Reserves and surplus	23171	19261	48245	41292	159203	102871
20 Long term loans	9349	12156	26188	20427	163886	132520
21 Short term loans	9004	6189	2006	3680	13038	7260
22 Of which bank borrowings	3500	4000	14042	1588	13038	1168
23 Gross fixed assets	28294	23850	72614	67988	254775	204683
24 Accumulated depreciation	9292	7897	21945	18848	64767	57119
25 Inventories	34120	33584	23242	16297	42815	32195
26 Total assets/liabilities	83261	76146	104581	89241	378014	276353
Miscellaneous items						
27 Excise duty	3517	2121	14479	12593	33804	33700
28 Gross value added	28938	24730	24429	19395	62751	55506
29 Total foreign exchange income	10676	9654	14450	12108	9386	8893
30 Total foreign exchange outgo	12400	10309 0	17101 0	8532 0	247530	163890
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	220 9	171 1	85 0	79 9	54 5	67 5
32 Sales to total net assets (%)	343 4	262 4	110 8	101 6	60 0	74 8
33 Gross value added to gross fixed assets (%)	102 3	103 7	33 6	28 5	24 6	27 1
34 Return on investment (gross profit to total assets) (%)	19 2	17 8	12 4	8 1	11 0	11 4
35 Gross profit to sales (gross margin) (%)	8 7	10 4	14 4	10 1	20 2	16 9
36 Operating profit to sales (%)	10 1	11 9	19 0	15 0	26 3	20 7
37 Profit before tax to sales (%)	7 8	9 7	10 4	7 3	16 5	13 4
38 Tax provision to profit before tax (%)	31 2	38 0	1 6	2 3	9 4	8 9
39 Profit after tax to net worth (return on equity) (%)	28 1	25 1	17 3	11 1	18 5	20 8
40 Dividend (%)	5 0	4 4	40 0	40 0	57 5	47 5
41 Earning per share (Rs)	8 23	6 51	19 36	10 77	42 68	33 79
42 Book value per share (Rs)	29 23	25 99	111 76	97 10	225 01	156 49
43 P/E ratio (based on latest and corresponding last year's price)	37 1	58 3	16 5	31 6	15 2	22 8
44 Debt equity ratio (adjusted for revaluation) (%)	26 5	38 8	49 4	44 4	100 7	125 6
45 Short term bank borrowings to inventories (%)	10 3	11 9	60 4	9 7	30 5	3 6
46 Sundry creditors to sundry debtors (%)	349 3	350 0	125 5	144 0	59 4	57 6
47 Total remuneration to employees to gross value added (%)	42 7	40 9	35 0	36 5	22 1	22 3
48 Total remuneration to employees to value of production (%)	6 8	7 3	9 4	9 7	6 7	6 6
49 Gross fixed assets formation (%)	18 6	0 0	6 8	49 4	24 5	33 5
50 Growth in inventories (%)	1 6	0 0	42 6	5 7	33 0	11 4

Indal's vice-chairman and managing director attributes 47 per cent of the rise in sales to volume growth, 27 per cent to increase in prices and the balance to 'enrichment of product mix'

The prospects for the aluminium industry are bright in India as a large number of new applications await entry into the domestic market Out of about 3,000 applications globally, only 300 have been introduced in the domestic market so far Increased application of aluminium in transport building and construction, packaging and general engineering is foreseen According to Joydeep Roy, secretary of the Aluminium Association of India, the industry is going to get a fillip with the global auto majors announcing their entry into India, as the use of aluminium in the automobile sector is rising fast In fact the maximum consumption of aluminium is by the automobile and construction industries which have been growing at rates of 20 per cent and 6 per cent respectively Growth of the power sector is also expected to boost demand for aluminium

Indal is gearing itself to meet the boom The company expects to meet 61 per cent of its total metal production in 1995 96 from its own smelters at Hirakud (Orissa) Alupuram (Kerala) and Belgaum (Karnataka) This compares well with 52 per cent in 1994 95 and 33 per cent in 1993 94 The company plans to add 10 000 tonnes of smelting capacity The aim is to go for increased backward integration and simultaneously move further down the chain of value addition

The company is planning a Rs 2 400 crore greenfield alumina project Jointly promoted by Indal the Tatas and Hydro Aluminium AS of Norway is a 100 per cent export oriented unit for the production of one million tonnes of alumina per annum the project will be located at Doragurha with a captive mine in Baphimali, 20 kms from Bhubaneshwar According to N K Choudhary chief executive the new company is to be known as Utkal Alumina International (UAIL) The operations of UAIL will conform to the environmental standards of Indal It will not require use or discharge of anode carbon fluoride salts and toxic chemicals Cost effectiveness, quality and environmental management will all be equally emphasised The plant will have an initial capacity of one million tonnes per annum, which will be raised to 3 million tonnes matching the world's largest alumina refinery at Gladstone, Australia with a capacity of 3 3 million tonnes

Indal is promoting a joint venture with Courtaulds Plc of UK to set up a foil-based laminated tube plant in Goa at cost of Rs 100 crore In partnership with Tata Industries and Norsk of Norway, Indal is also setting up a one million tonne per annum 100 per

cent export-oriented alumina plant in Koraput in Orissa, a district rich in bauxite, at an estimated cost of Rs 2,500 crore

The company's earlier diversification into financial services sector has not been successful and has ended with the company divesting its controlling stake in Infobase Finance According to Partho Dutta Indal's chief financial officer the reason for getting out of financial services was that 'it did not fit into the company s redefined group objectives' The aluminium giant has also shelved its proposed investment in the equity of International Advanced Process Technologies ending the planned diversification into edible oil de-odourisation equipment

India has the fourth largest reserve of bauxite in the world but is unable to cash in on this because of lack of power Further the thermal base of power makes its cost prohibitive The result is that aluminium companies are forced to export alumina and import aluminium In the process the country loses the opportunity to add value to the metal Many companies are trying to deal with this problem by going in for captive power generation In 1994 95 Indal s 67 5 mw Hirakud power plant achieved over 90 per cent PLF within a record time of 12 months of its commissioning This is the first power plant using clean coal combustion technology and met 83 per cent of the power requirement of the Hirakud smelter Another way to cope with the problem would be for the country to tie up with smelters in countries where power is relatively cheap Accordingly Indal is reported to be negotiating with countries in west Asia where power is relatively cheap for conversion of its alumina

GRASIM INDUSTRIES

New Projects

The flagship company of the Aditya Birla group Grasim Industries with diverse interests ranging from textiles and chemicals to viscose fibre and cement grew a slower pace in 1994 95 Turnover rose from Rs 2 202 crore to Rs 2 399 crore a rise of about 9 per cent compared to 20 per cent achieved in the two preceding years Even so, profits rose from Rs 228 crore to Rs 309 crore by around 35 per cent Accord ing to the company turnover and profits would have been higher but for a two month strike at the viscose staple fibre (VSF) division at Nagda in Gujarat The company has declared a dividend of 57 5 per cent on the enhanced capital of Rs 72 31 crore against 47 5 per cent for 1993-94

Production of VSF reached 1,58 674 tonnes in 1994 95 against 1 43,202 tonnes in the previous year Decline in cotton production pushed up demand for VSF, its closest substitute Prices of rayon wood pulp, an important input for VSF, also went up, but Grasim was insulated to a great extent against this price rise as it produces nearly 80 per cent of its requirements itself Lower raw material cost and higher finished product prices of the VSF division spruced up the company's bottomline Improvement in production and prices in the cement and sponge iron divisions also contributed their mite The company commands a 90 per cent share of the market for VSF and 56 per cent of that for wood pulp In cement it has a 4 5 per cent market share Cement contributes 19 per cent to the total sales of the company, with chemicals and textiles contributing 7 per cent and 13 per cent, respectively

Grasim's sponge iron division, Vikram Ispat, though commissioned only in March 1993 reported over 50 per cent capacity utilisation in 1994-95, producing 4 05,224 tonnes as against 91 006 tonnes in 1993-94 The fabrics division at Gwalior and Bhiwani reported normal growth The textile unit at Gwalior is ready to launch its ready made garments and men's fashion wear accessories The division is setting up a new unit called Vikram Woollens at Malanpur, near Gwalior with a capacity of 11 200 worsted spindles

The company has chosen VSF as a major thrust area for its future growth It is enhancing production capacity of VSF at Harihar in Karnataka and Mavoor in Kerala by 5 500 tpa and 11 000 tpa, respectively According to S K Saboo joint executive president, Grasim is the only producer of VSF in the world with its own know-how and technology and a full-fledged engineering division so as to be able to turn out plants for manufacturing pulp and VSF Grasim s plants at Harihar and Mavoor were fabricated entirely in house Another new plant at Gujarat with a capacity of 60,000 tpa will be commissioned in the latter half of 1996 at a cost of Rs 320 crore

Cement is another major thrust area for the company Two cement plants with a capacity of 1 million tonnes each in Madhya Pradesh and Rajasthan commenced production in March this year and are expected to add substantially to the income in the current year

The company is implementing a number of projects It proposes to set up an aromatics and chemicals complex in Mangalore, with a minimum investment of Rs 750 crore, and a one million tonne steel plant in Raigad district in Maharashtra through its steel division Vikram Ispat The steel plant will be a forward integration project for the company's eight lakh tonne hot-briquette iron (HBI) unit at Raigad Grasim and the Madhya Pradesh government have signed an MOU for setting up a 1,000 MW thermal power plant at Bina in Madhya Pradesh with an investment of Rs 5,000 crore

The company's VSF plants in Thailand and Indonesia are functioning satisfactorily According to company reports both the plants have undertaken expansion and the additional capacity will be commissioned shortly The company's carbon black plant in Thailand has been performing well and its capacity has been expanded The carbon black project in Egypt, a joint venture, has been commissioned on schedule and the plant has achieved commercial production of international quality

The company in collaboration with Birla Research Institute for Applied Science has developed an eco friendly process that eliminates the use of chemicals for the production of VSF The fibre produced by this process is being marketed under the brand name 'Grasi-Silk' and, according to company has been well received

CENTRE FOR STUDIES IN SOCIAL SCIENCES, CALCUTTA
requires for its collaborative ENRECA project a Post-Doctoral Fellow in Economics for a period of three years renewable every year on the basis of performance on a consolidated starting salary of Rs 5500/- per month plus contingency allowance for research purposes The candidates should have Ph.D degree in Economics and sound academic record with specialisation in Industrial Organisations, International Trade and/or Macro Economics. The candidate will be expected to travel on field trips as and when necessary Upper age limit is 35 years Applications with detailed curriculum vitae may be sent to the Registrar, Centre for Studies in Social Sciences, Calcutta, 10 Lake Terrace, Calcutta - 700 029 by **August 31, 1995.**

CURRENT STATISTICS

EPW Research Foundation

The inflation rate has dropped to 7 7 per cent in the week ended July 8, a new 20-month low. The rate of rise of the WPI has slowed down for all the major groups with the deceleration being particularly marked for primary and food articles. The rise in net RBI credit to the centre has touched Rs 15,882 crore in 1995-96 s far, against Rs 3,432 crore in the same period of 1994-95. Bank deposits and non-food advances have shown sizeable increases over the past month. Whil employment exchange data indicate niggardly growth of employment in the organised sector, data for a small sample of companies show actual decline in emplo ment in 1992-93 and 1993-94 More than 50 per cent of women employed in the organised sector are engaged in community, personal and social services

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	July 08, 1995	Variation (Per Cent): Point-to-Point							
			Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
				Latest	Previous	1995-96	1994-95				
All Commodities	100.0	291 3	0 5	7.7	11.5	2.1	4.7	10.4	10.8	7.0	13.6
Primary Articles	32.3	297 2	-0 3	6 3	13.4	1 8	8.0	12.7	11.5	3 0	15.3
Food Articles	17.4	326 9	-0.9	4.4	10 8	4.1	11 7	11.9	4.4	5 4	20.9
Non-Food Articles	10.1	315.7	0 1	10.0	20.9	-2.4	2.4	15.5	24.9	-1.4	8.1
Fuel, Power, Light and Lubricants	10 7	284 6	0 0	2.0	9 8	0.0	0.4	2.4	13.1	15.2	13.2
Manufactured Products	57 0	289 2	1.0	9.7	10 8	2.8	3 7	10.7	9.9	7 9	12.6
Food Products	10 1	277.5	0 1	1.9	11 8	1 8	8.1	8 1	12.3	6.8	10.2
Food Index (computed)	27 5	308 8	-0 6	3.5	11.1	3.4	10.5	10.6	7.0	5 8	17 1
All Commodities (Average Basis) (April-July 08, 1995)	100 0	289 7	-	10.1	9 7	9 0	11.9	10 9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point							
		Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
			Latest	Previous	1995-96	1994-95				
Industrial Workers (1982=100)	300[4]	1 7	10.3	10.6	2.4	1.9	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	244[3]	0 4	9.9	8.3	9.9	8.3	9 9	8.3	6 8	13.6
Agri Lab (July 60 to June 61=100)	1316[5]	0.8	12.0	13 2	1.2	0.0	10.6	11.6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	June 23, 1995	Variation					
		Over Month	Fiscal Year So Far		1994-95	1993-94	1992-93
			1995-96	1994-95			
Money Supply (M_3)	533724	-960 (-0.2)	7246 (1.4)	6328 (1.4)	75167 (16.7)	72467 (19.1)	50484 (15.4)
Currency with Public	111151	707 (0 6)	10281 (10.2)	8723 (10 7)	18990 (23 2)	14067 (20 7)	7111 (11 7)
Deposits with Banks	415559	-2170 (-0.5)	-6699 (-1 6)	-4015 (-1.1)	55321 (15 1)	57185 (18.5)	42945 (16.1)
Net Bank Credit to Govt	234881	1981 (0.9)	15290 (7 0)	12080 (5 9)	14380 (7.0)	29376 (16.7)	17903 (11.3)
Bank Credit to Comml Sector	287045	-2035 (-0.7)	-845 (-0.3)	-6056 (-2.5)	43796 (17.9)	16591 (7 3)	30187 (15.3)
Net Foreign Exchange Assets	72714	-1850 (-2 5)	-3176 (-4.2)	5756 (10.7)	22197 (41.3)	28775 (115 3)	3747 (17.7)
Reserve Money (June 30, 1995)	186897	5488 (3.0)	17923 (10.6)	12670 (9.1)	30386 (21 9)	27843 (25 1)	11274 (11 3)
Net RBI Credit to Centre	114795	2302 (2 0)	16117 (16 3)	2486 (2.5)	949 (1 0)	1306 (1 4)	3586 (3 9)
Scheduled Commercial Banks (July 7, 1995)							
Deposits	378460	2755 (0.7)	-4040 (-1.1)	-4182 (-1.3)	49271 (14 8)	52144 (18.6)	39017 (16.1)
Advances	212217	3668 (1.8)	2511 (1.2)	-3612 (-2.1)	38784 (22.7)	11566 (7 3)	23757 (17.5)
Non-Food Advances	196800	3747 (1 9)	-631 (-0 3)	-4976 (-3.1)	37416 (23.4)	7402 (4 9)	21684 (16.6)
Investments	151648	161 (0 1)	2394 (1 6)	10136 (7 5)	14172 (10.5)	28435 (26 7)	16820 (18.7)

Index Numbers of Industrial Production (1980-81=100)	Weights	Feb 1995	Average for Fiscal Year So Far		Variation (Per Cent): Fiscal Year Averages						
			1994-95	1993-94	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100 0	262 5	245.4 (8 1)	227.1 (5.9)	3.0	2 3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	276.2	238.9 (6 6)	224.2 (3.5)	2 5	0.5	0.9	4 5	6.3	7.9	3.8
Manufacturing	77 1	252 1	236.5 (8.2)	218 6 (5.8)	2.2	2 1	3 0	9.1	8.6	8.7	7.9
Electricity	11 4	318.7	311.7 (8 7)	286.8 (7 1)	7.3	5 1	8.5	7.8	10.8	9.5	7.7

Capital Market	July 21, 1995	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3332	3316	4104	3015	3484	3233	4604	3261	3779	2281
	(-18 8)		(94 0)					(-13.7)	(65 7)	(-46.8)
National Index (1983 84=100)	1546	1567	1941	1482	1691	1572	2176	1606	1830	1021
	(-20 4)		(93 9)					(-12.2)	(79 2)	(-48 1)

Foreign Trade	May 1995	Cumulative for Fiscal Year So Far		Full Fiscal Year Variations				
		1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	7290	15128 (24 8)	12125 (10.6)	82330 (18 4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US $ mn	2324	4822 (21 2)	3865 (9 8)	26233 (18 3)	22173 (20 4)	18537 (3.8)	17866 (-1.5)	18143 (9 1)
Imports Rs crore	8609	15994 (28 2)	12475 (13 6)	88705 (21 8)	72806 (15.7)	63375 (32 4)	47851 (10.8)	43193 (22 0)
US $ mn	2744	5099 (28 2)	3975 (12 8)	28251 (21.7)	23212 (6 8)	21882 (12.7)	19411 (-19 4)	24073 (13.2)
Non-POL US $ mn	2224	4060 (31 5)	3088 (17 3)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade Rs crore	-1319	-866	-350	-6375	-3259	-9687	-3809	-10640
US $ mn	-420	-276	-112	-2018	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	July 14, 1995	July 15, 1994	Mar 31, 1995	Variation Over						
				Month Ago	Year Ago	Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
						1995-96	1994-95				
Rs crore	62451	53036	66028	399	9415	-3578	5410	18402	27430	5385	10223
US $ mn	19731	16954	20816	-71	2777	-1085	1778	5640	8724	731	3383

Employment

Employment in the Public Sector by Industry Sector	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1981
											lakh persons as on March 31
Agriculture	5.73	5.56	5.49	5.55	5.54	5.57	5.26	4.98	4.89	4.76	4.63
Mining and Quarrying	9.87	9.99	9.66	9.56	9 56	9.42	9.66	9.74	9.27	8.84	8.18
Manufacturing	18.61	18.52	18.70	18.63	18.67	18.62	18.15	17.61	17.17	16.34	15.02
Elec Gas and Water	9.16	9.05	8.97	8.69	8.49	7.89	7.85	7.60	7.33	7.21	6.83
Construction	11.51	11.49	11.34	11.46	12.14	11.85	11.81	11.46	11.20	11.20	10.89
Trade	1.57	1.50	1.50	1.50	1.39	1.34	1.31	1.31	1.24	1.18	1.17
Trans, Storage and Construction	30.64	30.26	30.23	29.74	30.11	29.70	29.29	28.94	28.64	28.26	27.09
Services	105.01	104.21	101.73	99.34	97.30	95.85	93.51	91.06	88.95	86.78	81.03
Total	192.10	190.58	187.62	184 47	183.20	180.24	176.84	172.70	168.69	164.57	154.84

Employment in the Private Sector by Industry Sector	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1981
											lakh persons as on March 31
Agriculture	9.12	8.91	8.76	8 68	8.44	8 48	8.22	8 07	8.19	8.47	8.58
Mining & Quarrying	1.07	1.00	0.99	0.96	0.93	0.91	1.11	1.13	1.13	1.20	1.30
Manufacturing	45.66	44.81	44.57	43.83	43.95	44.10	44.48	44.21	44.73	46.56	45.45
Elec. Gas & Water	0.40	0.40	0.40	0 39	0.41	0 40	0.40	0.39	0.39	0.37	0.35
Construction	0.78	0.73	0.68	0.69	0.50	0.58	0.69	0.70	0.66	0.68	0.72
Trade	2.96	3.00	2.91	2.86	2.83	2.77	2.77	2.77	2.76	2.75	2.77
Trans, Storage & Construction	0.54	0.53	0.52	0.51	0 51	0.52	0.54	0 54	0.57	0.59	0.60
Services	17.93	17.39	16.99	16.63	16.35	15.88	15.53	15.28	15.03	14.90	14.18
Total	78.46	76.77	75.82	74 55	73.92	73.64	73.74	73.09	73.46	75.52	73.95

Growth in Employment in the Organised Sector	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1981
											percentages
Total	1.2	1.5	1.7	0.7	1 3	1.3	1.9	1.5	0.9	2.2	2.6
Manufacturing	1 5	0 1	1.3	-0.3	-0 2	0.1	1.3	-0 1	-1.6	0.6	3.1
Public	0.8	1.6	1.7	0.7	1 6	1.9	2.4	2.4	2.5	3.2	2.7
Manufacturing	0.5	-1.0	0.4	-0.2	0.3	2.6	3 1	2.6	5.1	2.6	3.9
Private	2.2	1.3	1 7	0 9	0.4	-0.1	0.9	-0.5	-2.7	0.1	2.3
Manufacturing	1.9	0 5	1.7	-0 3	-0 3	-0.9	0.6	-1.2	-3.9	-0.1	2.9

Employment Exchanges	Unit	1995 (Jan)	1994 (Jan)	Jan-Dec 1994	1993	1992	1991	1990	1989	1988	1987	1986
Employment Exchanges	Nos	–	–	887	887	860	854	851	849	840	835	821
Registrations	'000s	482	476	5928	5532	5301	6236	6541	6576	5963	6012	5535
Vacancies Notified	'000s	–	–	–	385	420	459	491	600	543	601	623
Placements	'000s	14	13	206	231	239	253	265	289	329	334	315
Live Register (Year-end)	'000s	36737	36293	36692	36293	36758	36300	34632	32776	30050	30247	30131

Employment of Women in the Organised Sector (as on March 31, 1993)	Agri-culture, etc	Min and Quarrying	Manufa-cturing	Elec Gas and Water	Constru-ction	Trade	Transport Storage and Comm	Fin, Ins Real Estate and Services	Community, Services etc	Total
										in thousands
Total	510.2	79.5	689.7	34 7	63 7	35.1	149.8	191.5	2272.3	4026.5
	(12.7)	(2.0)	(17.1)	(0 9)	(1.6)	(0.9)	(3.7)	(4 8)	(56 4)	(100.0)
Public	53 3	63 7	131 2	33 6	58 3	11 6	145 9	159 2	1819 8	
Private	456.9	15 8	558.5	1 1	5 4	23 5	3.9	32.3	452 5	

(Figures in brackets are as per cent to total women employed in the organised sector)

Average Daily Employment of Women in Factories	1991 (P)	1990 (P)	1985	1981	1974	1971	1966	1961	1956	1951
										in thousands
Total Employment	5180 8	5060 0	5150.0	5342 5	4633.2	4298.0	4068 9	3497 0	2882.3	2536.5
Women Employed	495 5	506.0	488 8	497 8	440 1	370 1	364 7	372 3	301 4	290.0
Per cent share of women to total employment	9 6	10.0	9 5	9 3	9 5	8 6	9 0	10 6	10.5	11 4

Source: Ministry of Labour, GoI, Annual Report, 1994-95 (P) Provisional

Employment Data for a Sample of 54 large Companies: In Actual Numbers (Obtained by *EPW* Research Foundation)	All Companies: 54 (Number) 1994	1993	1992	1991	1990	of which, Private Sector Companies: 48 (Number) 1994	1993	1992	1991	1990
Total Workers	227109	228412	232018	227334	219303	200741	201661	205602	202319	196417
	(–0.6)	(–1.6)	(2.1)	(3.7)		(–0 5)	(–1.9)	(1.6)	(3.0)	
	[6096]	[8575]	[8634]	[8528]	[8280]	[6096]	[8575]	[8634]	[8528]	[8280]
Regular employees	190136	189076	191972	189762	182580	163970	162507	165866	165031	160018
	(0.5)	(–1 5)	(1.2)	(4.0)		(0.8)	(–2.1)	(0.6)	(3.2)	
Contract labourers	11308	9544	10315	9829	8390	11223	9495	10176	9698	8258
	(18.5)	(–7.5)	(4.9)	(17.2)		(18.2)	(–6.7)	(4.9)	(17.4)	
Piece-rated workers	15765	20619	20631	18867	19730	15648	20486	20460	18714	19538
	(–23.5)	(–0.1)	(9.3)	(–4.4)		(–23.6)	(0.1)	(9.3)	(–4.2)	
Part-time workers	3804	598	466	348	323	3804	598	466	348	323
	(536.1)	(28.3)	(3.9)	(7.7)		(536.1)	(28.3)	(33.9)	(7.7)	

[Figures in square brackets represent total workers for whom break-up is not available]

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript 4 stands for April. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year.

RANDOM REFLECTIONS

Monetarism to the Fore

Reflections on Rise of Rentier Incomes

Arun Ghosh

A large part of the current fiscal malaise stems from monetarist policies - in terms of steadily raising the rate of interest to absurd levels. And since interest incomes are essentially of the nature of rentier incomes, the monetarist policies have fostered the rise of rentier incomes in the economy.

THE *Economic Times* (Delhi) of June 27, 1995 had an important box item: "Reliance Industries has concluded a $ 150 million (Rs 473 crore) seven-year syndicated term facility with a consortium of banks led by the Union Bank of Switzerland. More importantly, the report indicated that 'the company has been able to secure a rate of 1 per cent over the London inter bank offered rate (LIBOR).

With LIBOR presently at 5.81 per cent, the interest works out to 6.81 per cent. 'Arrangers have fully underwritten the transaction without any guarantees from any bank or domestic financial institution.'

The above news item has a large number of implications, but before getting on to that theme, it would be appropriate to congratulate and compliment Reliance Industries at having achieved an international credit rating far, far higher than the sovereign independent Republic of India. Manmohan Singh, the much acclaimed finance minister of India, ought to hang his head in shame that a Swiss banker would show him the door were he to even attempt to borrow from the same Swiss banker say a couple of billion dollars to push through some badly delayed (and urgently needed) projects (e.g. in the power sector) – against the guarantees of the sovereign government of India – to moderate the future power shortages that are certain to arise as a result of the unimaginative (in fact, totally wrong) policy package that the power minister and he had cobbled together in 1991-92. India's power development programme has been in the doldrums over the past three/four years as a result. However, that is another story.

So kudos are due to Reliance Industries for having pulled off what may be described as a fantastic deal in a global market. However, one must note that this development also highlights certain disturbing features of the current policy package even in the area of financial reform. To these we must now focus our attention.

To begin with, the permission to borrow abroad liquid capital (for meeting domestic working capital needs) is given by the government of India selectively only to a few people, and for amounts determined by the finance ministry. This is ostensibly on balance of payments considerations, first, that we must not build up too large a liability by way of short term commercial credit, and secondly because any inflow of foreign exchange arising from such transactions would add to our foreign exchange reserves and increase the currency in circulation by an equivalent amount. But this policy then has several deeply disturbing consequences. First a few, a very few, large companies are with this facility being conferred an advantage over their rivals. Reliance Industries get their working capital at say 6.8 per cent interest. What do their rivals and competitors have to pay? The word in the market is that 17 per cent is the minimum that a large corporate entity has to pay to the banking sector for working capital credit. For small units the going rate of interest is 22 per cent up. For a poor handloom weaver or a farmer the banks would not lend at all and the going rate of interest in rural Punjab today is 5 per cent per month or 60 per cent per annum (in fact more if you compound the monthly payments).

So essentially a special favour has been shown to Reliance which would give this unit a sharp edge over all its competitors (including the IPCL). Of course public sector enterprise is *intended* to die out, but what about other private sector companies that have to compete against Reliance?

It can be argued that no other company can get the sort of terms that Reliance has got and if they can, they can also apply and go global. May be. But then, the government would then be in a dilemma: how many of them to approve and in what amounts? If permitted, the competitors of Reliance might be able to borrow at, say, 2 per cent above LIBOR, that would give them working capital at 7.8 per cent instead of 17 per cent (as the going domestic rate is). So, this partial and selective authorisation of the facility to borrow abroad leads to (a) an absurd type of discrimination as between different units in the private sector and (b) as a result, it opens up enormous opportunities for 'rent seeking' by those who are responsible for according such approvals. In fact, the finance minister personally has to approve each single borrower as well as the amount he can borrow.

This "rent seeking" need not be for personal benefit. For example Reliance may be asked to covertly finance a large part of the election expenses of the Congress Party (headed by Narasimha Rao) in the general elections which could be just eight months away.

Fortunately, the Indian masses have proved repeatedly that money alone does not win elections. Nevertheless, the 'rent seeking' opportunities are obvious, and the great votaries of the present policies need to note that such policies are illiberal in the extreme. Liberalisation in the true sense amounts to the abolition of all discretionary controls. Indeed that was the centrepiece of the recommendations of the Committee on Controls and Subsidies way back in 1979. (The present writer happened to be member secretary of that committee.) We now observe that we are passing on from one type of permit raj to another (and more lucrative) type. And the fact remains that the media, the financial media are gaga about the success of the policy of globalisation of which this successful borrowing is proof. The sad truth however, is that we have introduced in era of enormous favours to be conferred on a few parties in the name of economic reform/globalisation. And since the public enterprises are unable – for obvious reasons – to finance elections such favours must necessarily be conferred only on those private enterprises that are able to help finance Narasimha Rao (not even the Congress Party which is now deeply divided).

There is a second deeply disturbing consequence of such a policy. To the extent that the inflow of such capital would increase money supply the Reserve Bank of India would need to clamp down further on domestic credit policy. In other words it is not as if the advantage of those allowed to borrow abroad remains the difference between the rate of interest abroad and the current rate of interest in India. The rate of interest in India may have to be pushed up (in the name of controlling inflation), and indeed even the total credit supply curbed, if necessary through other means. In fact, the domestic rate of interest has already been hiked, and who knows what the RBI would do when the 'busy season' is on us in another four months. We have an efficient monetarist Reserve Bank governor. But, like Don Quixote, he is striking at windmills. He is attempting to shape monetary policy to make up for a weak fiscal policy for achieving macro-balance which should be attempted through fiscal policy. But this, unfortunately, is the IMF/WB credo. Monetary policy must

help to achieve a balance between aggregate demand and supply.

Let us face it. Industrial output in India is currently surging ahead, the latest growth rate in the index of industrial production being stated to be 9.8 per cent. With reasonable growth in agricultural production – note the mounting stocks of foodgrains with the FCI, and exports of both cereals and sugar by India lately – we still have an inflation rate of 8.5 to 9 per cent. (And, since the 'preliminary' figures are known to underestimate inflation by 1 per cent or so, the inference is that we are still having an inflation rate close to double digit figures.)

We set aside the totally one-sided 'financial reform' which leaves out in the cold the credit requirements of the vast majority of the producers in India. That is part of the policy package introduced since July 1991. But the trouble is that monetary policy is today imbued with fundamentally wrong monetarist theories.

It is to this general issue that we must now turn our attention, because the implications of this policy go very deep, and are part of the malaise that now afflicts our fiscal system.

Implications of 'Monetarism' and the Rate of Interest

In the 1980s, the Sukhamoy Chakravarty committee recommended that government borrowing from the Reserve Bank of India should be gradually converted to the 'market rate of interest'. The idea, at that point, was that this would discourage the government of India from having an open-ended facility for reserve money creation for its expenditures. However, instead of setting limits to such 'deficit financing', Sukhamoy Chakravarty was persuaded that the government was not entitled to an 'interest subsidy' at the cost of the banking sector, because, between the Cash Reserve Ratio (CRR) and the Statutory Liquidity Ratio (SLR), the banks were required to lend a high percentage of their deposits to the government (so as to be able to hold government securities to meet the CRR and SLR requirements).

So far so good; and the argument has validity. At this juncture, enter the World Bank/IMF with their monetarist persuasion. In a (capital short) developing economy, the rate of interest must be pegged high, ostensibly to promote labour-intensive investments. Experience shows that nothing of that sort happens anywhere; certainly, Indian experience belies this thesis. In fact, all that happens as a result of such unthinking monetarism is that investments for agricultural improvements, credit for small industries, for the artisan, the handloom weaver, et al, dry up.

The WB/IMF advice and pressure have led, over time, to a gradual raising of the rate of interest in this country. After the payments crisis of the summer of 1991, this became a part of the 'conditionalities' of the international bail-out of the government of India from an impending payments crisis. Indian policy-makers do not believe in relying on empirical data for formulating policies; *all* policies are cobbled together either on the basis of pressures (from diverse, important vested interests) or the downright compulsions of IMF/WB conditionalities.

Let us not go into *all* the conditionalities; again, that is a separate issue. A major element of IMF/WB philosophy is 'monetarism'; but the sad (and mistaken) belief of the monetarists is that interest rates are the best mediator of an equilibrium between aggregate demand and aggregate supply. Experience to the contrary of country after developing country is of no avail; textbooks on economics (written in the context of the industrially developed countries) say so. And even though Keynes exploded that myth even for developed countries as far back as 1936, did not the adoption of Keynesian policies by many developed country governments in the 1970s lead to 'stagflation'? Hence the emergence and supremacy of the monetarist philosophy of the latter day disciples of Milton Friedman. The net outcome is a gradual raising of the rate of interest. In India, the Bank Rate was 4 per cent in 1960-61. We need not go into the long tortuous history of the Bank Rate in India; suffice it to mention here that in 1980-81 the Bank Rate was 9 per cent; it was raised to 10 per cent in 1985-86 and to 12 per cent in 1991-92, the latter as part of the economic reform package. There have been diverse changes in the 'prescribed' lending rates by commercial banks; and very recently, even IDBI lending rates have gone up (effectively) to 17 per cent, while short-term loans (for working capital) are, as stated earlier, available at varying rates of interest. Leave out the very small concessional lending at 4 per cent, the bulk of producers today have to pay interest rates varying from 17 per cent to 22 per cent; the effective rate of interest from the indigenous moneylender is 60 per cent.

Forget the impact on the producers (and exporters who have to compete with producers abroad). What is the net impact of these policies on the fisc? According to reliable information – which, regrettably, is never made public – the average rate of interest on government of India borrowings has gone up (over the past few years) from some 6 per cent to 9.5 per cent.

Has the above monetarist policy helped to check government fiscal irresponsibility? The fact that government borrowing from the RBI is now at market rates of interest, tempts the government to borrow directly from the market. So, the internal public debt is going up by leaps and bounds, and so is interest payable on public debt, which is a 'committed expenditure'.

Let us now go into the matter a little carefully. The total debt of India, as of March 31, 1994 is stated to be Rs 4,71,619 crore (assuming Pakistan's liability of Rs 300 crore to be accepted by that country). If we take out the rupee value (as stated) of external debt, the total comes down to Rs 4,25,727 crore. This includes small savings loans, provident fund liabilities, etc.) We do *not* deduct capital investments – for which returns would be independent of the rate of interest payable on the loans incurred – but we could think of deducting the 'loans and advances' (by and large to the states) made by the centre, because the interest thereon (paid by the centre) would be offset by interest received from the states. So, we may deduct another Rs 1,49,435 crore, and we get an outstanding liability of Rs 2,76,292 crore (as on March 31, 1994)

Now, if the average interest rate goes up from 6 per cent to 9.5 per cent, the additional interest payment liability on this account would be Rs 9,670 crore. For a GNP (at market price) of Rs 6,95,342 crore in 1993-94, this amount is 1.4 per cent of the GNP.

In fact, we should *not* rule out the loans and advances to the states, since *their* interest payment liability adds to the overall deficit (for the country as a whole). For the full amount of Rs 4,25,727 crore of internal public debt, the additional interest payment liability resulting from an increase in the average rate of government borrowing from 6 per cent to 9 5 per cent works out to be 2.4 per cent of the GNP in 1993-94.

A large part of the fiscal malaise in India, therefore, stems from the 'monetarist' policies followed (in terms of steadily increasing the rate of interest to absurd levels). As per the budget for 1995-96, the gross interest payment is a whopping Rs 52,000 crore against expected revenue receipts of Rs 1,00,787 crore – as much as 51.2 per cent of the revenue receipts. This last statistic should make us sit up and consider where we are heading.

And since interest incomes are essentially (or at least largely) of the nature of 'rentier incomes', the monetarist policies of the government of India may be stated to have fostered and encouraged such 'rentier incomes'. Indeed, diverse other policies also indicate the same.

So apart from hampering production activity and making our exports less competitive, the pursuit of monetarism has gradually led to exactly the opposite of the result sought to be achieved. Instead of narrowing the fiscal deficit, it has in fact widened it.

But then, the financial destinies of this country are being decided uniquely by a few economists of international repute. The moral of the story is: if you want to be an internationally famous economist, you have to be a 'monetarist'. That the consequences (to the country) may be disastrous, is of course another matter.

COMMENTARY

Water Crisis in Earthquake-Affected Areas of Marathwada

G K Bhat
Aromar Revi

Water should have been a primary consideration while planning the redevelopment of the earthquake-hit region in Marathwada given that water crises are annual occurrences. Instead emphasis was given only to 'seismic' considerations in the rehabilitation programme This has inevitably led to a water scarcity which is likely to get worse

DRINKING water scarcity is becoming increasingly widespread in many parts of India, in spite of the achievements of the Water Technology Mission This is due to an increase in population pressure on an already scarce resource, along with gross access disparities heightened by retrograde state level 'public' policies and technologies that aid the resource-rich Is the drinking water scarcity in Marathwada earthquake-induced?

The Marathwada earthquake of September 30, 1993, of 6 4 magnitude on the Richter scale, was a shallow focus earthquake with its instrumental epicenter on the border of the Osmanabad and Latur districts of Maharashtra The impact of this disaster was primarily borne by a relatively small area, but the intensity of damage was high with official reports of over 8,000 killed and about 14,000 injured The loss of cattle was also high in some areas (see TARU's *Action Plan for Reconstruction in Earthquake Affected Region of Maharashtra*, 1993 and TISS *Survey of People Affected by Earthquake in Latur and Osmanabad Districts*, 1993)

The relief programme of the Maharashtra government effectively contained the spread of water-borne diseases that usually follow a major disaster This was done by comprehensive chlorination of open wells and the drilling of a number of deep borewells near the sites of emergency settlements This level of extraordinary' efficiency of the Public Health Emergency Department (PHED) and other departments slowly faded a few months after the disaster The situation in 1995 is that serious drinking water availability and contamination problems are being experienced in the area affecting over 1 5 lakh people

Marathwada has been a chronically drought prone area, but future drinking water needs were not critically evaluated in the Rs 1,100 crore World Bank supported relocation and rehabilitation programme The criticality of water availability in site selection for relocation, and technology choice was highlighted just after the earthquake in the TARU *Action Plan for Reconstruction in Earthquake-Affected Region of Maharashtra*, 1993 During subsequent longitudinal studies of the MEERP and interaction with local groups, it became apparent that water had indeed emerged as one of the main constraints in the rehabilitation process (see Samarthan's *Marathwada Earthquake Rehabilitation Status Report*, Bombay 1994, TARU's *Marathwada Earthquake Rehabilitation A Year Later* Delhi, 1994, TARU's *Planned Disaster Monitoring Earthquake Rehabilitation in Marathwada* Delhi, 1995)

The competing demands for water for irrigation cattle and drinking has severely constrained construction in cement concrete the dominant material being used there This is now cited by the state government as an important factor in the delay in meeting targets by the MEERP This however, detracts from the fundamental issue the increased vulnerability of the earthquake affected population due to 'policy' and 'technology' induced water scarcity This has increased community dependence on government support and subsidies as their asset base has either been wiped out or depleted during and after the earthquake This is in clear contradiction of stated public policy

Over the last four years, Marathwada has suffered from lower than normal rainfall (of roughly 800 mm) At the same time, intensive drilling and ground water withdrawal for agriculture, especially sugarcane, has resulted in the drying up of many drinking water sources like handpump based borewells These two factors have been responsible for the drought' in this region

Ground Water Politics

Expanding the area under sugarcane for sugar factories in this low rainfall region seems to be an ill conceived idea The much hoped for surface irrigation from Makni dam also seems to be a mirage especially with large demands for urban drinking water from the dam apart from nearly 50- 60 relocation villages with a human population of more than 1,25 000 and bovine population of roughly 60,000 This results in a conservative annual demand of more than 150 ha m for drinking and domestic consumption alone in the core area

Ground water politics has also led to the formation of an interest group which benefits from ground water development activities' rather than benefitifig the intended beneficiaries, the larger communities It is not a contradiction in the region to see a village which has green sugarcane fields extending to the horizon suffering from a drinking water shortage with many communities carrying more than 20 tonnes of water a day On the other hand tanker water supply has become so regular to some villages that they are called tanker villages Even when water is available near a village distant sources are utilised to add value to water by transport (Growing Agony Drought Stalks Maharashtra R Padmanabhan *Frontline* June 16 1995) During this process of transport and handling, bacterial contamination occurs which can cause severe outbreaks of waterborne diseases (Pradeep Kumar s *The Uttarkashi Earthquake A Health Perspective, Bhuwaneshwari Mahila Ashram Tehri Garhwal* 1995) More than 70 per cent of the villages with population of more than 500 households had overhead tank based water supply systems before the earthquake They were supposed to feed household taps but most were non-operational due to a host of reasons varying from unrepaired pumps dried borewells and pumps fitted at too shallow a depth

Almost all of Latur and Osmanabad districts lie in gently undulating terrain A few laterite topped hills are seen in the eastern sector (Ausa and Nilanga blocks) The black cotton soil filled valleys have groundwater under both watertable and confined conditions The shallow groundwater table was traditionally exploited by dug wells fitted with electrical pumpsets ranging in depth of less than 5 m to 15 m

The main crops grown in this area are millets oilseeds, pulses and sugarcane Even though this area is perpetually short of water during summer water intensive sugarcane farming has become a practice, especially near the Khillari sugar factory (TARU, ASAG and YUVA's, *Baseline Socio-Economic and Participatory Design Exercise in Earthquake Affected Areas of Maharashtra*, 1994)

Wherever water is available from borewells, farmers opt for low labour intensive sugarcane farming. Even where water availability is not certain, sugarcane is grown. This practice has resulted in considerable loss of sugarcane during rainfall deficit periods when irrigation is not available. The need for large amounts of green biomass to feed cattle may be responsible for this sugarcane preference, apart from economic returns. Better managed sugarcane fields yield up to 40 metric tonnes of biomass per ha while even failed crops produce more than six tonnes of biomass per ha. Since sugarcane productivity is almost totally dependent on groundwater availability, depletion of 'common property' stocks is the easiest route to profit with this quite remunerative crop.

The cropping pattern in Marathwada has shifted from rainfed coarse cereals (mainly millets and pulses) until the 1970s to sugarcane in the 1980s. The failure of borewells prompted people to grow more remunerative and less water demanding oil seed crops like sunflower. Grape cultivation is now gaining popularity due to its high returns and low water consumption. Grapes take around three years for the first yield and initial investment in land development and water management is high. Therefore, these crops are restricted to medium and large farmers who can afford to invest in a crop with a three year gestation period and who have an assured source of irrigation. Grapes need reliable but smaller amounts of water than sugarcane. Borewells are the main source of irrigation for this crop.

Prior to the earthquake, sunflower was commonly grown mainly on the uplands. This crop is low in water demand and matures in around four months. Two to three irrigations during critical periods can make sunflower mature well. Nevertheless, in 1995, large areas of this crop have failed due to a lack of sufficient moisture.

Water Scarcity and Conflicts

Prior to 1950 the Latur-Osmanabad region was mostly under rainfed food crops. The main water sources were rivers and shallow wells, from which a small amount of cultivated area could be irrigated. At present, limited evidence of these structures is seen, a few old wells with pulleys to draw water and tanks for cattle.

Since the 1960s considerable investments have been made in water management in the region. Major investments have gone into surface water management through small dams and canal systems. The Makni dam is the only medium-scale dam in this region. Along with surface water resource development, sugarcane cultivation was encouraged on a large scale. Setting up of the Khillari Sugar Factory to process sugarcane was one such move. As the Makni dam command area development could not fully satisfy the needs of the sugar factory, the cultivation of sugarcane through ground water resources was begun. The Makni dam and the sugar factory seem to have triggered the higher dependency on ground water for irrigation.

Surface water resources developed in the region are not utilised efficiently. Even the Makni dam command area is yet to be adequately developed. Political forces have influenced the use of surface water in a sub-optimal manner. The irrigation needs of the actual command areas are neglected. Pumping from the dam has been used to satisfy urban demand and sugarcane growers. This will eventually have a serious impact in the region, especially on those depending on the dam for drinking water. Conservation of water through cost-effective means is critical to meet the agriculture and drinking water needs of the region without serious conflict. Some of the dams built for irrigation are now extensively used for providing drinking water to urban areas. Conflicts are likely to arise in the not-too-distant future between farmers and urban users.

With the lowering of the water table on a large scale, especially in the valley areas surrounding the villages, the further deepening of existing borewells and the drilling of new deep borewells is only going to aggravate the problem of water scarcity, especially in low rainfall years.

Borewells were introduced in the early 1980s, but most extensively during the 1990s. They extract water from depths as great as 150 m. This technology has been largely responsible for the drying up of aquifers, especially when coupled with submersible pumpsets to supply the high water demanding crops like sugarcane.

In the late 1970s, the introduction of pneumatic rigs resulted in farmers opting for borewells and changing the cropping pattern from dryland rainfed crops to sugarcane, especially in the river valley areas. Deep wells and electrical pumpsets introduced earlier became redundant after the borewell-submersible pump technology was introduced into the region. Springs and shallow watertable dependent sources usually dried up due to rapid water extraction by these new technologies. At present even borewells are drying up at an alarming rate, resulting in widespread water shortages.

The farmer owned borewells are at least four to five times the number of government owned irrigation (drinking water) borewells. Farmers have developed a cost-effective, though short term, means of water exploration. Wherever they find a government (drinking-water) borewell with a high yield, irrigation borewells are drilled in the neighborhood. This 'competition' often results in the loss of yield in many drinking water wells. The 'common-sense' rules of safe distance from existing borewells are not practised in most cases.

Prior to the earthquake, borewells in upland areas were not common as they were situated at considerable distances from most settlements. The formation of temporary settlements and the government's programme of relocation of core villages to upland areas with shallow bed rock has resulted in the drilling of new borewells to meet drinking water and construction needs. Immediately after the earthquake, nearly 40 borewells were drilled over a 10-day period to provide drinking water to the temporary settlements. Most of these wells have yielded much more water than borewells in the already overexploited valley areas.

The government has also resorted to drilling deep borewells, up from the earlier 90 m to nearly 200 m. The continuous race between drilling and pumping technology and groundwater levels is likely to result in increased shortages in the near future as natural recharge may be low in deep aquifers.

The other constraint is the design of the UNICEF Mark II handpump. This can only

Table 2. Households per Handpump Used vs Water Quality

(Per cent)

Households per Handpump	Water Quality	
	Not Contaminated	Contaminated
<100	68	33
100-300	14	86
Only Submersible pumps		100
Total	23	77

Source TARU Primary Study, Sample base = 16 villages.

Table 1. Household Water Deficit across Size of Settlement (1995)

(Per cent)

Village Size Number of Households	Daily Household Water Deficit (litres)			
	Nil	<= 100	100-200	Total
<400	56	11	33	100
400-600	20	60	20	100
>600		50	50	100
Grand Total	38	31	31	100

Source: TARU Primary Study; Sample base = 17 villages

tap water from depths of around 30 m in field conditions. Many 90 m deep wells which are fitted with these pumps are hence unable to provide a continuous supply of water. Long queues can be seen in front of these intermittent hand pumps. It is not economical to fit submersible pumpsets in these wells unless the yields are more than around 2,500 lt per hour. A few hand pumps capable of drawing water from deeper levels are being tried out but the government of Maharashtra (GoM) maintenance crew complained of greater effort required to operate them. Two people are needed to operate these hand pumps.

Maharashtra passed the Ground Water Bill (1994) which controls the exploitation of ground water resources, but it has not been enforced in the state. Since the earthquake (as in the periods preceding it) there has been unrestricted exploitation of ground water and more than 1,000 new borewells have been drilled by the government for farmers.

Government Policy. Most villages with a population of more than 1,000 persons were already covered by piped water supply schemes before the earthquake. In these settlements, about 60 per cent of the connections were by private water taps. However, since their water sources have dried up, about 90 per cent of overhead tanks are dry for more than nine months of the year. Large investments in water supply infrastructure have now become redundant. Villages where water consumption had reached more than 40 lt per capita per day (lpcd) bear the brunt of water shortages.

In most villages with piped supply people have to depend on either handpumps or on tankers. Long queues with waiting periods of more than eight hours have resulted in wastage of considerable amount of human energy to meet basic water needs. Even in villages surrounded by green sugarcane fields, drinking water has to be transported from distances of more than 1 km.

Tanker supply now covers more than 150 villages in the area. Trucks are hired on contract at around Rs 15,000 per month plus fuel costs of Rs 2.25 per km. Bore wells are acquired by the government on the recommendation of the panchayat and sanctioning by the district collector. The borewell owner is paid Rs 50 per day which is now being increased to Rs 100 per day.

The tanker business is quite remunerative as a considerable portion of borewell owners also own tankers. Tankers are typically old trucks fitted with plastic tanks. The trucks are usually very old and poorly maintained. Breakdowns and punctures of old tyres commonly disrupt the water supply. The demand for tanker supply seems to be made by local 'interest groups' who are likely to benefit from tanker contracts. Village panchayats which are usually controlled by people with larger land holdings and means are also more likely to own more borewells.

Recipients of tanker water often complain of non availability of water due to breakdowns for more than a day. Tanks leak and spill all along the road and at least 300-400 lt are lost out of the total of 6,000 lt during transport. There seems to be no mechanism to monitor the supply of tanker water and maintain its regularity in the region. Fights for water and a veritable battle for supremacy over the tankers is a common sight in the area.

Tanker supply contracts can often be more remunerative and less risk prone than sugarcane cultivation. Over six months a truck/borewell water contract can fetch a minimum of Rs 1,00,000 with investment of around Rs 1,30,000 or a nearly 75 per cent recovery (institutional costs partly included). The transport distances range from 3 km to 9 km. Truck owners prefer to draw water from long distances as it provides additional incomes as overhead costs. There are cases where local sources have been offered but more distant sources were chosen for water supply.

After Earthquake

Even though there were many reports by the press and NGOs of the drying of wells and borewells after the earthquake no long term effects of drying up or increasing yield in wells seems to have occurred. A few wells have been consistently reported to have dried up especially near Khillari. Apart from this there are no substantial reports regarding changes in water level or yields due to the earthquake. This lays to rest the theory that the present drought is due to the earthquake. Construction activity has nevertheless suffered considerably in the core area largely because of competing demand for drinking and washing and the large amounts that are regularly required for curing concrete structures.

The most serious impact of the earthquake has been the decision to relocate over 50 settlements in the core damage area (*Rehabilitation Action Plan for Persons Affected by and Acquisition*, Earthquake Rehabilitation Cell, Government of Maharashtra, 1994) against the internationally accepted experience of in situ reconstruction (see Aromar Revi, *A Comparative Analysis of Process and Agency Effectiveness in Post Earthquake Rehabilitation in India*, IARU, 1995). This has not only meant the loss of water sources and water supply infrastructure but unsustainably high population pressures on sources on new sites. In effect, this has promoted concentration of populations around urban centres rather than dispersal around sustainable sources of water.

A drinking water survey was conducted by IARU to study the water crisis in detail in Marathwada. In April-May 1995, water availability and water quality were examined in 17 study villages spread across Latur and Osmanabad districts and villages of all earthquake damage categories. An outline questionnaire was used to elicit information on drinking water conditions, wells and borewells in the village area, existing sources of drinking water and water supply through tankers. The demand for domestic drinking water was estimated based on demographic information (locally elicited cross checked with Census 1991 data) and animal populations. As rapid survey techniques were used, water use estimates only provide accuracy in kilo litres per day (Klpd) level rather than exact figures of consumption and demand. An attempt was made to estimate water transport by various means ranging from bullock carts, bicycles and tractors to transport by jeeps and trucks. Quality of drinking water source was subjectively ascertained (as performed in most rapid WHO methods) on site.

Water demand was estimated for each of the sample villages based on average household size of five people and 40 lpcd consumption. This is a conservative estimate considering the large livestock population per household (more than 10 cattle). The drinking water supply deficit is high even with the use of the wells. All large villages (>600 households) face water deficit with 50 per cent of them getting more than 100 lt/household/day. In small villages (<400 households) 56 per cent of villages do not receive any tankage. Nearly 62 per cent of all sample villages face water shortage. This in turn despite large investments in drinking water supply systems, is astounding.

The surveyed 17 villages had a total of around 8,800 households. Based on the data collected the number of households which had to depend either on tankers or other wells outside the settlement was estimated.

The bulk (57 per cent) of the households depend on sources outside the settlement for water. Out of the total dependent households 25 per cent of such households are from large villages (>600 households), 17 per cent are from medium sized villages (400-600 households) and 15 per cent are from small villages. This also indicates that in all the large villages all households have to depend on external sources of water.

Hence they should be given priority in any future interventions. It may also be mentioned that most large villages have up hill overhead tank based water

distribution systems Most of these are not operational, thereby exposing their populations to the risk of water-borne diseases

Most large villages were provided with piped water supply with overhead tanks before the earthquake Half the sample villages, have overhead tanks and piped water supply Whereas all the villages with more than 600 households have such systems, 80 per cent of the villages with 400 600 households have piped water supply However, most of these piped systems (90 per cent) are not operational and the rest are providing water for 15 minutes to 1 hour/day Long queues of pots are seen in front of stand posts Even though private household taps were provided in these villages, none of them are operational and water is distributed through public standposts The drying up of water sources is the main problem that leads to the halting of supply to overhead tanks and private taps

Handpumps were introduced into this area in the late 1970s Most of the earlier borewells were shallow and use the UNICEF India Mark II pumps These pumps are capable of drawing water from depths less than 35 m Hence one can see many hand pumps with intermittent flow but these borewells are not really dry A member of the CoM maintenance team said that the lower head capacity of the Mark II pumps is the main cause for shortage of water in many of these wells The newer models of India handpump series do not have this problem but they are difficult to operate by one person

The survey indicated that only 69 per cent of the households were exclusively dependent on handpumps for water supply The number of households per handpump also increases with the size of the village In other words the smaller villages have more handpumps per person compared to larger villages In the case of shortages the larger villages take the brunt Also as the number of households per handpump is higher in larger villages the likelihood of their drying up is comparatively higher Consequently the establishment of a large number of larger settlements with a higher number of households per handpump can result in the total collapse of the handpump based drinking water supply system Submersible pumps, wherever installed for drinking water supply or irrigation, have led to the drying up of most handpumps in the vicinity

In 84 per cent of the sample villages more than half of the borewells have dried up However, the size of the settlement by and large seems to determine the percentage of dry borewells to total normally operational borewells Only 25 per cent of the villages with less than 400 households have half the borewells dried up In 50 per cent of villages with 400-600 households 50 to 75 per cent of borewells have dried up and in another 50 per cent of sample villages of this group more than 75 per cent of borewells have dried up In all villages with more than 600 households 50 to 75 per cent of borewells have dried up In 38 per cent of all the villages surveyed, more than 75 per cent of the borewells have dried up The load per borewell source has increased during the drought With almost all the open wells going dry borewells were the only local sources of water The shortage is more severe in large villages than in small villages

Borewells are the most important source of water in most villages The load per operational borewell in different sizes of villages was evaluated The number of households per operational borewell was calculated based on the village survey The larger the village size the greater the number of households per borewell and submersible pump In seven villages with more than 400 households all had more than 100 households dependent on operational borewell Given the local water regime this may lead to further rapid depletion of these systems

To evaluate change due to drying up of handpumps the additional number of households which will be distributed across the remaining operational handpumps was calculated The data when cross tabulated with the size of the settlements indicates that the maximum additional load is transferred in large villages Of the sampled villages 65 per cent have additional loads more than 50 households per handpump With average yield of handpumps of around 25 lt per minute (lpm) over the operational period of around 12 hours per day each can provide around 18 000 lt per day (lpd) This would meet water of 90 to 100 households at an average consumption of 40 lpcd An additional load of more than 50 households per borewell will cause severe shortages and resultant conflicts Such conflicts are regular in most villages and there are long queues of collection vessels in front of almost all handpumps especially in large villages

Tanker water supply is the last resort The supply through tankers does not ensure water availability and quality Survey information regarding water supply by tankers indicates that in small villages (<400 households) only 22 per cent had tanker based supply of up to 50 lt per household per day About 40 per cent of the medium sized villages got tanker supply of up to 50 lt per households per day In 50 per cent of large villages tanker supplied more than 50 lt per households per day. Around 30 per cent of all villages received tanker water supply

The government installed domestic water systems are not able to meet the needs of people Therefore, people have to collect water from private borewells and a few wells and dams situated up to 2 km from their settlements. They carry the water by headloads, bicycles, bullock carts and jeeps In some villages, a few people pump water for drinking and washing into tanks at their farms Individuals later transport water from these tanks

The survey indicated that carrying water from other sources occupies a large part of households' time Whereas in only 44 per cent of small villages water is brought from outside sources, in all the large villages water is brought from outside Nearly half the large villages bring between 50-150 lpd/household Out of all sampled villages 50 per cent have to depend on water from other sources Several richer households have retained a person to carry water for them throughout the year at annual wage rates of Rs 3 000 to Rs 6,000 depending upon the distance to the source and levels of scarcity in the village

Carrying water by headload is the main means of water transport in the region An estimate of headloads was done and it was multiplied by the average distances covered (kgkm) The results indicate that 44 per cent of all villages are dependent on water head loaded from other sources, 13 per cent of all villages are transporting 100-200 kgkm/household/day by headload! In larger villages the headload transport per household is higher than in smaller villages

During this survey water from 16 sources was sampled for quality Two samples were from household drinking water pots while the rest were collected directly from borewells Water quality assessment was undertaken with Colilert test kits which indicate the presence or absence of coliform and E coli bacteria

Water quality in the region is dependent on many factors In severe water shortage conditions, pollution by direct contamination occurs when people get down into wells with very little water to collect whatever water that seeps into the well gradually The water in such wells is exposed to coliform contamination from the hands and feet of the people getting down into the wells

In most borewells the possibility of contamination stemmed from poorly built platforms and drainage systems, and direct leakages of surface water into the borewell wherever submersible pumps have been fitted Contamination was caused when the outlet pipe leaked surrounding waste water In Utka A settlement, for instance, there was a pool of dirty water submerging the

whole borewell An attempt was made to correlate the number of user households per hand pump in a given village and the water quality (Table 2)

In villages with only submersible pump based water supply systems contamination is nearly total Wherever handpumps are the main source of drinking water the contamination depends on the number of users Where the number of households per handpump is low nearly two thirds of the sources were uncontaminated and where households per handpump are in the 100 300 range 86 per cent of hand pumps were contaminated The higher the usage the higher the possibility of damage to the platform and formation of sewage pool around the handpump

In this region either the handpump platforms and pumps were built without sufficient care or the expansion of the soil has resulted in the development of cracks in the platform As the depth to bed rock is generally less than 10 m the space between the casing and surrounding soil can form a conduit for the movement of contaminated groundwater This is a serious problem that will have to be addressed immediately

Conclusion

The situation in Marathwada is typical of the distortion that a major development intervention makes without adequate examination of ground realities sustainability and the commonsense of ordinary people Water should have been a primary consideration while planning for redevelopment of the area as water crises are almost annual events Instead overbearing focus was given to seismic 'considerations' while deciding between a relocation and in-situ reconstruction strategy in the rehabilitation programme – this will almost certainly lead to increasing water scarcity The people of the area will pay a heavy long-term price for this Our key findings are that

(1) The water shortage in Marathwada is largely due to the over exploitation of groundwater for irrigation (2) There is no consistent data that links the impact of the earthquake to the lowering of the groundwater table (3) Construction activity is seriously constrained by but not a primary cause of, the water shortage in the area (4) A considerable part of the drinking water supply systems installed by the government before the earthquake has ceased to be functional due to the lowering of the groundwater table especially around settlements (5) Most handpumps have either gone dry or work intermittently every day due to lowered water table Many borewells with dysfunctional handpumps can be made operational by using deep draw (> 50 m) handpumps (6) Unless groundwater extraction is controlled, especially around settlements, no sustainable solutions are possible The government's water policy is yet to appreciate this fact and take appropriate action (7) Tanker supply cannot ensure water availability to the vulnerable and needy in the given conditions It can at best be a stop gap measure (8) Even borewell water quality is poor due to faulty design and installation of handpumps This is a high risk area for epidemics arising out of water borne diseases It is difficult to disinfect hand pump water through chlorination (9) It is advisable to prevent groundwater pollution by properly repairing borewell platforms and improving drainage around handpumps and other borewells Alternative water treatment systems like UV sterilisation may be tested for efficacy (10) Any future water supply systems have to source their water from places farther off from the settlements (at least 500 m) to prevent pollution as well as to reduce chances of drying up of existing sources Strict enforcement of ground water rules (of keeping safe distances) has to be done before any further drilling of government borewells is taken up

Under the current conditions of inequity in land holdings differences in investment capacities and endowment of water resources, limited technology options are available Future measures must primarily seek to reduce the pressure on remaining water resources Sugarcane cultivation has to be controlled and restricted to areas with sufficient surface water resources This will have to be complemented with disincentives to sugarcane cultivation in areas where ground water has to be used for irrigation Less water intensive fodder crops like maize can be grown to substitute for the loss in fodder from sugarcane Low water consuming and high return cash crops like oilseeds and grapes need to be promoted in areas where ground water is available They should not be encouraged in a blanket manner

Drinking water has to be given priority over irrigation This would involve strict control of over-exploitation of ground water in areas of deficit An area of at least 300 m radius around drinking water borewells needs to be freed of irrigation borewells Surface and ground water resources have to be developed simultaneously and should percolation tanks around drinking water borewells This would also involve shifting drinking water borewells into marginal land on the higher terrain of the villages and taking over at least 2 ha of surrounding land for afforestation and percolation tanks Large settlements need to be decongested and small hamlets of less than 600 population size should be promoted Special arrangement for cattle during droughts (for both water and fodder) in cattle camps will have to be made

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KERALA

Destruction of Unique Ecosystem of Kochi Backwaters

K M Seethi

The Goshree Island Development Project which threatens the unique ecosystem of the Kochi Backwaters, is being opposed by environmentalists.

THE Goshree Island Development Project (GID), which has apparently got the green signal from the union ministry of environment and forests (MEF), has been in the news for the last few months. Details of the entire scheme of mega development project have long been shrouded in secrecy. It was only when some environmentalists and a section of the press rang the tocsin that the details began to pour in.

There are those who say that people who oppose the development plan are really putting a spoke in island's wheel, thereby denying them a long-cherished bridge linking Vypeen and other islands with the mainland. This is perhaps the most ticklish question which the environmentalists have to address themselves. Admittedly, the demand for a bridge linking Vypeen to Kochi has been pending for several decades now, and for the three-lakh odd population of the islands (of which nearly a quarter commutes daily to the mainland) it is important. Nearly four decades ago, when Kochi was under the erstwhile princely rulers a scheme was worked out by the then public works minister, Sahodaran Ayyappan, to construct a bridge, and a British company was almost contracted for the purpose but the ministry fell soon. The Greater Cochin Development Authority submitted a proposal to the union government for the comprehensive development of the islands. But the plan again fizzled out, this time for want of necessary funds. Meanwhile the island dwellers were put in severe hardships for several years by not providing necessary water transport facilities.

It is in this context that the Goshree project came into prominence by placing the long-standing demand for a bridge high on the agenda of the development plan. Hence, it is only natural that any resistance to the project is likely to be interpreted as an attempt to keep the islanders in perpetual agony.

In May 1994 the state government, through an extraordinary gazette notification, set up the Goshree Island Development Authority (GIDA) with the chief minister as chairman and the district collector of Ernakulam as secretary. The local MLAs, MPs, presidents of different panchayats and other heads of departments constitute other members of the development authority. The project envisages the comprehensive development of Vypeen and other islands which should be carried out in three stages. In the first stage nearly 110 hectares of backwaters lying near to the Thanthonni island and 44 hectares on the western part of the Mulavukad island will have to be reclaimed. Then, four bridges will be constructed linking the mainland to Thanthonni, Mulavukad, Vallarpadam and Vypeen islands, totalling more than 1.4 km, with 13 km of approach roads. According to GIDA officials a ring road will also be erected on the model of the German autobahn to interconnect all the bridges and there will be marine drives here. It is also proposed to implement a masterplan for tourism development in seven panchayats of the islands with facilities for parks, golf course, etc. There is also a plan to develop Cherai beach as a top class tourist resort.

In the second stage two more bridges will be constructed – one connecting the Thanthonnithuruthu with the National Highway (NH) 17, on the northern part, and another connecting it to the NH 47. This requires reclamation of another 90 hectares of backwaters from Thanthonni. In the third stage it is proposed to develop nearly 128 hectares around Vallarpadam. GIDA officials say that nearly half of the land to be developed would be retained as open space making facilities for parks, golf courses, etc. The project estimate is to the tune of Rs 8,000 million and nearly 40 per cent of this amount will be earmarked for the first stage alone. GIDA has apparently made arrangements with the City and Industrial Development Corporation (CIDCO) of Maharashtra, which was instrumental in developing New Bombay, for the reclamation of the backwaters.

The former district collector of Ernakulam who happened to be the secretary of GIDA took great pride in this mega development project because the entire scheme is 'self-sustaining', in the sense that the funds required to support the project would be generated from within and there is no need of relying on any external agency for aid. To put it in plain language the scheme involves that more land be reclaimed than is actually needed to support the bridges and this reclaimed land would be handed over to whom the construction contract has been given. The land for this 'barter system' would be made ready by dredging the backwaters at a cost of Rs 1 million per acre and disposing of the 'excess' land for commercial purposes. It may be noted that the land value in Kochi is skyrocketing these days and the market rate for the reclaimed land is estimated to be Rs 1 to 1.5 million per cent. The project officials say that they can collect at least Rs 50 million per acre after dredging.

However, environmentalists say that the project is being used as a pretext by a real estate mafia to grab public land worth several thousand crores. According to M K Prasad, a noted environmentalist, a Bombay-based firm enjoying high level political patronage is hand-in-glove with the real estate mafia active in Kochi to corner the lion's share of the 905 acres.

Unique Ecosystem

The project undoubtedly raises fundamental questions which have a significant bearing on the unique ecosystem of the Kochi backwaters. It would certainly cause immense harm to the environment because it is proposed to be implemented in a very sensitive zone – the meeting place of the Arabian Sea and the backwaters. Even if a small portion of the backwaters is converted into land, it would set in serious imbalances to the ecosystem, thereby adversely affecting the biodiversity of the backwater system and destroying an abode of rich marine life forms. This is due to variations in salinity content which is always subject to the tidal amplitude. Of the 180 varieties of fish identified so far in the area, 80 could survive only in the existing environment and their life-cycle depends solely on this ecosystem.

A study by the Central Marine Fisheries Research Institute (CMFRI) says that the proposed site for the project "is a highly productive tropical estuary", which also acts as a buffer zone, and quite indispensable for many species of marine finfishes, crustaceans and molluscs. Many euryhaline species are permanent residents and several migrant species from both fresh water and marine ecosystems are often attracted to this area. At least 15 species of finfishes are commonly

present in this estuary as are about eight species of commercially important crustaceans represented by penaeid prawns, caridean and crabs The low lying swamps and tidal creeks dominated by patches of mangroves, with their high capacity for nutrient recycling, provide shelter to the young of many species of prawns and fishes The backwater system is also a potential area for seed resources of five species of prawns, according to the CMFRI study Notwithstanding these findings, the CMFRI came to the slap-dash conclusion that the reclamation of estuarine areas would not significantly affect the ecosystem and the associated biota, as "it forms a shallow area" It says "no vulnerable or endangered species inhabit at present in the area and there are no large-scale fisheries existing"

Meanwhile the 'environmental committee' of the GIDA consisting of some scientists of the Cochin University of Science and Technology (CUSAT) and the Central Institute of Fisheries Technology (CIFT) ruled out the possibility of any serious imbalance to the backwater ecosystem due to land reclamation and other project activities They said that the filling up of the shallow and marshy areas would not pose a threat to any major species The committee even said that "there are no endangered species in these areas", and claimed that the dredging to be carried out for the project "would result in the deepening of the area and increase in hydrological flow, leading to the better growth of flora and fauna

But these eminent scientists conveniently ignored the fact that in a healthy estuary, shallow areas have a particular ecological function as the younger shrimps and fishes take shelter in the shallow estuarine areas as breeding grounds, especially during high tides at night They migrate to deeper areas as and when they grow bigger according to scientists at the School of Industrial Fisheries, CUSAT Needless to say with the proposed dredging in the backwaters, the entire marine species would go to rack and ruin Likewise there would be substantial increase in sea erosion which could upset the entire environment in the long run Many scientists also fear that with the implementation of the project the high concentration of metals, as already pointed out by several studies, would go up because of the changes caused by flushing rates

GIDA's application for environmental clearance from the MEF was accompanied by two important 'reports' The Consultancy Engineering Services (CES) was engaged by the authorities to examine whether the project would cause any environmental problems The CES's 'Initial Environmental Examination' report, along with the 'Baseline Report' of the Kochi-based CIFT provided 'vital' data concerning the ecosystem of Kochi backwaters. These two reports have recommended the mega project saying that it would cause no harm to the environment The studies by the CES and CIFT are distinctly biased and scientifically questionable They took just a cursory view of the ecosystem by relying on short-term investigations and without seeing the backwaters as a long-term productive system being subjected to conditions like tidal flow, sea level changes, salt water irruptions, etc. Sensing the danger, environmental groups made representations to the MEF for a thorough inquiry into the whole question

By January this year, the MEF sent its environment assessment committee to Kochi to study the impact of the project on environment In connection with this a meeting was arranged at the CIFT conference hall on January 28 Here, the Kerala Sastra Sahitya Parishad (KSSP), the Dheevara Sabha (DS), and the National Fishermen's Forum (NFF) were given a chance to put forward their views These three organisations presented their arguments against the project in no uncertain terms However, the proceedings of the conference went in such a way as to give a clean chit to the scheme Prasad, who attended the conference and spoke on behalf of the KSSP says that it was a "stage-managed affair and the whole idea was to clear procedural formalities" In a note to *The Hindu* (February 1), he pointed out that some of the scientists with whom the committee had discussions privately informed him that the whole thing was an eyewash Prasad was told that GIDA had some 'captive' scientists who would keep their views secret and save its face He also wondered how GIDA managed to bypass the Coastal Zone Protection Act which prohibits reclamation and construction activities in the backwaters

Even as reports of the Goshree project continued to surface, many environmentalists took up the question in right earnest, and two petitions were filed in the Kerala High Court against the project But the high court dismissed the petition saying that the petitioner (filed on behalf of the Institute of Social Welfare) failed to produce sufficient evidence to establish that the GIDA has actually initiated any work, as alleged However, the judge observed "If the petitioner believes that the proposed plans are ill-advised, it is for him to create public opinion and campaign against the same"

Already several environmental groups and organisations, notably the KSSP, NFF, DS and the Swashraya Vypeen Samiti have come down heavily against the project and demanded a fair and comprehensive study dealing with all aspects of the ecosystem All of them pooh-poohed the so-called environment impact assessment study conducted by the CES and CIFT saying that their reports and data are quite unintelligible, for they relied only on short-term sampling in June-July 1994. The KSSP and the NFF said that this was akin to "recording of the temperature of the earth surface at mid-night or on a rainy day", adding that the assessment would be complete only if it is extended round the year.

The enviornmental groups demanded the setting up of a new team of investigation consisting of experts in the respective fields, as well as people's representatives The scope of the study should be extended beyond the usual sampling, encompassing factors like estuarine dynamics, tidal amplitude, salinity structure, life-cycle of prawns and other species, marine resources, sedimentation, pollution, etc, of the backwaters The KSSP claimed that the information regarding these phenomena has been on hand since 1960s and they have to be brought to light and subjected to thorough public scrutiny and debate The KSSP is also opposed to mobilising funds for the project by selling off the reclaimed land in the backwaters It demanded that alternative sources of funds be explored, besides augmenting the existing water transport facilities

Needless to point out, the project will render thousands of fishworkers who eke out their livelihood by depending on the marine resources of the region jobless The secretary of GIDA, on the other hand, claimed that the project would provide direct employment to 1 5 lakh people when the first stage is completed For that they have plans to propel tourism as one of the major industries in the islands In other words, the three-lakh island dwellers have to mortgage their culture for the sake of a debilitating development plan The islanders who have been longing to have a bridge must realise that it is being used as a bargaining card for higher stakes

The apprehensions of the people about the project are, no doubt, well-founded given the experience in Kuttanad which has undergone tremendous transformations during the last few decades, causing widespread destruction to the environment For them the backwaters of Kochi are not just a matter of grandeur alone, but an inevitable link in the unique ecosystem which sustains profuse life forms Any damage to this system would have disastrous consequences, affecting not only the precious marine species, but the very life-blood of lakhs of people living in Kochi and nearby places.

Bringing Justice to Juveniles

Extension of Poverty Alleviation Programmes

Shiva Jaamdar

The current emphasis on custodial care and social control in dealing with juvenile offenders has serious limitations. The extension of the provisions of the poverty alleviation programmes to these juveniles will facilitate their rehabilitation.

THE plight of children from poor families in India, particularly in towns and cities, is increasingly getting worse over the years. The joint family system and bonds of community which provided safety nets to children are gradually breaking down. Burgeoning population growth, increasing rural out-migration and growth of ugly slums in urban areas are further aggrevating dehumanisation of children. As child-beggars and rag-pickers, runaways and vagrants, orphans and destitutes, forced child labourers and delinquents, child prostitutes and pimps, these helpless children reflect deeper social and economic maladies: the problems of unemployment and poverty, family disorganisation and inadequate measures of social security [Boszormenyi-Nagy and Spark 1984].

Recognising the need to provide for the welfare of children found in unfortunate circumstances, the parliament enacted the Juvenile Justice Act in 1986 (*Juvenile Justice Act*, Government of India 1987). The JJ Act applies uniformly to all the states and union territories after repealing the divergent state acts on the subject. It lays down a common definition of a child as a boy under 16 years and a girl under 18 years of age. It has created in particular a system of institutions, procedures and programmes uniform throughout the country to deal with children found in difficult circumstances.

While the JJ Act provides definite short term relief to the needy children, it invariably suffers from the vice of excessive emphasis on institutionalised care and custody. Out of the 63 sections, 53 sections in the act exclusively pertain to institutional matters while only one section (section 12) passingly refers to after-care and rehabilitation. A detailed criticism of the act is out of place here. It must be said however that in the past juvenile justice legislation in India was a replica of the British juvenile laws and their philosophy. The erstwhile British colonial administration adopted its home laws to India. British juvenile justice was indeed a confusion between social control and social welfare [Adams 1978; Shaw 1977; May 1973]. The same confusion is reflected in its imitation in India as well. The British thinking and practice has however changed enormously since the 1850s when the old philosophy took shape: the Borstal schools meant for young adults have been abolished; the children act has been amended several times; a separate Children and Young Persons Act has been in operation since the 1930s; and institutional care has been largely replaced by family support programmes and community care [Hendrick 1994]. It is surprising therefore that the latest Indian JJ Act of 1986 still reflects the old ideas of institutional care as a means of social control rather than the lasting rehabilitation of helpless children as a measure of child welfare.

This article argues that the current emphasis on custodial care and social control of juveniles in India should be shifted to earnest rehabilitation and genuine child welfare. It suggests that a good way to rehabilitate the unfortunate children is to extend to them various poverty alleviation programmes (PAPs). The article also explores the possibility of a tentative model to link the PAPs to juvenile institutions.

Institutional Care

The JJ Act was brought into effect throughout the country in 1987. The programmes and institutions thereunder provide an opportunity to judge its efficacy. A brief review is presented here to highlight the relevant points.

Deriving its philosophy from the western traditions, the JJ Act is intended *inter alia* for a special treatment of child destitutes and delinquents separated from adult destitutes and criminals. It also separates the delinquent children from the non-delinquent ones. The delinquent children, i e, those who commit crimes, are apprehended by the police, heard by the juvenile court, and if appropriate, are committed to a special home established for the purpose. On the other hand, destitute children, orphans, neglected and victimised children and those seeking help voluntarily are referred to the child welfare board by social workers, probation officers, police, members of the public or even helpless parents. The board may commit them to a children's home created for their care. These two distinct streams of procedures and institutions run in parallel. Their programmes and objectives are however identical. This odd combination mixes up social control with social welfare neither achieving lasting welfare nor effective control of the juveniles.

Most of the children's homes and special homes are run by the government. A few run by others are recognised and aided by the government as prescribed in the law. On an average, a destitute child spends about six to eight years in children's home and a committed delinquent about two to three years in a special home. During this period, the government spends on the whole an all-inclusive average of Rs 300 per month per inmate. This is a considerable amount when compared to less than Rs 100 per month paid as oldage pension, widow pension or as allowance to a handicapped person in many states, in the country. Each inmate gets standardised food, clothing and accommodation as prescribed by the rules. Suitable inmates are given education up to a maximum of standard X. They are simultaneously trained according to their educational level and aptitude in some trade or vocation such as weaving, tailoring, radio repairing, carpentry, smithy, typing, knitting, embroidery, doll making, etc. Education and vocational training are intended to help them in their post release rehabilitation [*Juvenile Justice Rules*, Government of Karnataka 1987]. Once a boy reaches the age of 16 or a girl the age of 18, he or she is discharged from the institution.

Problems in Rehabilitation

In the JJ Act there is no provision for comprehensive rehabilitation programmes for the released inmates. Section 12 mentions about after-care organisations. In reality nothing worthwhile exists in the field. A few progressive states like Maharashtra, Karnataka and Gujarat have district after-care hostels where some needy ex-inmates live on a contributary basis. After-care has simply come to mean a transfer to inmates to another set of institutions.

This narrow conception only serves as a function of social control, regulating for a short period unruly juveniles who are a menace to the society. A realistic approach, on the other hand, calls for more comprehensive measures directed towards the inmate's entire life situation, dealing with problems of his or her shelter and support, employment, and establishing his or her social network to integrate him or her into the family, the neighbourhood, and the community.

What happens to the young adult after discharge from the institution depends upon

a host of factors If the inmate's social network is intact and normal he or she will not face any problem in successful reintegration into the social milieu from which the inmate comes Such cases are only few

Most inmates come from highly disorganised families A poor mother, alone or with other dependent children, deserted or widowed cannot be of much help to the released inmate An old or sick widowed or deserted father with no means cannot also offer much help The parents though alive but too old sick or resourceless will not serve the pu pose of rehabilitation Much worse are the cases of parents who are professional beggars or mendicants incurable alcoholics or drug addicts lepers or lunatics habitual offenders like prostitutes gamblers, bootleggers or petty thieves Inmates coming from families of unreformed ex-criminal tribes gypsies, other nomadic groups practising all sorts of professional beggary in the guise of sooth sayers, songsters, dancers, acrobatics etc, face very uncertain future In all these cases instead of seeking supoort of parents the young adult on discharge is rather expected to support his or her parents and family Otherwise he or she will be an additional mouth to feed in the already beleagured family

Most critical is the situation of orphans and total destitutes Such children come from a variety of backgrounds some are brought to the institutions as neonates deserted by unwed mothers or widows a few are totally orphaned in catastrophes like floods epidemics, earthquakes famines or even communal clashes a small number is brought as missing children never claimed by any one Quite a few of them are so secular that they know no religion or caste nativity or parentage They are the most genuine wards of the state playing the role of in loco parentis Once discharged from the institutions without rehabilitative measures where do they go? What do they do?

Further the inmates are handicapped by the long spell of institutional life It is not conductive to their post release adjustment to the society They are not used to taking independent responsibility as free individuals even for their own daily requirements like food accommodation or work They carry the stigma of 'problematic' boys or girls throughout their life Even a good intra mural training cannot equip the inmates with adequate social and emotional skills necessary for creating and maintaining healthy inter personal relations in work family friendship neighbourhood and community [Lipton et al 1975] For this reason advanced countries like Sweden Norway Denmark, the U S and the UK are diverting children from institutions to more and more family support and community-based programmes [Inger and Neils 1993, Colton and Hellinckx 1993]

Only educational and vocational skills recieved in the institution cannot by themselves enable inmates to get a reasonable employment, accommodation or other inputs There is no specific quota for this category in recruitment sanction of credit or allotment of houses or sites, etc They must compete with others In an over-populated country with few resources competition is tough In this scenario the supportless young adults released from juvenile institutions running from pillar to post to secure some resource of normal livelihood soon grow desperate Is it surprising then if an ex inmate turns into a helpless beggar or a desperate criminal, or a pimp or a prostitute? Our system of gathering annual criminal statistics is not equipped to adequately measure the percentage of recidivism of delinquents and ex inmates of these institutions Definitely some of them are forced by circumstances to indulge in nefarious activities including terrorism Years of training in the juvenile institutions and heavy investment in them go waste if the helpless inmates once released cannot be helped to lead lives as normal citizens There can be no other better reason than this to introduce rehabilitation programmes for the needy inmates of juvenile institutions

India is a signatory to the UN declaration on the rights of the child 1989 as well as to the declaration of the world summit for children 1990 Articles 20 22 33 34 35 39 and 40 of the declaration of the rights of the child directly relate to the state's responsibility for reintegrating the parentless children neglected and victimised children, delinquents and refugee children back into their families neighbourhoods and communities Indian Constitution in article 15 (3) specifically empowers the state for promotional discrimination among children for their welfare Rehabilitation particularly of the orphans destitutes and neglected children is a long felt need that needs early action In the current conditions of socio economic development in the country a good way of providing easier and cheaper measures of rehabilitation to the inmates of juvenile institutions seems to be perhaps to extend the existing PAPs to them since most of them come from highly impoverished background

Forging Links

The PAPs which provide resources directly to the poor individuals and families seem much better suited for the purpose of rehabilitating the inmates of juvenile institutions As they are implemented at the present, the integrated rural development programme, the special component programme for the scheduled castes, the tribal sub plan, the training of rural youth for self employment, and the prime minister's rozgar yojana, are quite adaptable for this purpose These programmes provide highly subsidised long-term credit at low interest rates to the eligible poor families for any income generating small industry, business, or service They also provide some linkage to the training input and market networks (*IRDP Manual* Government of India 1992) The inputs basically required for rehabilitation of the inmates of juvenile institutions are as follows

(a) *Common Features* Certain aspects of PAPs are conductive to their easy extension to the juvenile institutions firstly, planning, co-ordination, and control of implementation of the PAPs is done mainly at the district level although their implementation is at the taluka and village levels Incidentally most juvenile institutions are located at or closer to the district headquarters although their inmates come from villages and towns where they are to be reintegrated Secondly the district level officers the district collector and the chief executive officer of the zilla parishad who plan and control the PAPs are also indirectly responsible for the supervision of juvenile institutions This helps easy inclusion of the juveniles into the PAP network Thirdly the PAPs aim to help the beneficiaries to help themselves is precisely the objective in rehabilitating the juveniles

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(b) *Eligibility*: Under the norms of the IRDP which apply to other PAPs as well, the eligibility for assistance is based on the family annual income being below the official poverty line [GOI 1992]. Clearly, most juveniles coming from the poor families qualify for assistance. But since they have not a family in the strict sense of the term, they may be leniently defined as a 'single member family'.

(c) *Age-limit to Major*: As girls are released at the age of 18, they are majors in the eyes of law. But boys being released at 16 have to wait for at least two more years to qualify in terms of age. In the JJ Act there is a provision for extension of the stay of desiring and deserving inmates. Such boys may also be transferred to the existing after-care hostels during this period. The waiting period may be used for placing them in an appropriate trade, business or service outside the institution as an apprentice. Such apprenticeship would help them improve not only their job skills but also skills of inter-personal relation management in the society at large where they have to live on their own after release. The after-care hostels will serve as half-way-houses and the cost during placement may be met out of TRYSEM funds.

(d) *Size of Clientele*: The number of inmates released annually from the juvenile institutions in the states is not too big. Distributed over the districts there would be around 200 to 300 inmates to be rehabilitated in each district. The collective target of all PAPs in each district is in several thousands. Addition of juveniles would not inconvenience the regular target groups too much. Later special quota may be thought of.

(e) *Modalities*: Juvenile institutions and their controlling department may have to be linked to the PAP implementing arrangements at the state, district, taluk and village levels. Major burden of planning rehabilitation for each inmate in advance, consolidating all individual proposals at the institution level, and later at the district level will have to be borne by the controlling department. It shall also shoulder the responsibility for periodic monitoring, supervision and co-ordination at various levels with the help of district level officers and committees. These tasks necessitate reorientation of the controlling department with adequate training, staff and information network.

The model of rehabilitation presented here has the advantage of being very economical since no heavy additional financial outlay or huge staff is necessary to implement it. It uses the available resources and existing decentralised agencies for rehabilitating inmates in the immediate social network wherever possible. Through co-ordination and linkages between the juvenile institutions and the PAP implementing machinery the major goals of effective rehabilitation of needy juveniles may be achieved, where none exists at the present.

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Vietnam: Twenty Years After

M S Shivakumar

Twenty years after the fall of South Vietnam to socialist North Vietnamese forces, the normalisation of US-Vietnam relations still depends on the resolution of several contentious issues, the most important of which is the tracing of US prisoners of war personnel missing in action.

IN the decades following the second world war the name 'Vietnam' came to signify either a brutal jungle war zone or a spectacular failure of American power – or both. These standard images were captured in half-a-dozen motion pictures, several television drama serials, countless university courses and hundreds of books about Vietnam that captivated audiences around the globe. Most of these descriptions portrayed Vietnam as a nightmare land where American boy soldiers were assailed by faceless, ruthless guerillas, a symbol of hardline communism, where the party brooks no dissent and cuts itself off from the mainstream of the world; a country so forbidding that thousands of 'boat people' have risked their lives in flimsy craft on the open seas to escape it. That war was over sometime in April 1975.

The Vietnam war lasted some 30 years, killed three million people or more. It featured sieges, set-piece battles, guerilla clashes, the most intense aerial bombardment in history, terrorism and much more. The US lost about 56,000 servicemen and a few hundreds were found 'missing in action' Vietnam lost hundreds of thousands of people; presently, it has about 6,00,000 war invalids among northern veterans and two million civilians who suffer from the 'war trauma". Even today any visitor to North Vietnam observes lot of evidence of destruction and torment the place endured, either physically or among the people Vietnam has spent two decades caring for the war invalids and will probably spend more time in the future too.

In April 1995, Vietnam celebrated the 20th anniversary of its victory over Uncle Sam and the ceremonious integration of south and north regions into one nation. The government formally declared a name for its April 1995 celebrations titled 'The 20th Anniversary of the Complete Victory in the War of Resistance Against US Aggression for National Salvation'. Party newspaper appealed to the citizens "to observe the anniversary quietly; we show to the world that now we are a nation with pride". Behind such an appeal there were traces of concern that if they make a huge spectacle out of this anniversary, it will only serve to make the world continue to think of Vietnam only in terms of the horrible war. The party newspaper, in its run up to the 20th anniversary celebrations, summarised the general feeling among the masses thus: "When we hear the firecrackers explode on the anniversary, we will feel happy about our victory, the victory of Uncle Ho Chi Minh and the Vietnamese Communist Party But also on this day we will light incense for the dead, and we will feel so sorry for all our dead comrades".

Twenty years after the fall of South Vietnam to socialist North Vietnamese forces, xenophobia on the part of the leadership in Hanoi and a US-led campaign to isolate Vietnam internationally resulted in a sharp reduction in the quality and quantity of information available on Vietnam, especially that which transcended the narrowly political. To understand the lessons that we learned from the Vietnam war in the present day context one can look at what remain as the contentious issues in 1995 between Vietnam and US. As a background two key efforts are to be kept in mind: towards the end of the 1980s the Hanoi government began trying to reduce Vietnam's international isolation, in part by opening the country's doors to foreign visitors. Around the same time, the new spirit of co-operation that has come to characterise superpower relations started having an impact on Indochina, resulting in perceptible shift in US policy towards Vietnam in 1990.

In February 1994, Washington ended an economic embargo on Hanoi imposed in 1964 after it entered the war. They established formal links and opened diplomatic missions in 1995 and full relations look likely in the next year or two. Vietnam says it's time to bury the past and for the US to realise that "Vietnam is a nation, not a war". Vietnam could not have achieved its present international 'acceptability' without US approval when Washington took steps to lift its *de facto* ban on International Monetary Fund and World Bank assistance in July 1993. The US did not object when other governments, led by France and Japan, offered to repay Hanoi's IMF arrears, clearing the way for new loans. The IMF, World Bank and the Asian Development Bank have since approved over one billion dollars in aid for roads, ports and other projects vital to Vietnam's drive for growth. Rich nations have pledged 3.8 billion dollars in aid to Hanoi in the past two years. Business executives from the west and 'tiger' neighbours from Asia are falling over each other to explore investment, manufacturing and sales prospects in Vietnam; the US ranks eighth among Vietnam's foreign investors, with 30 investment licences, totalling 500 million dollars. In addition to big names like IBM, Pepsi and Coca Cola, scores of smaller US investors are now exploring possibilities for trade and investment in Vietnam.

Contentious Issues

From the very beginning, the normalisation of US-Vietnam relations had a strong domestic undercurrent, even when the ostensible issues were global and strategic These domestic elements of the relationship are complex, but boil down to two key issues. The first was the post-war prisoners of war/missing in action [PoW/MiA] issue, which was domestically driven, and eventually overshadowed by other aspects of the relationship. The second was the reparations of the war to Vietnam as an entitlement especially environmental destruction that was caused during that decade long battle The fact that the relationship largely comprised of the projections of American internal concerns also helps to explain as to why the path it travelled has been littered with specific conditions or performance criteria. The implications of this trend for US-Vietnam relations came to light in April 1995, and asserted a legitimate interest in both the form and the internal actions of foreign governments.

Is the MiA matter *en route* to resolution at long last? Vietnam has played its cards quite masterfully, albeit, sometimes causing involved Americans to suggest privately that an element of deception, at least in the past. Very few knowledgeable Americans believe that there are any living PoWs in Indochina, or that they have been there in the recent past. But understandably, MiA families are not easily persuaded, especially when stories surface repeatedly that raise hopes. Yet as the slow removal of American embargo intensifies, Vietnamese officials have been increasingly forthcoming, and the issue is receding.

According to latest figures, 1,619 US servicemen are still listed as missing in action from the conflict in Vietnam. A further 501 are listed in Laos, 77 in Cambodia, and eight in China. Since its establishment in September 1988, the US MiA/PoW Task Force and its local counterpart, the Vietnamese Office for Seeking Missing Persons, have conducted 35 rounds of searches, comprising hundreds of individual field visits, at an estimated cost of US $ 100 million annually. This effort is split into four parts: 'discrepancy cases' or instances where a missing US serviceman was last reported

alive, but has since disappeared; trilateral searches involving teams from the US, Vietnam and Laos in areas under North Vietnamese control during the war, the returning of remains, and access to Vietnamese documentation which the US authorities believe could help solve the fate of those still missing An US spokesperson recently agreed that extensive efforts made by the Vietnamese authorities in reducing the number of discrepancy cases down from 200 to around 50 and in trilateral searches Washington continues to be dissatisfied with progress in the return of the remains and access to documentation

Robert Destatee chief of Archival Research Activities for the Task Force in Hanoi in a recent interview to the press [during the anniversary celebrations] disagreed with such views 'Some believe that the Vietnamese have not done enough in this field others such as myself believe they have made a good faith effort and have shared what they have with us There is an unrealistic expectation on the part of some US analysts as to the quality and quantity of documents that the Vietnamese have While they are basically accurate many of the documents share the same problem as ours in that they tended to over inflate their estimates of the casualties they inflicted on the enemy

Such statements were not well received by the ex servicemen and their supporters in the US who allege that thousands of Americans are still languishing in prison camps across Indochina In fact on June 3 1995 Reuters news agency reported from Hanoi as follows Bill Hendon a US activist on the issue of servicemen missing from the Vietnam war turned up in Hanoi this weekend sparring with the US officials and saying he had information showing there were still live US prisoners of war in Vietnam However Col Melvin Richmond, head of the Hanoi detachment of the Joint Task Force Full Accounting denied this but offered to thoroughly investigate the descriptions if Hendon provides complete information of his claims However, Hendon refused to handover information that he claimed to hold Later Col Richmond expressed his despair of the situation Comment was not immediately available from Vietnamese authorities, who in the past have accused American MIA activists of trying to obstruct improving US-Vietnamese relations "Thus, the servicemen lobby and activists have mounted a highly visible campaign which reportedly includes boycotts, threatening letters and telephone calls to US corporations considering doing business in Vietnam, and more recently, publicising their cause on the Internet Though persons like Destatte and others dismiss such claims and argue that most of the documents seized from the North Vietnamese were screened for any evidence of live PoWs/MIAs, they also claimed to have interviewed over a quarter of a million prisoners and had battalions of people monitoring their communications In the last few years, MIA Search teams have also visited every district in the country, some more than once, and investigated thousands of live sighting reports, none of which have proven to be accurate If there were any prisoners other than those who have returned to the US, it is inconceivable that the search team would not have known However, MIA issue remains as a determining factor in US-Vietnamese relations

On its part Vietnamese wait for US accounting of defoliant war More than one million hectares of tropical rainforest and 50 000 hectares of ecologically vital mangrove forest were destroyed by the US s saturation spraying of defoliants especially Agent Orange' designed to strip bare the jungle habitat of Viet Cong guerrillas The unprecedented ecological devastation remains one of the most bitter legacies of the Vietnam war Since 1975 an international body of scientists have also been studying the mounting evidence that human exposure to herbicides has led to a series of health problems including damage to the nervous system, increased risk of cancer and birth deformities

Vietnamese forestry expert Thai Van Trung who has been studying the herbicidal catastrophe since 1975 concluded in a research study that 72 3 thousand million litres of herbicides mainly Agent Orange were sprayed on 10 per cent of South Vietnam between 1960 1971 destroying over one million hectares of tropical semi evergreen forests that amounts to 15 million cubic metres of timber with a commercial value of one billion dollars and regeneration is impossible as it would need 100 years for the soil to fully recover We have noticed climatic changes an abnormal increase in the number of typhoons and floods which has seriously hampered our development ' [*The Nation* May 1 1995] Arnold Schecter of Syracuse University studied the harmful effects of toxins from herbicides on human beings and concluded that there is a clear correlation between exposure to Agent Orange and abnormally high incidence of some types of cancer Endocrine abnormalities were also found in US veterans involved in spraying the chemicals Higher dosage levels have resulted in damage to the nervous system During the 1970s blood tests in Vietnam on people in the south who were known to be exposed to the chemical spraying showed levels of dioxin 900 times higher than Vietnamese who lives in the north Schecter's most recent research on the results of 1995 testing of dioxin levels in the blood (*American Journal of Public Health*, April 1995) notes that southerners still have dioxin levels up to 50 times higher than their compatriots in the north, he also wrote that although most Agent Orange studies have focused on American veterans many Vietnamese had much greater exposure The Vietnamese lived in rural areas, wore open sandals, and while working in the fields were likely to eat contaminated food and drink contaminated water By contrast US veterans generally served in Vietnam for only a year, and consumed US-supplied food

This medical evidence has enabled many US veterans to win lawsuits against the herbicide manufacturers In the later 1970s thousands of US veterans launched a class action claiming they were harmed by contact with dioxin The lawsuit claimed a grand total of US $ 40 billion in damages While the defence contractors blamed the Pentagon and argued that they were not made aware of the military application of herbicides and their long-term consequences and only the Pentagon had conducted this kind of research, the US government denied responsibility Eventually the two herbicide manufacturers settled the lawsuit for US $ 180 million but have subsequently gone out of business trying to settle further individual claims On April 3 the Supreme Court of US agreed to hear their appeal that the responsibility rests with the US government and that the US defence department should reimburse all the damages and costs shelled out to the many plaintiffs

No doubt Hanoi will watch with great interest the Supreme Court ruling expected sometime after October 1995 However the fact that herbicide companies have been forced to accept the medical and scientific evidence has interesting implications for a vastly greater number of potential Vietnamese plaintiffs which could one day become a test case in international law

The after effects of Vietnam War are not only felt among the two major contenders but also among other war allies of US like South Korea, Australia Thailand and the Philippines For example, after Seoul agreed to send troops in July 1964, more than 3 00,000 soldiers fought alongside their American and South Vietnamese allies against North Vietnamese troops Nearly 5 000 died and 20,000 were wounded and three were reported missing in action But 20 years later, Agent Orange has left a deep scar on a nation that paid a debt of gratitude to US in the jungles of southeast Asia South Korea is now grappling with those veterans affected by toxic chemicals the US poured like killer rain across the Vietnamese jungles In March 1995, a new association was formed in Seoul to represent the cause of South Korean victims of Agent Orange This association recently argued that We fought a tough war but the money earned by us

paid by the US government, has made a major impact on reviving the moribund South Korean economy, recovering from its own bitter war against communism a decade earlier " Such macro-economic benefits are lost on the war veterans, who are determined to seek compensation from the South Korean and US governments and the US producers of Agent Orange

However since 1975 Washington has either ignored or refused all Vietnamese claims whether war reparations, compensation or any kind of aid Even NGO humanitarian aid used to be blocked by the US government until last year when the US trade embargo was finally lifted The MIA issue has been used to drown out all other issues between the two nations with the US government insisting on a 'full accounting of all US servicemen classified as 'missing in action' as a prior condition before humanitarian aid can be considered While US policy makers claim this as an humanitarian issue, in reality this full accounting is a 'political weapon'

While the US government s MIA campaign for 'full accounting of American dead in the Vietnam War has largely diverted attention away from the colossal suffering inflicted on the civilian population – the issue of compensation or at the very least humanitarian aid for those affected by the Agent Orange' and other victims of chemical warfare is far from resolved In April 1995 at the 20th anniversary celebrations of the American War, General Tran Van Tra the top commander of the Viet Cong forces in the south reminded the world Vietnam has not dropped its claims for compensation it is logical that those who committed these actions against us should compensate us It is up to the American conscience to make amends

But since the end of the Cold War Vietnamese war claims have been put on the back burner in order to promote better relations the lifting of the US trade embargo and it is hoped that the establishment of full diplomatic relations in the near future While Washington still insists on full accounting of all US servicemen missing in action in Vietnam as a precondition for full normalisation Vietnam despite its very substantial claims puts no prior conditions on the establishment of diplomatic relations It is obvious that many Vietnamese war veterans feel somewhat exasperated by the one sidedness of the relationship General Tran Van Tra who led the Tet offensive of 1968 and is today the vice president of Vietnamese War Veterans Association argued in a recent interview that It is logical that if the US would like to get a full accounting then they should take into account the hundreds of thousands of Vietnamese MIAs it would be better if they would help us to get a full accounting of our own MIAs

The final battle of the Vietnam War will now be fought in Washington, and more crucially, in the larger political arena. Resolving the last issues of the Vietnam War agenda will depend on political decisions made based on 'economic security' concerns of America more than diplomatic negotiations with Vietnam, i e, domestic economic agenda and a more assertive trade policy The concluding chapter of the Vietnam War will be marked by specific decisions that will move the relationship dominated by the legacy of war-time concerns to a true post-war era This will be marked by the termination of the embargo, establishment of full diplomatic relations, and resolution of outstanding claims left over by the war

On the Vietnamese side, the policy context of US-Vietnam relations is somewhat different For Vietnam the situational logic of pursuing normalisation [illegible]

But like the US, Vietnam's policy makers do not have a free hand. There are clear tensions between the 'open door' measures required of an economy moving to take advantage of the dynamic regional growth that surrounds it, and the desire of some sectors of the government to sharply restrict the non-economic influences that may enter through the open door Countries like Vietnam whose policies have largely been shaped by external security threats and challenges will also find that the relationship of domestic to foreign policy is rapidly shifting In that context, the boundary between domestic and foreign policy is being eroded by intensified global interdependence One implication of this development is that the world is being brought closer to home, and that foreign policy will not be as 'foreign' as it once was In reverse, foreign policy issues are increasingly driven by domestic [illegible]

Free Press and *Realpolitik*

Robi Chakravorti

The practice of realpolitik *in modern times involves not only the covert and overt use of forces as an integral part of coercive diplomacy, but also, its shrewd application shaping the timing and the nature of news flow in the media*

A NUMBER of startling revelations of past atrocities by some of America's allies and client states appearing recently in the US media illustrate the limitations of the nature of free press and freedom of expression The press is free to publish reports and commentaries but the question arises whether some of the accounts labelled as 'investigative reporting' on the dirty politics lead to a critique and awareness of the overall picture and thereby act as corrective to wrongs or turn into episodes of cursory acts of deviance or of worthless memorabilia

Reports appearing in the press in late March and April dealt with the murder of an American woman's Guatemalan husband who was a leftist rebel The reports charged the murder to a Guatemalan colonel who was in the payroll of the CIA It took her over three years to get the government to investigate the incident Her actions involved a 12-day long hunger strike in front of the American embassy in Guatemala The alleged assassin of her husband was also involved in the killing five years ago of an American citizen who happened to have stumbled into a smuggling operation involving the Guatemalan army Investigative reports of this type of atrocity reflect one side of the operation of the free media in the US The free press occasionally exposes misdeeds like this one – reports of the murder of four churchwomen in San Salvador were published in the media 14 years ago However, reports of this type of incident are the tip of several icebergs of dirty politics conducted by the US in the name of 'national interest' and it is questionable whether the hidden structure of the long-standing practice of dirty politics is revealed so that it can be corrected

Guatemala, for instance, has for long been a target of Washington's blatant policy of intervention One such revealing incident is the overthrow of the legally elected head of the Guatemalan state, Jacobo Arbenz in 1954 by a Guatemalan colonel named Armas who was financed and armed by the US Arbenz's crime' in the eyes of the US government, was his plans for drastic social reforms which included distribution of Guatemala's plantation land owned by the United Fruit Company to peasants Colonel Armas, after coming to power returned the Arbenz-expropriated lands and permitted plantation owners to cut down wages by about 30 per cent

If atrocities are committed by America's allies and client states which do not involve Americans directly, the incidents are either played down or do not excite adequate political reaction The culprits and their

actions are either presented as isolated cases of deviance or as wrong acts which are forgiven and for which culprits are not punished

The first type of misdeeds seen as isolated acts committed by groups with which Washington has been covertly and overtly associated is exemplified by the killings in Guatemala mentioned earlier Another recent example is the report in the press of the assassination of an opponent of president Aristide of Haiti shortly after the assassination of a legislator who was a supporter of Aristide These two reports appeared in the press but the historical context of the American support of the long-standing military and thug style dictatorship in Haiti is not generally focused on these reports Aristide is a radical politician who came to power after winning 67 per cent of votes but was overthrown in a military coup soon after Since the coup four years ago, according to an account by Chris Tilly who went to Haiti with an observers delegation two years ago about 10 000 people were killed by the military junta many leading members of which were trained by the CIA Targets of the killing were of course the critics of the dictatorship One such target was an important businessman of Palestinian ancestry Antoine Izmery who was very critical of the US In a report published four years ago he colourfully described Haiti as a whore a safe house for bandits with a Mafia organisation controlling it and the boss of the Mafia is the United States He was assassinated in 1993 by army attaches after he was dragged out of a church service attended by UN and OAS observers commemorating the victims of earlier massacre The official Catholic Church which supported the pre Aristide dictatorial regime of Duvalier kept silent about the murder The plotters of the coup which overthrew Aristide organised all these killings and yet none has yet been punished Its leader General Raul Cedras was even honoured by former US president Carter Criticisms of this action by Carter have appeared in the US media, but it is unlikely that Cedras will ever face a trial for his misdeeds

These are two instances of recent acts of misdeeds performed by the US client states in Latin America Such reports do appear in the free press of the US triggering occasional criticisms which do not however lead to any basic policy or attitude change While the so-called facts presented in the free press from time to time about such atrocities are certainly welcome, if these are not seen in the context of political history they can be described as 'factoids' not facts, to use a word writer Normal Mailer used sometime ago

Recent revelations of the past acts of atrocity committed by America's two democratic allies constitute another species of investigative reporting which deserves notice for a critical evaluation of the dynamics of the hide-seek and forgive-forget approach which control the selective attention or inattention as the free press operates If someone not considered to be America's ally or client state had committed the type of atrocity cited below as examples such acts would be more strongly condemned in the media, and by officials in sharply derogatory terms and would have ended in strong official action To strengthen the justification for the Gulf war, George Bush for example, labelled Saddam Hussain of Iraq as a Hitler

Two cases of forgive-and-forget approach are submitted as illustrative examples The first is the recent acknowledgement by the president of Taiwan that when the Chinese led by Chiang Kai shek began to settle in the island in 1947 they massacred over 30,000 native Taiwanese The report appeared as a short two paragraph news item in *San Francisco Chronicle* with the headline 'Taiwan Leader's Apology for Massacre The Taiwan president acknowledged his personal involvement in the event Here is an apostle of Chinese 'democracy which was presented as an angel against the communist devil in mainland China until recently This act of atrocity is unlikely to be dramatised in the American media even if it is, it will receive only academic attention unless it serves the national interest' or interests of powerful ethnic or political lobby groups linked with the 'national interest

A case study in support of this viewpoint is the report of a dirty act by a prominent ally of the US with strong lobby influence on American politics and media It was described in a recently published book *A Death in Jerusalem* by Kati Merton The book describes in detail an act of atrocity committed by a prominent US ally Israel This act committed 47 years ago is generally ignored in the US press In 1948 Count Folke Bernadotte a Swedish UN mediator was assassinated by a Jewish gang in Jerusalem Prominent Israeli politicians such as one-time prime minister Yitzak Shamir were associated with the gang According to the book Shamir selected Bernadotte's assassination squad led by a trigger man named Yehoshua Cohen The then prime minister of Israel Ben Gurion must have known about the murder plot According to the book, he went through the motion of outlawing the Jewish Stern gang accused of killing Bernadotte and ordered scores of its members to be arrested But, within five months, he declared an amnesty and released them all, including Cohen What is startling is that Ben Gurion after his retirement from politics, moved into a kibbutz where one of his closest friends was Cohen, the murderer of Bernadotte

One way of looking at the report of this atrocity and its discriminatory neglect in the US media is to treat it as an illustration of the saying that one country's terrorist is another country's freedom fighter Another way to view this in the context of the current rhetoric of democracy and differential treatment of violence in terms of Uncle Sam's 'national interest' is to take a *realpolitik* approach to dirty politics in the context of ideological chaos resulting from the changes in the political scene the world over In this respect a statement by W G Runciman in his *Social Science and Political Theory* deserves mention In the book published over 30 years ago, he graphically described the contrast between the acts of violence by the left and the right When the left resorted to coercion, he wrote, it is to hasten the advent of promised paradise When the right resorts to coercion, it is part of the natural order of things "a way of maintaining order among poor and unruly creatures, and training them to act in a manner alien to their mediocre nature' The last part of the sentence is quoted from *The Origins of Totalitarian Democracy* by J L Talmon

Talmon's book was published in 1952 long before Jeane Kirkpatrick used the terms totalitarianism and authoritarianism distinguishing the radical types of political control which were condemned from the non radical types which were supported as necessary steps towards democracy and rule of law two phrases which have acquired almost scriptural value in contemporary American political rhetoric Her article was published in the neo conservative magazine, *Commentary* and reported to have supplied the ideological support for the US covert and overt acts of dirty politics during the Reagan and Bush era

With little organised countervailing power in the world scene today such US acts are likely to continue in a freewheeling manner justified by the political attitude of *realpolitik* which may receive occasional notice and criticism in the free press but are unlikely to be restrained by the public opinion One must also add that the writers and editors of the free press can be the target of a form of dirty politics of clever coercive control Many journalists reporting events in Vietnam Nicaragua San Salvador Panama and Gulf war for instance have complained that they were either denied correct information or faced 'friendly fire if they brought forward information which contradicted what the government and its political allies and supporters in the US and abroad pronounced The practice of *realpolitik* in modern times involves not only the covert and overt use of force as an integral part of coercive diplomacy but, also, its shrewd application shaping the timing and the nature of news flow in the media

ING BANK

INTERNATIONALE NEDERLANDEN BANK N.V.

(BOMBAY BRANCH)

(Incorporated with limited liability in the Netherlands)

BALANCE SHEET AS AT 31ST MARCH, 1995

(Rs in '000s)

	Schedule No	As on 31 3 95
CAPITAL & LIABILITIES		
Capital	1	313,340
Reserves & Surplus	2	0
Deposits	3	111,787
Borrowings	4	0
Other Liabilities & Provisions	5	4,822
TOTAL		429,949
ASSETS		
Cash and balances with Reserve Bank of India	6	19,425
Balances with banks and money at call and short notice	7	90,346
Investments	8	50,015
Advances	9	49,916
Fixed Assets	10	39,693
Other Assets	11	141,850
Loss as per Profit & Loss Account		38,704
TOTAL		429,949
Contingent Liabilities	12	257,511
Notes to Accounts	17	

Notes and schedules to the accounts form an integral part of the Balance Sheet

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995

(Rs in '000s)

	Schedule No	Year Ended 31 3 95
I. INCOME		
Interest Earned	13	10,598
Other Income	14	1,454
TOTAL		12,052
II. EXPENDITURE		
Interest Expended	15	1,386
Operating Expenses	16	49,317
Provisions and Contingencies		53
TOTAL		50,756
III. PROFIT/(LOSS)		
Net Loss for the year		(38,704)
Profit/loss(–)brought forward		0
TOTAL		(38,704)
IV. APPROPRIATIONS		
Transfer to Statutory Reserves		0
Transfer to Other Reserves		0
Transfer to Government/ Proposed Dividend		0
Remittance to Head Office		0
Excess tax provision written back		0
Excess depreciation written back		0
Balance carried over to Balance Sheet		(38,704)
TOTAL		(38,704)
Notes to Accounts	17	

Notes and schedules to the accounts form an integral part of the Profit and Loss Account

As per our report of even date
For and on behalf of
HARIBHAKTI & CO
Chartered Accountants

Sd/-
Chetan Desai
Partner

Place: Bombay
Dated: 6 July 1995

For INTERNATIONALE NEDERLANDEN BANK N V.

Sd/-
S D NAYYAR
Chief Executive Officer – India

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INTERNATIONALE NEDERLANDEN BANK N.V.

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SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

	(Rs in '000s) As on 31.3.95
SCHEDULE 1- CAPITAL	
Capital (The Amount brought in by Bank by way of start-up capital as prescribed by RBI)	313,340
TOTAL	313,340
Note: Amount of Deposit kept in S.G.L. account with the RBI under S. 11(2) of the Banking Regulation Act, 1949 is Rs. 20,00,000/-	
SCHEDULE 2 - RESERVES & SURPLUS	
I. Statutory Reserves	0
Opening balance	
Additions during the year	
Deductions during the year	
II. Revenue and Other Reserves	0
Opening balance	
Additions during the year	
Deductions during the year	
III. Balance in Profit and Loss Account	0
TOTAL	0
SCHEDULE 3 - DEPOSITS	
A.I. Demand Deposits	
(i) From Banks	0
(ii) From Others	1,563
II. Savings Bank Deposits	328
III. Term Deposits	
(i) From Banks	0
(ii) From Others	109,896
TOTAL	111,787
B. (i) Deposits of branches in India	111,787
(ii) Deposits of branches outside India	0
TOTAL	111,787
SCHEDULE 4 - BORROWINGS	
I. Borrowings in India	0
(i) Reserve Bank of India	
(ii) Other Banks	
(iii) Other Institutions and agencies	
II. Borrowings outside India	0
TOTAL	0
Secured borrowings included in I and II above - Rs Nil	
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS	
I. Bills Payable	795
II. Inter-office adjustments (net)	0
III. Interest accrued	976
IV. Others (including provisions)	3,051
TOTAL	4,822
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA	
I. Cash in hand (including foreign currency notes)	2
II. Balances with Reserve Bank of India	
(i) In Current Accounts	19,423
(ii) In Other Accounts	0
TOTAL	19,425
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	
I. In India	
(i) Balances with Banks	
(a) In Current accounts	5,306
(b) In Other Deposit accounts	0
(ii) Money at Call and Short notice	
(a) With Banks	0
(b) With Other Institutions	55,000
TOTAL	60,306
II. Outside India	
(i) In Current accounts	1,694
(ii) In Other Deposit accounts	0
(iii) Money at Call and Short notice	28,346
TOTAL	30,040
GRAND TOTAL	90,346

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INTERNATIONALE NEDERLANDEN BANK N.V.

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SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET

(Rs in '000s)

	As on 31.3.95
SCHEDULE 8 – INVESTMENTS	
I. Investments in India in	
(i) Government securities	50,015
(ii) Other approved securities	0
(iii) Shares	0
(iv) Debentures and bonds	0
(v) Subsidiaries and/or joint ventures	0
TOTAL	50,015
II. Investments outside India	
(i) Government securities (including local authorities)	0
(ii) Subsidiaries and/or joint ventures abroad	0
(iii) Other investments (to be specified)	0
TOTAL	0
GRAND TOTAL	50,015
SCHEDULE 9 – ADVANCES	
A. (i) Bills purchased and discounted	0
(ii) Cash credits, overdrafts and loans repayable on demand	49,916
(iii) Term loans	0
TOTAL	49,916
B. (i) Secured by tangible assets	49,916
(ii) Covered by Bank/Government guarantees	0
(iii) Unsecured	0
TOTAL	49,916
C.I. Advances in India	
(i) Priority Sectors	0
(ii) Public Sector	0
(iii) Banks	0
(iv) Others	49,916
TOTAL	49,916
C.II. Advances outside India	
(i) Due from Banks	0
(ii) Due from Others	0
(a) Bills Purchased and Discounted	0
(b) Syndicated Loans	0
(c) Others	0
TOTAL	0
GRAND TOTAL	49,916

(Rs in '000s)

	As on 31.3.95
SCHEDULE 10 – FIXED ASSETS	
I. Premises	
Opening balance	0
Additions during the year	0
Deductions during the year	0
Depreciation to date	0
TOTAL (I)	0
II. Other Fixed Assets (including Furniture and Fixtures)	
Opening balance	0
Additions during the year	44,942
Deductions during the year	0
Depreciation to date	(5,249)
TOTAL (II)	39,693
NET BLOCK (I + II)	39,693
SCHEDULE 11 – OTHER ASSETS	
I. Inter-office adjustments (net)	0
II. Interest accrued	3,611
III. Tax paid in advance/tax deducted at source (net)	46
IV. Stationery and stamps	0
V. Non-banking assets acquired in satisfaction of claims	0
VI. Others	138,193
TOTAL	141,850
SCHEDULE 12 – CONTINGENT LIABILITIES	
I. Claims against the bank not acknowledged as debts	0
II. Liability of partly paid investments	0
III. Liability on account of outstanding forward exchange contracts	0
IV. Guarantees given on behalf of constituents	
(a) In India	113,824
(b) Outside India	1,260
V. Acceptances, endorsements and other obligations	106,298
VI. Other items for which the bank is contingently liable	36,129
TOTAL	257,511
Bills for Collection Rs. Nil	

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SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Rs in '000s)

	Year Ended 31.3.95
SCHEDULE 13 - INTEREST EARNED	
I. Interest/discount on advances/bills	3,636
II. Income on investments	734
III. Interest on balances with Reserve Bank of India and other inter-bank funds	5,725
IV. Others	503
TOTAL	10,598
SCHEDULE 14 - OTHER INCOME	
I. Commission, exchange and brokerage	2,174
II. Profit on sale of investments	33
Less: Loss on sale of investments	0
	33
III. Profit on revaluation of investments	0
Less: Loss on revaluation of investments	0
	0
IV. Profit on sale of land, buildings and other assets	10
Less: Loss on sale of land, buildings and other assets	0
	10
V. Profit on exchange transactions	207
Less: Loss on exchange transactions	(970)
	(763)
VI. Income earned by way of dividends etc. from subsidiaries/companies and/or joint ventures abroad/in India	0
VII. Miscellaneous income	0
TOTAL	1,454

(Rs in '000s)

		Year Ended 31.3.95
SCHEDULE 15 - INTEREST EXPENDITURE		
I. Interest on deposits		1,360
II. Interest on Reserve Bank of India/ Inter-bank borrowings		0
III. Others		26
TOTAL		1,386
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees		15,807
II. Rent, taxes & lightings		2,519
III. Printing & stationery		808
IV. Advertisement & publicity		6,392
V. Depreciation on Bank's property		5,249
VI. Local advisory board fees, allowances and expenses		0
VII. Auditor's fees		200
VIII. Law charges		107
IX. Postage, Telegrams, Telephones, etc.		4,195
X. Repairs & Maintenance		168
XI. Insurance		151
XII. Other expenses		
Office expenses	3,267	
Software expenses	1,325	
Clearing charges	485	
Memberships	2,101	
Subscriptions	2,274	
Professional services	1,388	
Travel expenses	1,526	
Conveyance	643	
Other-Material	159	
Representation	179	
Others	374	
		13,721
TOTAL		49,317

ING BANK

INTERNATIONALE NEDERLANDEN BANK N.V.

(BOMBAY BRANCH)

(Incorporated with limited liability in the Netherlands)

(In Thousands of Indian Rupees)

Schedule 17: Notes to the Financial Statements for the Year Ended March 31, 1995

1. **Significant Accounting Policies**

(a) **General**

The accompanying financial statements of Internationale Nederlanden Bank N.V. – Bombay Branch ('the Bank') are prepared under the historical cost convention and conform to the statutory provisions and practices prevailing within the banking industry in the country.

(b) **Transactions involving foreign exchange**

(i) Monetary assets and liabilities in foreign currencies including foreign currency non-resident ('FCNR') account balances under the FCNR account scheme are translated at rates of exchange notified by the Foreign Exchange Dealers Association of India ('FEDAI') at the year-end. The resulting profits/losses are included in the profit and loss account.

(ii) Outstanding forward exchange contracts and spot exchange contracts are revalued at rates of exchange notified by FEDAI prevailing at the year end and the resulting profits or losses are included in the profit and loss account.

(c) **Investments**

(i) Classification of investments between permanent and current is as decided by the Management.

(ii) Permanent investments (Investments in Government Securities) are carried at lower of cost (including acquisition cost i e. brokerage paid) or market value and adjusted for amortisation of premium and accretion of discount over the period to maturity.

(iii) The market value of the quoted investments is Rs 50,060/- cost being Rs. 50,015/-. The source of market rate is Reuter's Screen/different foreign banks/N.S.E. indicator.

(d) **Fixed Assets**

(i) Fixed Assets are stated at original cost of acquisition (including taxes, duties, freight and other incidental expenses related to acquisition and installation of the concerned asset) less depreciation.

(ii) The assets are depreciated on the straight-line method at the rates prescribed by Head Office (ING Bank, Netherlands). Depreciation is charged to the Profit and Loss Account on pro rata basis from the month following the date of acquisition. The rates prescribed for each type of asset are higher than the rates specified in Schedule XIV of the Companies Act, 1956.

(iii) Cost of office and other equipment taken over by the Branch from the erstwhile Representative office of the Bank in Bombay have not been recorded in the books. Realization on sale of these assets is booked as Miscellaneous Income.

(e) **Revenue Recognition**

Interest income is recognized on an accrual basis in conformity with the procedure prescribed by the Reserve Bank of India

(f) **Staff Benefits**

(i) The Bank has created a separate recognized Provident Fund for employees. For Gratuity and Superannuation benefits to its employees, the Bank has made payments towards Group policies based on actuarial valuation by the Life Insurance Corporation of India. The Bank is in the process of getting the Gratuity and Superannuation Funds recognized by the Income tax authorities.

(ii) Bonus paid during the year is a contractual payment

(iii) Club memberships include Life Membership fees paid for Corporate members.

(g) **Net Profit/(Loss)**

The Net Profit/(Loss) disclosed in the Profit and Loss account is after providing for Interest Tax in accordance with the statutory requirements and other usual and necessary provisions.

(h) **Prior Year Comparatives**

The previous year figures are not shown as this is the first year of operations of the Bank in India.

(i) **Compliance**

The Bank has taken adequate steps to adhere to the guidelines and circulars issued by the Reserve Bank of India from time to time.

(j) **Advances**

No provision for doubtful advances is required to be made for the year, taking into consideration guidelines issued by the Reserve Bank of India in this respect

(k) **Head Office Administration Expenses**

The Branch has not debited Head Office Administrative Expenditure to its Profit and Loss Account but has claimed the same for tax purposes.

For INTERNATIONALE NEDERLANDEN BANK N.V.

Sd/-
S.D. NAYYAR
Chief Executive Officer – India

Place: Bombay
Dated: 6 July 1995

ING BANK

INTERNATIONALE NEDERLANDEN BANK N.V.

(BOMBAY BRANCH)

(Incorporated with limited liability in the Netherlands)

Auditors' Report on the Bombay Branch of Internationale Nederlanden Bank N.V. under Section 30 of the Banking Regulation Act, 1949

We have audited the attached Balance Sheet of the Bombay Branch of INTERNATIONALE NEDERLANDEN BANK N.V. as at 31st March 1995 and the relative Profit and Loss Account of the Bombay branch of the Bank for the year ended on that date, signed by us under reference to this report.

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section 227 of the Companies Act 1956, the Balance Sheet and the Profit and Loss Account together with the notes attached thereto are not required to be drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are therefore drawn up in conformity with Forms 'A' & 'B' of the Third Schedule to the Banking Regulation Act, 1949.

1. We have obtained all information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

2. The transactions which have come to our notice have been, in our opinion, generally within the powers of the Bombay Branch of the Bank.

3. In our opinion, proper books of account as required by the law have been kept by the Bombay Branch of the Bank so far as it appears from our examination of these books maintained and produced to us in Bombay.

4. The above mentioned Balance Sheet and Profit and Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account.

5. In our opinion, and to the best of our information and according to the instructions given to us, the Balance Sheet and Profit and Loss Account, together with the notes thereon, give the information required by the Companies Act, 1956, as amended in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bombay Branch of the Bank as at 31st March, 1995 and in case of Profit and Loss Account, of the Loss of the Bombay Branch of the Bank for the year ended on that date.

For and on behalf of
HARIBHAKTI & CO
Chartered Accountants

Sd/-
Chetan Desai
Partner

Place: Bombay
Dated: 6 July 1995

Development Critique in Culture Trap

Saral Sarkar

The cultural critiques of development by equating ecology and culture romanticise indigenousness and wrongly blame the west for pitfalls of industrialism.

IN the last 10 years or so, I have read books and papers and heard discussions in which critics of the hitherto dominant models of development (in the following only 'development') have introduced cultural arguments. I share their rejection of development, but I am very unhappy about what they say regarding traditional and/or indigenous cultures. I am afraid they are supporting in this way, without perhaps being aware of it, movements that are harming mankind.

Cultural Approach

I think we must now talk of two approaches to the critique of development: (1) the cultural and (2) the ecological-economic-political. The protagonists of the cultural approach do not wholly ignore the other approach. But it appears to me that for many of them, the main evil in development is that it destroys or suppresses the traditional/indigenous cultures of the south.

Wolfgang Sachs[1] maintains that the west[2] has in 1949 arbitrarily declared the peoples of the south to be underdeveloped and poor and then imposed or palmed off on them the idea and programmes of development, through which the whole world was to be made one unit and the ways of life of the various peoples uniform. This development has, according to him, caused the evaporation of cultures and languages and destroyed the modest/contented subsistence economies of the traditional cultures. The result of all that, according to him, is that these peoples have not only become poor but have also lost their cultural identity.

For Sachs, the slogan "one world" is a horror because it endangers the "self-willed ways of living and understanding", and because it restricts the space for self-determination and autonomy of the peoples of the world. He is aware of the dangers to the biosphere and of the logic of the "spaceship Earth". But his love of 'difference' and 'chequeredness' is very strong, and hence it is for him "a sacrilege to design the global space as a united, highly integrated world".

T G Verhelst (1990) brings in a few more points. He speaks of "the right of peoples to be different". Whereas Sachs is even against literacy programmes for tribal peoples who do not have a written language, Verhelst does not oppose development. But he criticises programmes for clapping the western model of development including western technology and culture on the peoples of the south. According to him, that is the reason why many partner groups reject or remain passive towards development projects. He interprets this as a form of resistance against imperialism. He thinks that the "failure to give due recognition to the indigenous cultures is one of the fundamental reasons for the failures and difficulties of 'development' work. He demands respect for all cultures and thinks that those NGOs which understand development work as a contribution to liberation should consider indigenous cultures as the foundation of development.

Such views have also been expressed in the south. Let me give a few examples from India. Smithu Kothari writes:

> And alongside this biological survival of marginal communities is the continuous threat to the survival of their cultures. The undermining of cultural plurality is thus built into the dominant model of 'progress' [Kothari 1985:8].

For Anil Agarwal and some ecologists of the south, an examination of the cultural and biological diversity of human society resulted in

> an understanding of the essential rationality of each culture, how it had emerged in its own particular ecosystem and the way people had developed social and production systems, behaviour patterns and survival techniques. Once this was understood, there was an immediate respect for all cultures... [Agarwal 1987:351].

I have also read articles and heard lectures in which Indian ecologists have maintained that India's religious and/or cultural heritage had the effect that the economy of ancient (or pre-colonial) India was very ecological and that 'Ahimsa' (non-violence) and 'Dharma' (right conduct) were/are parts of that heritage.

In the most recent article that I have read on this subject, S Kappen demands that "the right to... culture identity must be affirmed as a fundamental human right". He regrets that "neo-colonialism has a bridgehead in the denationalised sections of the middle classes..." and asserts that "a development that consists in the satisfaction of our... needs (he describes these needs with rather philosophical concepts as "ecotic, poietic, societal and noietic") will necessarily be culture-specific, that is, it will be one that reflects our conceptions and values and dreams and visions". In his opinion, "culture must body forth not only into the political organisation of society", but also into science. Our "approach to western science and technology" must be 'selective', "whatever science and technology we learn from outside must submit to the superior claim of our indigenous wisdom".

Cultural Identity Trap

The foregoing section is necessarily short and only approximately representative summary of the views I want to criticise here. It only illustrates a trend. It is not as if all the authors and speakers who represent this trend say exactly the same things. It is not always clear, firstly, whether the author or speaker means only the traditional cultures of the tribal and marginalised peoples or also those of the majorities among the various peoples of the south. And, secondly, it is not always clear whether one means by traditional culture the views and ways of life expressed and recommended in the ancient holy and philosophical texts or (also) the cultures *actually practised* in the past or the present. I have the impression that everything can be meant that is not western or westernised.

In order to avoid possible misunderstandings, it must be emphasised that participants in such discussions use the word 'culture' in its social-anthropological meaning, namely, "that complex whole which includes knowledge, belief, art, morals, law, customs, and any other capabilities and habits acquired by man as a member of society". In this meaning, 'culture' includes also "the material organisation of life, i e, social and economic institutions" [Edwards 1967:274].

My main criticism against the cultural approach is that for its rejection of development it uses argumentations which are not only wrong but also harmful, even dangerous in their consequence. Development should be rejected, but not because it is western or foreign. It should be rejected because it is ecologically, economically, politically and socially impossible and/or harmful, and that also in the west. Most

protagonists of the cultural approach would likely agree to the second part of the above statement. But then their cultural approach is at least unnecessary for their rejection of development

But their approach is also harmful – not only because it romanticises traditional/ indigenous cultures and so produces a false image of reality Where it can lead us to becomes clear when we read the following in a report on a conference on the new world order held in Germany (in free translation)

> Hans May, director of the Protestant Academy, agreed that even in the next few decades it would be impossible to equalise the standards of living in the Western and Eastern (former GDR) parts of Germany and accepted the idea that this impossibility should be compensated for by strengthening the regional identities of the Eastern parts He then proposed this as a model for the whole world The impossibility of achieving a standard of living in the South which is approximately equal to that in the North leads us to conclude that the *human rights must be differentiated and regionalised* May cautioned in this connection *against discrediting religious fundamentalism* [*Frankfurter Rundschau*, April 27, 1992]

Here the motive is not respect for all cultures or love of difference, but the fear of the south's aspiration to catch up with the north economically which is ecologically disastrous for the whole world In this connection, it is also necessary to draw attention to the fact that at the Human Rights Conference of the UNO (Vienna, June 1993), all human rights groups from the south insisted on the universality of the human rights Their slogan was "all human rights for all" It is only the rulers of some countries who wanted to reject this universality with the argument of cultural differences Obviously, they are also afraid of the aspirations of their own exploited and oppressed and women to catch up with the rich, the middle classes and the men I am not suggesting that all protagonists of the cultural approach explicitly share Hans May's conclusion But their emphasis on cultural difference and identity leads logically to such conclusions

But even for the development decades it is not wholly correct to say that the north imposed or palmed off its development models and culture on the south Most people in the south gladly accepted development and western culture or at least the greater parts of them In India, a National Planning Committee was constituted already in 1938 at the instance of the Indian National Congress According to a standard book on the history of India,

> broadly speaking, the objectives of planning were 'to raise the general standard of living of the people as a whole and to ensure useful employment for all' by the development of the resources of the country to the maximum extent possible, and by the distribution of national wealth in an equitable manner [Majumdar 1967 969]

And since the early 1980s, i e, long before Sachs and Verhelst published their criticism of western cultural imperialism, some European politicians have themselves been explicitly advising the south not to copy the west, maybe out of the same fear that Hans May has Edgar Pisani, in those days a leading politician of the European Economic Community (EEC) said "Divesting our relations (with the south-SS) of any hint of racism is to affirm we are different and we are going to stay different" [Verhelst 1990] Narducci, the then president of the EEC parliament, spoke of the "pernicious conviction that there exist superior cultures that must be asserted" and demanded 'intercultural dialogue' and "respect for specificity and cultural identity" [Verhelst 1990 149-50] In the Third Lome Convention (1984), also the EEC as a whole promised to 'promote the cultural identities' of the peoples of the ACP countries (former colonies of European powers in Africa and Caribbean and Pacific regions) and opined that development and be "based on their cultural and social values" [Verhelst 1990 150]

What brutalities and oppressions religious fundamentalism can lead to, we have seen in parts of the Islamic world, but also in India Think of the Babri masjid and its aftermath One could now argue that the cultural approach does not mean a religious approach But religion is a very important element of culture Cultural identity is, therefore, to a large extent religious identity Verhelst has explicitly subsumed religion in the concept culture And that is correct It does not help at all to obfuscate the matter by introducing unsound differentiations as S Kappen does He regrets

> While, on the one hand, religious revivalism and fundamentalism is cropping up in many parts of the world – which itself is a pointer to a loss of wisdom – people are losing their moorings in authentic religion

What is authentic religion? Is not the Sharia, the Islamic law book, and the decrees of the Popes part of authentic Islam and authentic Catholicism? And who knows what is and what is not authentic Hinduism? Is not the caste system a part of it? In which respects do the respective fundamentalisms differ from authentic Islam, authentic Catholicism and authentic Hinduism? All three have their infidels the Kafirs, the heathens, the Mlechchhas

But it is immaterial what one exactly means by cultural identity, laying emphasis on it causes separation between peoples, nations, ethnic groups, etc Of course, under certain circumstances, it can unite a group of people and so generate some solidarity within the group. But it can do so only by creating separation between this group and the others. Under unfavourable circumstances, the search for identity may easily end in a search for enemies. That can lead to end of peace and generate hatred, war, civil war or communal riots as we know them in India. In North Ireland it is a mixture of religious and national identities, in the former Yugoslavia it is a mixture of ethnic and religious identities, in the former Soviet Union it is a mixture of national, racial and religious identities, in the US it is the racial or colour identity and in India, in addition to all that, it is often also a linguistic one – Bengali, Assamese, Oriya, Tamil, Hindi, etc Of course, in such conflicts, there is almost always a deeper economic cause, but emphasising separate cultural identities makes finding a compromise solution impossible

Particularly for India, the emphasis on cultural identity constitutes a great danger. There is no such thing as an Indian traditional culture There is a Hindu traditional culture, but that is not the traditional culture of the Indian Muslims, a very large minority, or of the Indian Sikhs And there are also Christians, Jains and Parsis in India If S Kappen's idea becomes reality, then it would be Hindu traditional culture that would "body forth... into the political organisation" of Indian society Then it would be the end of the secular Indian state Then we would have created a Hindu Rashtra with consequences that do not need any elaboration

The opportunistic attitude of some in the west (like Hans May) towards religious fundamentalists and cultural and other kinds of identity fetishists will be of no use. For, in economic matters, the latter generally do not value any difference In economic matters, most of them – whether Hindu, Muslim or Christian fundamentalists or Buddhist or Confucian identity fetishists of Hong Kong, Singapore and Thailand – want to catch up with the north and contribute as much to the destruction of the biosphere as the industrial societies of Europe and America It, therefore, does not surprise anybody to see Iranian Ayatollahs processing with computers their holy scriptures in the library of Gom For the north industrial wealth and for the south cultural identity – this new ideology of imperialism is easy to see through

"We are different and we are going to stay different" – this ideology must be rejected for another reason. With it, the Americans can defend their ecologically destructive and exploitative 'American way of life' as their cultural identity With it, the Hindus can defend untouchability and almost all peoples of the world the subordinate status

of women These are/were indeed parts of the respective traditional cultures And in fact, in South Africa, the argument of different cultural and ethnic identities enabled even many liberal and nationalist-Christian whites to support racist Apartheid policies without having to use the discredited term 'race'

There are also people who, of course, reject development for ecological, economic and social reasons, but who, nevertheless, land in the culture trap Here is an example In the Singrauli region of Madhya Pradesh, India, some activists of a movement for defending the interests of the victims of 'development' expressed the view that the only alternative to development is to return to the past They spoke of the glory that was India before the British came They maintained that the villages of ancient and pre-colonial India were a happy world free from exploitation, that there were no famines then, that women then used to be treated as equals of men Although these assertions are all wrong, they are still expressions of some ideals But the culture of ancient India also contained caste discriminations So these romanticists also defended the caste system [Dhagamvar 1985] Another example is S Kappen from whose paper I have already quoted He also convincingly criticises capitalism and industrial civilisation from ecological, political and social standpoints But his solution is also a retrieval of the perennially valid insights of the past whatever that might mean

Alleged Wisdom of Traditional Cultures

One meaning of this phrase of S Kappen perennially valid insights of the past could be the alleged ecological wisdom of the ancients Without doubt most cultures that existed at the beginning of the industrial revolution had found some sort of ecological balance their economy must have been more or less adapted to their ecology Otherwise they could not have survived It is also a fact that in Egypt and parts of China and India peasants have been cultivating the same fields for several thousand years So their agriculture and, generally their way of life must have been ecologically sound They must also have had some ecological wisdom for after all, their livelihood depended to a much larger extent than today on the health of their ecology But they were also blessed by certain circumstances Firstly they did not have the technologies of today nor the fossil fuels with the help of which modern cultures are destroying the biosphere at a rapid rate Secondly the pressure of population growth was much less in those days And thirdly there was enough empty or thinly populated territory to which the part of the population that could not be fed any more could migrate Europe would have been ecologically ruined if America had not been discovered in the 15th century

But archaeologists and historians have unearthed a lot of evidence that shows that also the ancients destroyed their ecology in many parts of the world Only, in their case the process was very much slower than today, so slow that not many individuals could perceive it in his/her lifetime Clive Ponting (1991) gives several examples The Mediterranean region had experienced massive ecological degradation before its present landscape took shape It was due to the relentless pressure of long-term settlement and growing population expressed in deforestation for various purposes and overgrazing One of the main reasons for the collapse of the civilisation of the Mayas (Central America) was ecological degradation The Sumerian and the Indus Valley civilisations declined because of overirrigation resulting in waterlogging and salinisation of the agricultural land In north China, deforestation in the highlands plus agriculture on formerly grass-covered loess soils resulted in massive soil erosion which was the main cause of the often disastrous flooding of the Yellow river (so-called because of the colour of the huge amount of soil it carried)

In present day ecological literature we often read about the ecological wisdom of the peoples of the pre industrial eras One popular example is that of the Bishnois some 300 of whom sacrificed their life in order to protect trees [Tilting 1983] These Bishnois had a material interest to protect the trees that protected their village from the Thar desert of Rajasthan India But it cannot be overlooked that the king the axemen and the workers who wanted to fell the trees also had a material interest to do so viz to get fuel for producing lime which they needed for building a palace It was simply a case of conflict over resources in pre industrial pre colonial India Today also there are such conflicts e g the conflict in connection with the Narmada dams between those who would lose their land and those who would get water for their land In this respect at least there is not much difference between the past and the present except in the matter of tempo Ecologically the past was not more virtuous/wiser than the present

Finally let me quote the evidence of an ancient wise man on the effects of ecological wisdom of the ancients Plato describes the effects of deforestation and soil erosion in ancient Greece as follows

> What now remains compared with what then existed is like the skeleton of a sick man all the fat and soft earth having wasted away, and only the bare framework of the land being left there are some mountains which now have nothing but food for bees but they had trees not very long ago there were many lofty trees of cultivated species and boundless pasturage for flocks Moreover, it was enriched by the yearly rains from Zeus, which were not lost to it, as now, by flowing from the bare land into the sea, but the soil it had was deep and therein it received the water storing it up in the retentive loamy soil and provided all the various districts with abundant supplies of springwaters and streams whereof the shrines still remain even now at the spots where the fountains formerly existed [Ponting 1991 76]

The cases of ecological destruction revealed by archaeologists and historians might perhaps be dismissed by those who romanticise the past as isolated cases Perhaps such cases were really not very numerous But there is no doubt that in all traditional advanced cultures of the world – the Indian-Hindu the Arabic-Islamic the Chinese-Confucian etc, there was always and there is still exploitation and oppression violence and crime We know that in almost all cultures of the world hierarchy class or caste system and patriarchy have condemned large parts of the population to a permanently humiliated existence for no other reason than that they were born in the wrong family or as women And almost all cultures of the world including the tribal ones have waged wars It is not even true that the wise men of the ancient Indian culture were apostles of non violence The entire Bhagavat Gita is in exhortation for fighting a war And historians tell the tale of Hindu colonial and cultural conquests in south east Asia between the second and 16th centuries AD Jainism and Buddhism are non violent religions But they do not forbid economic exploitation of fellow human beings In view of these facts one cannot have respect for all cultures And except in the case of their economies which were probably more or less ecologically sound I do not see any 'essential rationality' in each traditional/pre industrial culture (not to speak of each modern industrial culture) The ancient Hindus did not create their caste system and untouchability in order to adapt themselves to their particular ecology And nowhere in the world did/does the ecosystem make it necessary that men should oppress women

In almost all societies there are (have been) contradictions and conflicts and some of them are (have been) related to cultural values There are (have been) struggles against exploitative oppressive, discriminating values, mores and customs, struggles against superstition and for scientific knowledge And in general, there are (have been) struggles for emancipation No culture deserves wholesale praise or wholesale contempt And all of them are inadequate for the difficult and complex tasks of today Today only dialogue and critical as well as differentiating solidarity are appropriate behaviour in the relations

between peoples belonging to different cultures

To be sure, there are (have been) tribes, among the members of which solidarity and mutual help is/was the norm But this norm is/was never extended to the members of the neighbouring tribes And the same tribes have/had no norm that prohibits exploitation or even massacre of neighbouring tribes (look at the Hutus, Tutsis and the Zulus, for example!) In any case, it is illogical to build up a whole ideology or an alternative paradigm on the basis of a few positive elements in a few exceptional cultures Equally illogical is to quote a few suitable sentences from the rarely read holy and philosophical texts of traditional advanced cultures and then to assert so is/was their culture The Bhagavat-Gita and the Upanishads were/are not expressions of the actually existing Hindu culture Just as little was/is the Sermon on the Mount an expression of the actually existing cultures of the Christians

Theoretical Error

A fundamental theoretical error of the protagonists of the cultural approach is to draw a parallel between ecology and culture They talk of ecological and cultural diversity in the same breath Diversity is absolutely essential and monoculture is very bad for the health of a particular ecology But for the health of a human society, it is not bad if all people in it speak the same language or wear similar clothes or worship the same God There is another difference A mango tree will not grow in Europe and an apple tree in south India But Christianity has thrived in the Philippines and Yoga has become very popular in Europe We have to oppose genetic engineering because of its dangers An artificially created bacteria may multiply and spread uncontrollably and cause irreparable ecological damages But an artificially created cultural or social institution can be abolished or counteracted if it proves to be harmful (whether the political decision to do that will be taken is another question)

Lewis Mumford one of the major philosophers of the eco-alternative movements in Europe and America, gives another reason for preserving the traditional (he says national and regional) cultures He wrote

> One of the great benefits of individualised national and regional cultures is that, if the opportunities are consciously seized, these potential alternatives can be experimented with under varied conditions and their advantages compared Any philosophy of history that takes account of natural and human diversity must recognise that selective processes in nature have reached a higher stage in man, and that any mode of organising human activities, mechanically or institutionally, which limits the possibilities of continued trial, selection, emergence, and transcendence, in favour of a closed and completely unified system, is nothing less than an effort to arrest human cultural evolution [Mumford 1970 159]

This is not convincing Firstly, he is reducing the national and regional cultures to the status of guinea-pigs to be experimented with Secondly, the argument here sounds like we should have a culture bank just like we should have a gene bank Neither is a very respectful attitude to other cultures And thirdly, it is the protagonists of the cultural approach who are trying to arrest human cultural evolution by demanding that traditional cultures should remain as they are or even become again as they were before But my argument against Mumford's observation is that neither cultural guinea-pigs nor a culture bank is necessary for his purpose In nature, if a species becomes extinct, it is gone for ever But we can, if we want, revive old extinct cultures or elements thereof Descriptions of old cultures and their various elements are available in books The revival of the Olympic games is a case in point Moreover, whereas genetic engineers need a gene bank for their experiments and creations we can use our fantasy and intelligence for creating entirely new social or cultural institutions, rules and regulations

What Do Peoples Want?

Protagonists of the cultural approach insist on the peoples right to be different the right not to become like the Europeans Alright but who is compelling them to be like the latter? Since the 1960s, all peoples of the world are at least politically free And since the early 1980s the Pisanis and Narducci and the EEC are even telling the peoples of the south to be different Nobody prevented us from using camels or bullock carts or wearing dhotis instead of trousers It is we who wanted to have cars and wear trousers and so on

Of course since the 1960s, the circumstances have changed and many indirect (economic) compulsions have come up But in principle, nobody would have any objection if a people (or a part of it) itself wants to revive preserve and practise its traditional culture as long as that does not harm others But what do the peoples want? What are their dreams and visions? There is no doubt at all that the great majorities of all the peoples of the south want to catch up on what the north has achieved in the areas of economy, science, technology, education, etc In addition to their own traditional art, literature, music, etc, they also want to learn and enjoy what the west has created in these areas One only has to look at the Hindus, Buddhists and Muslims in India, Thailand and Egypt and one would be convinced that it is so. Whether that is good or not is a different question There is no doubt that in social matters - e g, marriage and other ceremonies, rituals and customs in connection with birth and death - in religious matters and in matters of clothing, most peoples of the south practise their traditional culture to a great extent But this they do only so far as it does not stand in the way of their efforts to catch up with the north in the areas of economy science, technology and education

Protagonists of the cultural approach want that the indigenous peoples practise their traditional cultures But what do the latter themselves want? Let us take an example from India Siddharta, himself a protagonist and activist of the cultural approach, writes about the kurubas a tribal people of Karnataka

> Apart from imitating Hindu values they are also being influenced by western and commercial values communicated through the cinema Many tribal youth do not know tribal songs but will enthusiastically sing film songs in the Kannada language They still practise herbal medicine But modern medicine has made deep inroads For serious ailments many get admitted to government hospitals If the tribals are giving up some of their values it is not entirely because of the aggression of the capitalist economy To a certain extent they themselves want these changes The space that the modern period creates for the individual is exhilarating to many tribal youth who find some of the customs of the clan oppressive (like the authority vested in the yajamana or chief, for example) It must be admitted that the freedom of the individual and the space for that is an important gain [Siddharta 1991]

I think similar things more or less can be said also about other tribal peoples of the world also about the American Indians, also about those living in the forests of Amazonia

Industrial Civilisation and Capitalism

Why should the western culture be bad for the peoples of the south if it is good for the peoples of the north? Verhelst perhaps saw this question coming He writes 'Like the third world the west is suffering from cultural uprooting" That is also the opinion of Siddharta, who has lived many years in France This is confusing For, western culture cannot be uprooted by western culture Who or what is then uprooting it? At this point Verhelst suddenly makes other factors responsible for the evil, namely, the great Promethean adventure intensified during the last 300 years" and the modern culture through which many westerners have become 'egocentric' and "creatures of domination and competitiveness' [Verhelst 1990 72] With this analysis I fully agree In plain

English, these factors are called industrial civilisation and capitalism, the destructive results of which the protagonists of the cultural approach are actually criticising but wrongly attributing to western culture, which, according to Verhelst himself "contains much of great value". Industrial civilisation and capitalism (also the 'socialism' of eastern Europe was only a variant of industrial civilisation) are evil, not because they originated in the west, but because they are ecologically, economically, socially and politically destructive – both in the south and the north. The alternative programme of the critics should not, therefore, be a return to or retrieval of eastern, traditional, regional or national cultures, but an ecological and collective economy, an egalitarian and solidary society and a truly democratic political system – both in the south and the north.

Against the strong temptations of industrial civilisation and capitalist culture, appeals to love of difference, tradition and cultural identity have no effect. They do not convince. Also the existing religions with their long and not very glorious history do not convince any more. Especially Christianity that calls upon its followers to 'subdue' the earth and "have dominion over every living thing that moveth upon the earth" and all the religions that are oriented towards life in the next world are unsuitable as rallying points for saving the world. Actually, in this connection, we should differentiate between religion, ethics and spirituality. Like a baby, a religion demands total acceptance. As in the case of a baby, it is extremely difficult to accept only the good aspects of a religion and to reject the bad ones. What could probably convince are informations about and logical analysis of the great ecological, economic, social and political dangers arising from industrial civilisation and capitalism. But that alone won't do. It must be supported by a new ethics, the basis for which already exists in almost all human beings in the form of an ability to love and a sense of justice. No doubt, the human psyche contains also the abilities to hate, to kill, to be unjust and so on. But the struggle between the two sides of human character is not yet over. Creation of the new ethics and making people accept and practise it are the greatest cultural tasks of today and the near future.

We Need New Cultures

Some of the protagonists of the cultural approach have also recognised the need for change or reform, which must, however, according to them, remain within the framework of traditional/indigenous culture. For Agarwal, "the return to one's own culture" is "not a blind harking back to traditions" [Agarwal 1987:351]. Sachs writes, "The opposite of 'development' is by no means stagnation. ...From Gandhi's 'swaraj' to Zapata's 'ejidos' there are in every culture visions of change". But even this modification or attenuation does not remove the negative aspects and dangers of the slogan 'back to tradition'. Moreover, many and radical changes are necessary for solving the problems we are confronted with. But a culture that wants to change itself radically must be prepared to cease to be the same culture. If the Americans, in 20 years from today, give up their private cars and travel only by trams, trains, buses and bicycles, eat only vegetarian food and dissolve their armed forces – all necessary for ecological and humanitarian reasons – then that would no longer be the 'American' culture, but a new one.

Indeed, we must leave behind the traditional cultures as well as the modern industrial/capitalist culture, however much we might be in love with or used to them. We must create new cultures. We must not weep over the evaporation of traditional

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cultures. All hitherto existing cultures have proved themselves to be incapable of tackling the great crises mankind is confronted with today, crises which these cultures have themselves generated through their omissions and commissions. It need not be one single new culture for the whole of mankind, although I do not know any argument against it except that cultural diversity is a beautiful thing. By all means, we can have several new cultures in future. Why should anyone be afraid of the origin of new cultures? In the history of mankind, many cultures have disappeared and all cultures originated sometime in history as new cultures. None is there since eternity and for eternity.

The new cultures to be created must accept some categorical imperatives which were unknown to the hitherto existing cultures when they originated. The most important of them is the ecological imperative. They must accept the limits to growth – both to economic growth and to growth of population. A large number of children must not be considered as God's gift. Nor must the desire for a private car or at least one son be respected.

And they must accept the imperative of equality. Without equality there will be no peace, neither in a society nor among the peoples of the world. All the ideals of Enlightenment and the French Revolution did not bring peace because the principle of equality was reduced to mere equality before law. In the name of right to property, great inequalities in income and wealth were legitimised. In the name of freedom of contract, exploitation of fellow citizens was allowed. And in the name of 'white man's burden', colonial conquest, plunder, oppression and slavery were declared as a civilising mission. The west's betrayal of the ideals of Enlightenment and the French Revolution is the original cause of today's counter-Enlightenment of all kinds – religious fundamentalisms, racisms, nationalisms, ethnic expulsions, xenophobia, etc. It is mainly under conditions of exploitation, oppression, discrimination or contempt by another people, which is somehow dominating, ruling or superior, that an excessive, morbid, separatistic need for identity arises. It may be called cultural identity, but it may be based on anything: nation, tribe, race, clan, caste, religion or language. But also a return to the genuine ideals of Enlightenment is no longer adequate. Even if they were realised, that would not solve the problems. For, even the philosophers of Enlightenment were not aware of the ecological and demographic problematique.

Siddharta reports about the kurubas that "they lived as a group and their collective responsibilities were sacred. If somebody did not have food, he did not starve. The tribe saw to it that he had enough to eat". In general, they had a collective spirit. This value must be defended, revived and developed further – not because it is part of the traditional culture of the kurubas but because it is good for them as well as for the whole mankind, and especially because it is the right value for the great tasks ahead. This value is necessary for peace and ecological transformation of economy. Where it does not exist (any more), it must be created anew.

There is no rule that the ideas and impulses necessary for the radical changes must originate in the particular culture concerned. In the history of mankind, all peoples have learned a lot from one another. The Europeans took over Christianity from the Palestinian Jews. Gandhi learned a lot from Tolstoi, Ruskin and Thoreau. And many Europeans and Americans have learned much from Gandhi and LaoTse. Why should we then be suspicious of the slogan 'one world'? The laws of nature are the same for all peoples and the earth is one from the very beginning. Also the world of the various peoples must become one for several purposes. The most important of them is solving the global ecological problems. But also for solving the local ecological poblems and the problem of hunger in the poor countries of the south, global co-operation and help from the rich countries would be necessary, at least for the next two or three decades. 'One world' need not necessarily mean the one world conception of the GATT, the World Bank, the IMF and the TNCs. Necessary for the process of making the world one in our sense is – apart from dialogue, solidarity and mutual help – also constructive criticism and self-criticism among those minorities in all peoples who want to change the world and so save it. Nobody is saying that the Europeans and Americans must take the initiative in changing the traditional cultures of the south. But if some people in the countries of the south are struggling to bring about the necessary changes, then it is legitimate and necessary that their political friends in the north help them with moral and concrete support. For example, when Taslecma Nasreen is struggling in Bangladesh against Muslim fundamentalism, it is the duty of all people in the world who share her views in this matter to amplify her efforts by criticising Muslim and all other religious fundamentalisms. Similarly, it is legitimate and necessary that we in the south criticise Euro-American culture, not only because it is exploitative and ecologically destructive but also because it violates human rights through discrimination against the blacks and foreigners and by rendering hundreds of thousands of Europeans and Americans homeless.[3]

I am not afraid that the world of the future will know only one monotonous culture. The future ecological and decentral eco-nomies and the various new institutions of the different regions would provide enough space for new and differe expressions of economic, social, political, religious, spiritual, literary and artistic life of the various peoples. But we must not forget that the peoples of the world are only so many variants of the same human species. The similarities between them are much greater than the differences. I do not mean by it only the species-similarities. The peoples of the world are not only biologically similar. Psycho-analysts have shown that also their psyches and unconsciouses are similar. They dream similar dreams. Also their cultures are largely similar. Institutions like marriage and family, belief in a God or in gods and goddesses, priesthood, temples, etc, artistic expressions like poetry, music and dance – all these things are almost universal. They existed among most peoples even before they had contacts with each other. So, also culturally, we are one mankind.

Notes

1 Wolfgang Sachs: Zur Archaologie der Entwicklungsidee (an essay in 6 parts), in *EPD-EP*; different issues, 1989. (The essay has also appeared in English, but I cannot give the details. English translation of the title: On the Archaeology of the Development Idea.)

2 The two terms 'West' and 'North' mean in discussions of this kind actually the same thing. 'West' is generally used when the subject matter is culture, 'North' when it is development. I have had to use both because my subject matter is both culture and development.

3 In the Universal Declaration of Human Rights of the UNO (1948), dwelling is explicitly mentioned as a human right (Article 25/1).

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Land Reforms and Agrarian Change in Karnataka

Surinder S Jodhka

Land Reforms and Changing Agrarian Relations by C B Damle Rawat Publishers, Jaipur, 1993 IX + 249, Rs 325

I

IT is rather surprising that despite the large volume of literature available on the successes and failures of land reform legislations from different parts of the country not many micro level studies have been carried out to understand the consequences that land reforms might have had on the related aspects of village life such as agrarian relations rural power structure changing caste equations and poverty This can perhaps be attributed to the fact that much of the literature on post independence developmental programmes has ignored the significance of a historical perspective and the need for understanding various aspects of the changing agrarian structure in relation to one another [Pandey 1994] It is in this context that C B Damle's book becomes an important contribution to the existing literature on agrarian processes in contemporary India

The novelty of Damle's study lies in his ability to combine a historical perspective with a field study of four villages Damle selected two villages each from a subsistence and commercial setting for his field study in the Dakshina Kannada (DK) district of Karnataka One village in each setting was known for successful implementation of land reforms and the other was selected from amongst the low implementation villages This made his research design for the field study doubly comparative

Damle attempts to deal broadly with two questions First an analysis of the specific context and the various relevant factors affecting the implementation of different land reform legislations in the DK district And second the way these legislative measures have changed the agrarian structure in a micro setting With this what P C Joshi in his foreword to the book describes as 'comparative historical approach Damle tries to show how much of the claims about radical nature and successful implementation of the 1974 Land Reform Act is a myth Looking at it together with the negative effects of the 1961 legislation Damle argues that the overall impact of the 1974 Act on the agrarian structure of the DK district has been very limited He also tries to show how even in the success villages the 1974 Act did not lead to any radical change in terms of the land ownership patterns or the social inequalities

Damle identifies two necessary conditions for the successful implementation of land reforms First an active political will and second socio-political consciousness and organisational strength of the tenants For optimal results the two have to be present simultaneously While the government intervenes from above, the suppressed classes have to play a complementary role from below (p 17)

The first two chapters of the book spell out objectives location and framework of the study The third and fourth chapters are largely historical in nature In the rest of the book Damle discusses the findings of his field study

II

Before the advent of the British rule the agrarian situation in the South Kanara region was a curious blend of peasant proprietary system and a system of sub infeudation with landlords tenants sub tenants and bonded labour representing different layers of interest in land locked in ties of mutual dependence (p 31) Like other parts of the country British rule had brought about significant changes in the agrarian structure of the region The two crucial changes that came about with the raiyatwari settlement were (i) a gradual but significant increase in the incidence of tenancy and (ii) growing practice of land mortgages often resulting in the alienation of land This was made possible by the conferment of formalised private ownership of land by the colonial regime This trend continued till the middle of the 20th century Between 1901 and 1951 the number of tenants in DK district went up by 125 per cent (p 45) As it is well known this was a pan-Indian phenomenon

It was in this background that land reforms were seen to be necessary for any kind of positive economic change with social justice and for creating a social base for a democratic system of governance

Though the present state of Karnataka came into existence in 1973 different legislations were being passed since 1948 that affected one or the other part of the state (earlier known as Mysore state) Most important of these was the Mysore Land Reforms Act of 1961 The main objective of this Act was to provide security to the tenants against eviction The act also imposed ceilings on landholdings and with the exception of those cultivators and agricultural labourers who wanted to self-cultivate, nobody could buy agricultural land

This Act turned out to be a farce Though it was framed in 1957, the Act was implemented only in 1965 and that too with a number of loopholes The landlords got enough time to take care of their interests A large number of tenants were evicted in the name of 'resumption for self cultivation To avoid ceilings mala fide transfers of land under different names were carried out during those eight years In the context of a near complete absence of political will' the Act ended up harming the interests of those whom it claimed to benefit

The main contention of Damle is that the real impact of the much celebrated 1974 Act cannot be understood without giving due consideration to the negative' impact that the 1961 Act had particularly in the case of tenancy reforms By the time the radical tenancy legislation was tabled in the state legislative assembly for enactment in 1974 nearly 78 per cent of the tenants had already lost their occupancy rights because of their evictions mostly on the flimsy ground of resumption for self cultivation (p 65) However the author does not completely dismiss the positive impact of the 1974 Act His main contention is that the impact has been much lesser than what it has been made out to be Much of this confusion has been created by a shift in the base year to 1970 71

III

To examine the impact and dynamics of land reforms at micro level Damle shifts to a discussion of his field study in his fifth and sixth chapters The two level comparative analysis i e between subsistence and commercial setting on the one hand and between success and low implementation villages on the other helps him draw some interesting conclusions

His first argument is that more than anything else it was the ability of the contending classes to mobilise their strength and resources that mattered If tenants organised themselves, the chances of their being able to get ownership rights over land were more and if landlords got together, they succeeded in defeating the legislation Similarly where landlords came from non cultivating upper castes and were largely absentees, the chances of tenants getting their way was more than in situations where landlords came from cultivating middle-

upper castes who had more direct interests in the land

Second, the land reform legislations were more effective in the subsistence paddy cultivating areas than in the commercial plantation villages. And interestingly, in both the settings, most of the transfers took place among the upper and middle castes implying that even where the land reforms were successful, the beneficiaries came from the upper and middle castes and rarely from the dalit caste groups.

However, land reforms, even where successful, had not been able to alleviate the economic status of the beneficiaries much. Though the ex-tenants had become landowners (even the agricultural labourers who got homestead land were no more 'landless') most of them had unviable holdings and these holdings were getting further fragmented This process was more pronounced in the subsistence setting where the proportion of unviable holdings among the middle castes was as high as 86 per cent. Hence, most of them had to look for alternative sources of employment, including agricultural labour.

The situation in the commercial setting was better. A higher proportion of the ex-tenants had stopped working as wage labourers and had become self-sufficient. Damle also suggests that the overall economic development had been comparatively more in the commercial setting than in the subsistence setting. Consequently agrarian relations in the commercial setting had become more formalised while the elements of 'patron-client' types of dependency ties were still visible in the subsistence setting However, in both the settings there had been an overall increase in the number of agricultural labourers, particularly casual labourers This too had been a consequence of the land reforms Many of the ex-tenants who got evicted had joined the ranks of the agricultural labourers.

However, Damle's discussion of the field study seems to have very little continuation with the earlier chapters based on secondary and historical source material. For example, the 'political will' factor has almost been completely bracketed out while assessing the causes and consequences of land reforms in the study villages.

Apart from the land reforms, another factor that Damle feels has played a critical role in bringing about some positive economic change in the DK district has been the availability and growing popularity of the institutional sources of credit. Credit plays a crucial role in reproducing dependency relationships in agrarian societies [Brass 1990; Jodhka 1994]. And in a context such as this the relations of credit assume particular significance for any discussion of changing agrarian relations.

However, Damle's claim that the "private credit system' had declined significantly and the credit needs of almost all the categories were being met by the institutional sources sounds a little premature specifically in light of his own claims regarding the growing fragmentation of holdings, their becoming unviable and there being virtually no increase in the income of landless labourers. Even if insignificant in quantitative terms, the nature of dependencies that the borrowings by landless labourers and marginal landowners from big landowners could be of crucial significance for a sociological analysis of the agrarian structure

The author's framework of agrarian classes is also rather loose. Analysis of agrarian class structure has a long tradition particularly in Marxist scholarship. Damle not only ignores the classical writings (of particular significance here would be the contributions by Lenin, Mao and Kautsky), he also bypasses the Indian debate on the subject He tends to operate purely at an empirical level to the extent that his framework of agrarian classes differs from chapter to chapter and setting to setting The usefulness of concepts like class lies in their abstract nature and their applicability in varied empirical contexts as heuristic devices. This becomes particularly important in a comparative study like the one that Damle has done.

In the same way his attempt to differentiate the class of 'rich landowners' and that of 'big landlords' sounds a little too economistic when both seem to come from similar caste backgrounds and not always were his 'landlords' purely absentees going by his own observations in the case of the Shirlyara village (p 125). Similarly, putting medium, small and marginal landowners together in one category does not make much sense particularly in the light of the critical significance that has been assigned to the 'middle peasantry' in the literature on peasant societies.

Though it is difficult to expect completely flawless printing, repeating a whole paragraph (pp 197-98) could have easily been avoided had the editors been a little careful.

However, none of these problems rob the book of its value as a useful contribution to the growing sociological literature on agrarian processes in contemporary India.

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A Sane Nuclear Policy

A G Noorani

Indo-Pak Nuclear Standoff: The Role of the US by P R Chari; Manohar Publishers, Delhi, 1994; Rs 350.

A NATION'S sanity, as that of an individual, is put to test when the peril touches survival itself As it is, discussions on foreign policy in India and Pakistan reek of chauvinism, dressed in self-righteous rhetoric which never succeeds in concealing double-standards. This book is an outstanding exception. It is a powerful plea for sanity in nuclear policy. What is more, it is extremely well documented and fairly sets out and analyses contrasting viewpoints. Published under the auspices of the Centre for Policy Research, New Delhi, it is in a sense a working paper for the policy-maker and analyst. The relevant material is cited in the book, options are defined and conclusions stated. The reader who disagrees with the analysis on any point will be able to pursue the leads since nothing is suppressed from him.

A carefully calibrated policy has to chart a course in the grey zone. The author charts such a course throughout. He rightly dismisses the exaggerated fears voiced by the Americans, with calculated persistence, as also some versions of the nuclear capabilities of India and Pakistan Yet he points out that the situation is grave enough and the balance of terror is far less stable than many imagine. The two states have never had a dialogue worth the name on their relations in the nuclear field. They have spoken to each other mainly through the US which has its own agenda. Minister of state for external affairs K Natwar Singh said on November 8, 1986 that it was "irrelevant to say 'talk with Pakistan'" on the nuclear question. "It is a global problem and Pakistan has a role to play as a proxy of the US. That is why it is not bilateral." The Rajiv-Zia accord on talks on October 23, 1985 in New York was swiftly aborted.

Robert L Gallucci, now US negotiator with North Korea, said in 1993, "if a nuclear weapon is to be detonated in anger in the next five years or so...the most likely place would be South Asia .. I see countries that are contiguous, both able in the near-term to deploy nuclear weapons if they so chose, both with some delivery capability and both moving in the direction of ballistic missile capability that could be applied to nuclear weapons These are countries that have fought before and that have a near-term crisis that could erupt at any moment in Kashmir." The CIA's director, James Woolsey, had the same tale to tell. India and Pakistan present "the most probable prospect for future use of weapons of mass destruction".

The Clinton administration's second report to the US Congress, submitted on February 8, 1994, on *Progress toward Regional Non-Proliferation in South Asia* states: "We continue to believe that both India and Pakistan could assemble a limited number of nuclear weapons *in a relatively short time*. India and Pakistan have combat aircraft that could be modified to deliver nuclear weapons. Both are developing or seeking to acquire ballistic missiles capable of delivering nuclear or chemical weapons. Such weapons have the potential of striking major population centres in the other country." (Emphasis added by the author.)

The author's comments are apposite: "Whether they do possess nuclear weapons is a matter of speculation. But the consensus of opinion is that the period intervening between a decision to acquire nuclear weapons and its availability to them has been reduced to weeks. Following several recent crises in their bilateral relationship, e g, in early 1987 during the Brasstacks exercise, and mid-1990 following a troop build-up on the Indo-Pak border, this time-frame could have been reduced further to days."

India displayed its nuclear weapons capabilities two decades ago on May 18, 1974 with the Pokharan explosion. The author is one of the few in this land to assert in print that it was a mistake, which indeed it was. One wishes someone would do a study on that event alone. Why did Indira Gandhi give the green signal when she did? What were the considerations that governed her decision? Those of domestic politics? For, every relevant consideration militated against it. The author cites some. One might add the ongoing talks with the US on joint determination to start the reprocessing plant at Tarapur. A test made sense only when we were out of the woods. In 1974 we were not. Israel has not tested a nuclear device but has fostered the impression that it has nuclear weapons.

The author sums up the debate in India and Pakistan on their respective nuclear postures, holding the scales even while doing so. The two took different routes. "India's route, deriving from its nuclear energy programme, would be based on plutonium derived from its natural uranium fuelled, heavy water cooled and moderated reactors, and separated in its established reprocessing facilities. By contrast, Pakistan would follow the uranium path, based on its centrifuge enrichment capabilities. A further significant difference between their military-nuclear programmes is that India's nuclear option is derivable as an offshoot of its diversified atomic energy and space programmes, whereas Pakistan's option is more narrowly focused on its enrichment facilities and limited missile capabilities. These circumstances make it possible for constraints and denial regimes to target Pakistan's relevant nuclear programme more easily than is practicable with India."

There are three fundamental differences between the two. India's programme is under firm civilian control. In Pakistan it is the armed forces who rule the roost. For all the circumspection it exercises, India has been vastly more open about its programme. Not so Pakistan. Finally, Pakistan's uranium enrichment programme has no nuclear reactor to fuel.

India is miles ahead of Pakistan. "It is believed incidentally that India is 'showing an interest in materials that are necessary for the development of thermonuclear, as distinct from only nuclear weapons'. It also has a nuclear-powered submarine (Advanced Technology Vessel) programme based on the Charlie class SSN (INS Chakra) that it had leased and later returned to the former Soviet Union. Enriched (20 per cent) uranium would find use in a reactor to power submarines. Despite routine disclaimers that 'India does not have any regional or international ambitions and the country's naval capability is being only tailored to guard the long coastline and the exclusive economic zone', the strategic direction of all these developments is clear and would explain the interest revealed by India in uranium enrichment technology."

Both countries have embarked on missile programmes whose objective cannot be in doubt. "The question remains to be satisfactorily answered as to how this missile, or the Agni, could be cost effectively deployed unless they are equipped with non-conventional warheads."

Against this background, Chari proceeds to discuss the options open to the two countries pointing out, however, the asymmetry in their respective situations.

India has to reckon with China. Pakistan is virtually an ally of China. It is all too obvious that despite the significant improvement in Sino-Indian relations, China has not given up its objective of containing India on the subcontinent.

The options vary from establishing a minimum deterrent posture based on untested nuclear devices to overt nuclearisation. A sense of realism is injected in the appraisal of the options. "Any nuclear force contemplated by India would need to configure into planning exercises the need to deter both Pakistan and China. A nuclear force based on first generation fission weapons that could be delivered by aircraft or short-range surface-to-surface missiles would serve as a plausible deterrent against Pakistan. But the requirement of nuclear forces *vis-a-vis* China would be quite different and would need to include a minimum deterrent force of relevance against China. At the very least the Agni IRBM would require *deployment in a land-mobile configuration* to ensure their survivability, because *it would need emplacement near the Sino-Indian border* to acquire value targets in mainland China.

"A nuclear warhead miniaturisation effort, coupled with a regular missile testing programme, would be unavoidably necessary if Agni is to be deployed. Assuming that such a test series is possible and is effected, the nuclear forces that India would have to deploy for establishing deterrent capabilities against Pakistan and China would in totality need to be fairly sophisticated and considerably more technologically advanced than a rudimentary nuclear force that may suffice in the Indo-Pak context." Are we prepared for that now? "The question whether missile deployment would stabilise or destabilise Indo-Pak relations is unanswerable with any degree of finality. All that can be said is that *their deployment would raise mutual tensions and the destructiveness of future conflict to a higher plane.*" (Emphasis mine.)

Neither India nor Pakistan is prepared to 'roll back' its programme. Each keeps the option open. But this has a price and it cannot last long. "A nuclear posture premised on ambiguity and uncertainty is essentially contrived, and could not be continued *ad infinitum*". Here the author delivers caveats which might bruise egos and disturb complacency in both places. He pours cold water on their claims to nuclear prowess and proceeds to question comforting assumptions that the present nuclear stand-off stabilises or that an overt nuclear deterrent will provide stability to Indo-Pak relations.

"It is possible to conclude at this stage that sweeping generalisations suggesting that nuclear weapons could either stabilise or destabilise Indo-Pak relations are not possible, because these are irresoluble propositions and would hopefully remain unproven assertions. So much is certain Nuclear weapons introduce a new and qualitatively more potent danger to the obtaining Indo-Pak impasse. This has proven to be recurrently crisis-ridden and becomes apparent from the history of their relations over the last decade."

Two Indo-Pak nuclear crises are cited at some length. One occurred during the course of the Brasstacks exercise (1987) and the other following a reinforcement of Indian troops in Kashmir in 1990 in the wake of the outbreak of militancy in the state. The first is the subject of a study by the author and other scholars entitled *Beyond Brasstacks*, due to be published in August by the publishers of the present work. Shirin Tahir-Kheli's forthcoming book *Lessons for the Future: The Gates Mission to India and Pakistan* deals with the 1990 crisis during which president George Bush sent his deputy national security adviser, Robert Gates, to the subcontinent. (Shirin Tahir-Kheli held high positions in the Bush administration.) It seems that the fears on both sides were exaggerated, thanks to lack of communication and paucity of intellectual equipment and understanding.

Pakistan is ruled by its troika – the army, the prime minister and the president. India has a prime ministerial system. But, as practised in the last two decades, it has seen the virtual collapse of the cabinet and the transfer of "effective power to the prime minister's office (PMO) which has grown to gargantuan proportions and sits in judgment over the entire processes of government. In times of crisis the locus of decision-making shifts from the concerned ministries/departments to the PMO where individuals with limited knowledge and experience advise the prime minister and ultimate decisions are taken. Again, this narrowing down of the decision-making base, dependence on a coterie of favourites, and by-passing the normal processes of administration is a prescription for large failures." This has played havoc, not least under P V Narasimha Rao whose indecision and incapacity for leadership are legendary.

Chari takes the reader through the talks which India conducted with the Clinton administration as also the ones between the foreign secretaries of India and Pakistan followed by exchanges of non-papers.

What conclusion do we draw from all this? All efforts to develop truly effective CBMs have failed. "The more pertinent conclusion possible at this stage is that nuclear weapons have no relevance to the real security problems lying between India and Pakistan. This is their promotion of subversive activities in each other's territory. The ensuing loss of lives, damage to public property, exacerbation of social tensions, disruption of economic activity and setbacks to their internal political processes far exceeds that caused by all past Indo-Pak conflicts. The expected or assumed stabilising effects of nuclear deterrence in the Indo-Pak context are therefore largely illusory because they have no relevance to addressing this range of their real security problems."

On this aspect, two points may validly be made. India had within its power to settle the Siachen problem, but resiled from a concluded accord in 1989, aborted the conclusion of another accord on it in November 1992 and in January 1994 falsely claimed that an accord had been reached in 1992 and should be enforced now. Pakistan saw in it a ploy to divert attention from Kashmir and refused to co-operate. (For details see this reviewer's article, 'The Siachen Affair: Obduracy and Media Manipulation', *Frontline*, June 3, 1994.) The 1989 and 1992 episodes deserve greater attention, not only to cure self-righteousness but to expose the cavalier treatment of a grave problem which costs human blood.

On Kashmir, the main issue, India's stand is disingenuous. It denies the existence of a dispute, asserts that it is an internal matter, asks for talks under the Shimla Agreement but says no negotiation is possible. It rejects mediation but does not mind US ambassador Frank Wisner intervening on its behalf by counselling the Hurriyat leaders to participate in elections. It ignores the fact that the people of Kashmir are totally alienated from India, albeit disenchanted with Pakistan as well. The one flaw in Chari's admirable work is that it does not reckon with India's intransigence on the main dispute, Kashmir, on Siachen and on the nuclear aspect of its relations with Pakistan.

This is all of a piece with the style of diplomacy revealed in relations with Sri Lanka and Bangladesh as well. Not surprisingly, the card-carrying nuclear hawks – the noise they make should earn them a different appellation, 'nuclear jays' – are the ones who support these policies. Great power delusions warp nuclear policy and diplomacy alike. The result is not greater security, but far less than was obtainable.

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

BALANCE SHEET AS ON MARCH 31, 1995

In INR '000s

	Schedule	As on 31-03-95	As on 31-03-94
CAPITAL AND LIABILITIES			
Capital	1	70,000	60,000
Reserves and Surplus	2	383,507	259,795
Deposits	3	6,217,010	3,762,289
Borrowings	4	97,356	710,357
Other Liabilities and Provisions	5	590,728	387,482
TOTAL		7,288,601	5,119,923
ASSETS			
Cash and balances with Reserve Bank of India	6	706,255	285,888
Balances with banks and money at call and short notice	7	77,115	39,757
Investments	8	2,222,185	2,489,077
Advances	9	3,453,403	1,911,282
Fixed Assets	10	135,477	134,967
Other Assets	11	694,166	258,952
TOTAL		7,288,601	5,119,923
Contingent Liabilities	12	15,360,442	22,752,893
Bills for Collection		620,749	439,819
Notes to the Accounts	17		

The schedules referred to herein form an integral part of the Balance Sheet.

Signatures to Balance Sheet and Schedules 1 to 12 and 17

As per our report of even date

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Sd/-
V. R. MEHTA
Partner

Bombay: June 30, 1995

Sd/-
R. KARKARIA
Deputy General Manager
Financial Control

Sd/-
N. DUTT-MAZUMDAR
Chief Executive Officer (India)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1995

In INR '000s

	Schedule	Year Ended 31-03-95	Year Ended 31-03-94
I. INCOME			
Interest earned	13	684,951	323,002
Other Income	14	237,161	39,717
TOTAL		922,112	362,719
II. EXPENDITURE			
Interest expended	15	455,972	182,438
Operating expenses	16	95,160	78,515
Provisions and contingencies		219,245	66,677
TOTAL		770,377	327,630
III. PROFIT			
Net profit for the year		151,735	35,089
Profit brought forward		110,998	119,867
TOTAL		262,733	154,956
IV. APPROPRIATIONS			
Transfer to statutory reserves		30,347	7,018
Remittance to Head Office		28,023	36,940
Balance carried to Balance Sheet		204,363	110,998
TOTAL		262,733	154,956
Notes to the Accounts	17		

The schedules referred herein form an integral part of the Profit and Loss Account.

Signatures to Profit and Loss Account and Schedules 13 to 17.

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

SCHEDULES FORMING PART OF BALANCE SHEET

In INR '000s

	As on 31-03-95	As on 31-03-94
Schedule 1—Capital		
Initial start-up capital	2,000	2,000
Amount of deposit kept with Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	68,000	58,000
TOTAL	70,000	60,000
Schedule 2—Reserves and Surplus		
I. Statutory Reserve		
Balance as per last Balance Sheet	52,480	45,462
Additions during the year	30,347	7,018
TOTAL	82,827	52,480
II. Revaluation Reserve		
Balance as per last Balance Sheet	96,317	96,317
TOTAL	96,317	96,317
III. Balance in Profit and Loss Account	204,363	110,998
TOTAL	383,507	259,795
Schedule 3—Deposits		
I. Demand Deposits		
i) From banks	6,998	3,485
ii) From others	480,143	641,968
II. Savings Bank Deposits	97,211	42,639
III. Term Deposits		
i) From banks	56,636	–
ii) From others	5,576,022	3,074,197
TOTAL	6,217,010	3,762,289
Deposits of Branches in India	6,217,010	3,762,289
Deposits of Branches outside India	–	–

In INR '000s

	As on 31-03-95	As on 31-03-94
Schedule 4—Borrowings		
I. Borrowings in India		
i) Reserve Bank of India	51,000	21,900
ii) Other Banks	46,324	688,457
iii) Others	–	–
II. Borrowings outside India	32	–
TOTAL	97,356	710,357
Secured borrowings included above	–	–
Schedule 5—Other Liabilities and Provisions		
I. Bills Payable	42,570	57,339
II. Head Office account	76,590	76,590
III. Interest accrued	310,268	123,228
IV. Others (including provisions)	161,300	130,325
TOTAL	590,728	387,482
Schedule 6—Cash and Balances with Reserve Bank of India		
I. Cash on hand (including foreign currency notes)	3,907	4,776
II. Balances with Reserve Bank of India In Current Account	702,348	281,112
TOTAL	706,255	285,888
Schedule 7—Balances with Banks and Money at Call and Short Notice		
I. In India		
Balances with Banks In Current Accounts	2,198	1,563
II. Outside India		
In Current Accounts	74,917	38,194
TOTAL	77,115	39,757

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

SCHEDULES FORMING PART OF BALANCE SHEET

In INR '000s

	As on 31-03-95	As on 31-03-94
Schedule 8—Investments		
I Investments in India in		
i) Government Securities (including Treasury Bills)	1,402,052	1,194,473
ii) Shares	360	360
iii) Bonds including tax free bonds	491,786	224,940
iv) Units	305,487	554,304
v) Commercial Paper	22,500	515,000
TOTAL	2,222,185	2,489 077
Schedule 9—Advances		
A i) Bills purchased and discounted	252,108	222,183
ii) Cash credits, overdrafts and loans repayable on demand	3,021,170	591,565
iii) Term loans	180,125	1,097,534
TOTAL	3,453,403	1,911,282
B i) Secured by tangible assets	2,606,918	747,741
ii) Covered by bank/ government guarantees	76,564	207 328
iii) Unsecured	769,921	956,213
TOTAL	3,453,403	1,911 282
C Advances in India		
i) PrioritySectors	350,121	111,258
ii) Public Sectors	–	
iii) Banks	–	–
iv) Others	3,103,282	1,800,024
TOTAL	3,453,403	1,911,282
Schedule 10—Fixed Assets		
I Premises		
Cost as on 01-04-1994	144,150	144,150
Additions during the year	–	–
	144,150	144,150
Deductions during the year	–	–
	144,150	144,150
Depreciation to date	27,999	21,885
Balance as at 31-03-1995	116,151	122,265
II Other fixed assets (including furniture and fixtures)		
Cost as on 01-04-1994	35,755	33,307
Additions during the year	11,848	2,574
	47,603	35,881
Deductions during the year	708	126
	46,895	35,755
Depreciation to date	27,569	23,053
Balance as at 31-03-1995	19,326	12,702
TOTAL	135,477	134 967
Schedule 11—Other Assets		
I Interest accrued	178,032	91,085
II Stationery and stamps	196	102
III Inter office adjustments (net) overseas branches	38,267	250
IV Others	477 671	167,515
TOTAL	694,166	258 952
Schedule 12—Contingent Liabilities		
I Claims against the company not acknowledged as debts	6,700	6,700
II Liability on account of outstanding forward exchange contracts/ options	9,239 846	18,877,326
III Guarantees given on behalf of constituents		
a) In India	419,135	417,820
b) Outside India	2,743,988	2,262,888
IV Acceptances, endorsements and other obligations	2,366,477	919,016
V Liability on account of Bills of exchange rediscounted	520,000	205,761
VI Tax matters in dispute and in appeal not provided for	64,296	63,382
TOTAL	15,360,442	22,752,893

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

In INR '000s

	Year Ended 31-03-95	Year Ended 31-03-94
Schedule 13—Interest Earned		
I Interest/discount on advances/bills	416,292	165,654
II Income on investments	234,041	135,266
III Interest on balances with Reserve Bank of India and other inter-bank funds	17,589	16,183
IV Others	17,029	5,899
TOTAL	684,951	323,002
Schedule 14—Other Income		
I Commission, exchange and brokerage	69,673	28,805
II Profit/(Loss) on sale of investments (Net)	25,574	1,107
III. Profit/(Loss) on sale of land, buildings and other assets (Net)	12	46
IV Profit on exchange transactions (Net)	61,128	5,970
V Income earned by way of dividends	80,774	3,789
TOTAL	237,161	39,717
Schedule 15—Interest Expended		
I. Interest on Deposits	381,057	162,112
II. Interest on Reserve Bank of India/inter-bank borrowings	69,899	19,296
III. Others	5,016	1,030
TOTAL	455,972	182,438

In INR '000s

	Year Ended 31-03-95	Year Ended 31-03-94
Schedule 16—Operating Expenses		
I Payments to and provisions for employees	27,120	14,514
II Rent, taxes and lighting	4,094	4,851
III Printing and stationery	2,448	1,810
IV Advertisement and publicity	–	–
V Depreciation on Bank's property	11,153	9,696
VI Director's and local advisory board members' fees, allowances and expenses	–	9
VII Auditors' fees and expenses	100	100
VIII Law charges	–	390
IX Postage, telegrams, telephones etc	4,953	4,403
X Repairs and maintenance	1,573	1,216
XI Insurance	410	403
XII Other expenditure	43,309	41,123
TOTAL	95,160	78,515

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

Schedule 17—Notes forming part of the Accounts as at March 31, 1995

I. Significant Accounting Policies

a) General

i) The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

ii) Revenues are accounted for on accrual basis except interest on advances classified as "non-performing" according to the prudential accounting norms prescribed by the Reserve Bank of India

b) Transactions involving foreign exchange

i) Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the financial year except Foreign Currency Non Resident account balances which are carried at the rates specified by the Reserve Bank of India or at the spot rates of swap contracts, as applicable.

ii) Outstanding foreign exchange contracts and contingent liabilities on account of outstanding forward exchange contracts are at the contracted rates and have not been revalued

iii) Income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.

iv) Profit or loss on outstanding forward contracts is accounted for on accrual basis.

c) Investments

i) Investments in Approved Securities which are intended to be held till maturity, are classified as "permanent investments". The classification into 'permanent' and 'current' categories is in the ratio of 70:30 in accordance with the Reserve Bank of India guidelines. Permanent Investments are carried at cost and premium if any, is amortized over the remaining period of maturity.

ii) All other investments which are held on trading account are classified as "current investment" and are valued as under:-
— 'Quoted' investments are valued at 'lower of cost or market value'. In the absence of market quotations, such investments are valued at lower of cost or value ascertained on yield to maturity basis in accordance with the Reserve Bank of India guidelines.
— 'Unquoted' investments are carried at 'Cost' or valued on 'yield to maturity' basis whichever is lower.

iii) Provision for diminution in value of current investments is ascertained on an aggregate basis by category of investment.

d) Advances

i) Advances are net of provisions for loan losses made in conformity with the norms laid down by the Reserve Bank of India.

ii) Provision for loan losses is based on their classification into "performing" and "non-performing" assets in accordance with Reserve Bank of India guidelines Provision for non-performing assets is made as under:

Sub-standard assets	- 10% of net advance
Doubtful assets	- 100% of the unsecured portion and 20% to 50% of the net secured portion depending on the period for which the asset has remained non-performing
Loss assets	- 100%

e) Fixed Assets

i) Fixed assets are accounted at their historical cost except 'Premises' which are revalued and are accounted for at the values determined by Government Approved Valuers The surplus on revaluation is credited to Revaluation Reserve. The premises were last revalued as on 31st March, 1993.

ii) Depreciation is provided for on the diminishing balance method at the rates specified in Schedule XIV to the Companies Act, 1956.
In respect of additions during the year, depreciation is provided with effect from the half year in which the addition is made.

iii) Depreciation in respect of revalued assets is provided on the revalued amount and charged to the Profit and Loss Account

f) Staff Benefits

Contribution to the approved Gratuity Fund has been made as per valuation by an actuary.

g) Revenue Recognition

Income is recognised on expiration of time basis except interest on non-performing advances and guarantees/letters of credit commission which are recognised on realisation basis

h) Profit and Loss Account

Provisions and Contingencies include:

i) provisions for taxes on income in accordance with statutory requirements,

ii) provision for loan losses,

iii) provision for diminution in value of investments,

iv) transfers to contingency and other funds,

v) other usual or necessary provisions, and

vi) bad debts written off.

II. Provisions and Contingencies include Extraordinary and Prior — period charges on account of interest and penalty levied by the Reserve Bank of India - Rs. 21,533,425.

III. The Bank has entered into an agreement for settlement of its dues by the owners/landlords of one of its erstwhile premises. Under the agreement the bank has received back its deposit together with interest. Moreover, the other co-tenants who had filed claim suits against the bank aggregating to INR 70,578 have, in principle, agreed to withdraw the suits on final clearance from the respective authorities for reconstruction of the building. The management is of the opinion, that these suits will be shortly withdrawn.

IV. Previous year's figures have been regrouped/rearranged wherever necessary.

BANQUE INDOSUEZ

(Incorporated in France with Limited Liability)

INDIA BRANCH

Auditors' Report on the Indian Branch of Banque Indosuez under Section 30 of the Banking Regulation Act, 1949

We have audited the attached Balance Sheet of the Indian branch of Banque Indosuez (incorporated in France with limited liability) as at March 31, 1995 and the relative Profit and Loss Account of the Indian branch of the Bank for the year ended on that date annexed thereto

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with the provisions of Section 211 of the Companies Act, 1956

We report that

(1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory

(2) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian branch of the bank

(3) In our opinion, proper books of account as required by law, have been kept by the Indian branch of the bank so far as appears from our examination of these books

(4) The above mentioned Balance Sheet and Profit and Loss Account of the Indian branch of the bank dealt with by this report are in agreement with the books of account

(5) In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required for banking companies, and give a true and fair view of the state of affairs of the Indian Branch of the Bank as at March 31, 1995 and of its profit for the year ended on that date

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants
Sd/-
V R MEHTA
Partner

Bombay: June 30, 1995

Sonar Bangla?

Agricultural Growth and Agrarian Change in West Bengal and Bangladesh

Ben Rogaly
Barbara Harriss-White
Sugata Bose

Drawing on papers presented in a workshop held in Calcutta in January 1995, this article reports on debates over the nature of the relationships between agrarian structure, agricultural growth and the state in West Bengal and Bangladesh. It scrutinises reports of rapid agricultural growth in West Bengal (and less spectacular but still significant agricultural growth in Bangladesh) since the early 1980s and expands the concept of structure to include structures of commerce, of bureaucracies, of exchange arrangements in land, water and labour, as well as changing ideologies of gender, caste and ethnicity. The local impact of the West Bengal Left Front government's agrarian reforms (including Panchayati Raj) are also analysed and trends in poverty in the two Bengals since 1980 are examined.

I
Introduction

SINCE the early 1980s there has been a rapid increase in the output of rice in West Bengal [Saha and Swaminathan 1994a, Sawant and Achuthan 1995] after decades of mediocre performance.[1] Rice output is also said to have increased rapidly in Bangladesh [Palmer Jones 1992].[2] Both of these observations contradict the implications that might have been drawn from Boyce's earlier work on the two Bengals for the period 1949-80 [Boyce 1987]. Boyce suggested that elements of the agrarian structure, including inequality of landholdings, stood in the way of growth in output. Disputes between relatively large landowners as well as sabotage by those without productive assets prevented the expansion of water control – the critical input.

To examine the apparent contradiction between structure and growth a workshop on 'Agricultural Growth and Agrarian Structure in Contemporary West Bengal and Bangladesh' was held in Calcutta from January 9 to 12, 1995.[3] The workshop was organised in thematic sessions beginning with historical overviews of the relationship between agrarian structure(s) on the one hand and agricultural growth and decline on the other. There followed an examination of the evidence on growth in agricultural output and discussion of the contrasting policies of the government of Bangladesh and the state government of West Bengal. Attempts were made by some authors to link changes in output to government policies. Others focused on the dialectic between agrarian structure and agricultural growth.

The workshop aimed for intellectual eclecticism and got it. While some took a technocratic view of policy, others held that policy should be examined in terms of its practice rather than its stated intentions. Agrarian structure was also deconstructed. It might be more accurate to talk about 'agrarian structures'. While some analysed agrarian structure in terms of the distribution of land among the rural population, it became clear that control over tube-wells was of special significance, particularly in rice producing areas with highly fragmented landholdings. Others drew attention to the structures of agricultural commerce (local, national and international) and of bureaucracies, to ideologies of gender, caste and ethnicity and to institutional exchange arrangements for land lease and labour hire, as integral aspects of an expanded conception of agrarian structure.

Given the unique political success (in the Indian context) of the Left Front government (LFG) in West Bengal and its emphasis on the implementation of sharecroppers' rights, land redistribution and sweeping local government reform, it was inevitable that the implications for growth and equity of this set of policies would come under the closest scrutiny. Several papers were based on detailed study of the LFG practice at the micro level.

The final day of the workshop focused on the impact of agricultural growth in the two Bengals on the livelihoods of poor rural people. Here too there was a mixture of micro and macro levels of analysis.

This report offers a summary of the workshop, drawing on papers presented and some of the discussions which followed. The second section draws heavily on Sugata Bose's overview of the historical relationship between growth and structure in Bengal. In the third section, evidence on the rates of growth of production in the 1980s and early 1990s is discussed. This includes debate over the reliability of figures suggesting very rapid growth indeed in West Bengal. The fourth section summarises papers concerned with the relationship between 'structure and growth' in the last two decades. Micro studies of the impact of Left Front government reforms follow in the fifth section, leading into a discussion of the impact of growth on poverty in section six. The report ends with brief conclusions.

II
Historical Overview

Until the middle of the 19th century, crop output in Bengal grew, mostly at the extensive margin and largely driven by population increase. However, despite continued expansion of the net cropped area in East Bengal from 1860 to 1890 and demographically induced intensive techniques thereafter, Bengal as a whole experienced stagnation in agricultural production between 1860 and 1920. In West Bengal over that period, malaria and the decay of rivers led to a decline in both area and output [Bose 1993].

Between 1920 and 1980 the regional trends converged: stagnation in agricultural production coexisted with rapidly increasing population. In particular there was slow growth in the yields of aman paddy, which accounted for about half the gross cropped area in both East and West Bengal.

At the workshop Sugata Bose argued that research into the structural obstacles that may have held back growth in production should involve analysis of the role of the state – including, in the case of the colonial state in Bengal, its acts of omission in irrigation development and of commission in the modes of appropriation of the agrarian surplus over which it could exert influence. In their paper, Saugata Mukherji and Manoj Sanyal re-examined cropping patterns and output trends for the period 1900-1988

locating Bengal's agricultural stagnation until the late 1970s in conditions created by the colonial state: ill-defined property rights, differential access to inputs and resources and the failure of the state to revive canal irrigation and promote private investment in land and technological inputs.

However, Bose's paper also argued that agricultural commercialisation in the colonial era was the outcome of state imperatives as much as of expanding market forces. And it was made possible by the continuing non-commodification of labour – i.e. the reliance on family labour in peasant production.

In resolving the contradiction between the expansion of commodity production for capitalist markets and low levels of productive investment, Bose has shown that the surplus from production had been appropriated by a number of class fractions, including the colonial state, local landlords, metropolitan capitalists, indigenous merchants and moneylenders and rich peasants. However, the principal modes of exploitation and relations of appropriation have shifted over the last two centuries from being rent-based (in the context of the colonial revenue system), through credit and debt (from the late 19th century until the 1930s) to the land-lease basis of later decades. For the discussant, Rajat Ray, the key issue in the period prior to the Great Depression of the 1930s was why the domestic market for rice had not been expanding. The answer lay in structures of surplus appropriation which prevented surplus accruing to peasants and which thus dampened local demand. Bengal had had to achieve any increases in output through sales on the highly competitive international market.

Bose's paper also showed how, in the decades following independence, the impacts of agrarian structures on growth were indirect and context-specific. Those who appropriated surplus aimed to do just that. Holding back growth was a by-product. In many eastern districts, by this time in East Pakistan/Bangladesh, where smallholdings were predominant, richer smallholders leased out land in small parcels to ensure increased labour input. Production continued to be based on family labour. In western districts (by now in the state of West Bengal), also characterised by smallholdings but with a longer established agricultural labourer class and a more substantial rich peasantry, the latter maintained a wider range of economic activities and had access to higher prices for their produce. Increasingly richer smallholders in Bangladesh have used leverage to gain the major share of resources originating in foreign aid, while the same group in West Bengal have better access than others to capital-intensive agricultural technology.

In North Bengal (characterised by a rich farmer-share-cropping system), despite rapid growth between the 1940s and 1960s, class disparities widened, and agricultural labourers and sharecroppers became further impoverished. The question of the relationship between growth in agricultural production on the one hand, and absolute as well as relative poverty on the other, thus remains an empirical one for the present period as well. Papers which addressed this at the workshop are briefly summarised in section six. First it is necessary to ask whether the extraordinary rates of growth reported, especially in West Bengal, are based on sound data

III
Evidence on Growth in Agricultural Production

One of the major aims of the workshop was to carefully examine official data on agricultural production in West Bengal and Bangladesh in the 1980s and early 1990s. Recent statistical analyses of such data suggested that in West Bengal, growth rates for the production of foodgrains had been higher than in any other Indian state. Using the government of West Bengal' index of total output based on its own data, Anamitra Saha and Madhura Swaminathan found that the growth rate of foodgrains output in West Bengal between 1981-82 and 1991-92 was 6.5 per cent per year [Saha and Swaminathan 1994a:A-2].

The ensuing debate in *Economic and Political Weekly* [Datta Ray 1994; Saha and Swaminathan 1994b] highlighted the complexity of estimating yields, especially of the main crop, aman paddy. Multiple varieties of aman paddy are cultivated on varying qualities of land with major differences in yield between plots. Further, West Bengal has no reliable data on landholdings, both due to the legacy of the Permanent Settlement and to the lack of a 'potwari' system for keeping land records. So both measurement of yields via crop cutting samples and the calculation of district-wide data using area estimates require close scrutiny.

In reply to Saha and Swaminathan, B Datta Ray, the former director of the Bureau of Applied Economics and Statistics (BAES) in the government of West Bengal, argued that biases occurred in the sampling, which drove up estimates of production [Datta Ray 1994]. Saha and Swaminathan (1994b) replied that, on the contrary, if biases did occur they would skew the results downward. One possible source of bias was that towards late harvested paddy. Arrival at a sampled plot which had already been harvested would, argued Datta Ray, lead to selection of another later-harvested plot, which would likely to have been sown in a longer duration and therefore higher yielding variety of paddy. Saha and Swaminathan countered (1994b) that if there was a bias towards selection of longer duration varieties this would push yield estimates down as high yielding varieties tended to be of shorter duration.

At the workshop, James Boyce suggested that a major source of bias was the changing methodology for the collection and preparation of crop output data. Until the 1980s the state BAES conducted independent sample surveys for acreage estimation and crop cuts for yield estimation, based on the statistical methodology developed under the direction of P C Mahalanobis at the Indian Statistical Institute in the 1940s. The subjective estimates of the Directorate of Agriculture (DoA) – the state agency charged with implementing policies to boost agricultural production – could be checked against the BAES figures, and the BAES data were generally used as the basis of official state government estimates. In the early 1980s the DoA unilaterally began to 'adjust' some BAES estimates. In the mid-1980s the integrity of the data was further compromised as BAES sample surveys for acreage estimation were abandoned altogether, and official yield figures were converted to a simple average of the often quite divergent BAES and DoA estimates.

Boyce speculated that the true rate of agricultural growth in West Bengal in the 1980s may have been around 4 per cent per year. While not as spectacular as the rates estimated from the official data, this would still represent an impressive performance, far surpassing prior growth rates in the state and comparing quite favourably with agricultural growth elsewhere in India. The fact that this growth occurred during a period of modest but significant agrarian reforms is noteworthy, suggesting that greater equity is compatible with efficiency and growth. Boyce regretted that questionable changes in West Bengal's agricultural output estimation procedures have made it difficult to assess objectively the state's performance and to analyse these accomplishments. He strongly recommended that the *modus operandi* of BAES acreage and yield estimation be restored to its pre-1980s status; that separate publication of the resulting BAES data be resumed; and that official figures be restored to the earlier BAES basis.

During the presentation, Biplab Dasgupta argued that if the bias in yield reports had been constant over the 1980s, the rate of growth, which was the main focus of dispute, would have remained unchanged. Whatever, the actual rate of growth in agricultural production in West Bengal, the Left Front government has gained credit from the very high levels implied by official data [see, for example, *Business India* 1994].[4]

This growth needs to be put in context. Abhijit Sen and Ranja Sengupta used both state and central government data to compare rates of output growth of rice and total foodgrains among eastern Indian states and Bangladesh. Sen and Sengupta found that

Bihar, Orissa and West Bengal all moved to rapid output growth rates in the 1980s (over those of the 1970s) Growth in rice production in West Bengal in the 1980s was 7 6 per cent per year ' compared to 6 1 per cent in Orissa and 3 3 per cent in Bihar Productivity growth in the three states was 6 2 per cent 5 9 per cent and 5 2 per cent respectively For foodgrains as a whole production and productivity grew fastest in West Bengal (6 9 and 5 6 per cent respectively), followed by Orissa (4 7 and 3 7 per cent) and then Bihar (3 3 and 3 3 per cent) In another recent analysis Sawant and Achutha similarly report a general increase in foodgrains production in eastern India, with West Bengal in the lead (1995) It is this lead over the respectable performance of other states that requires explanation

Sen and Sengupta went on to show that the level of intensification of land use in West Bengal as indicated by the rate of growth of gross cropped area was unmatched in the other two states None of the three states consistently increased fertiliser, use of high yielding variety seeds or irrigation in the 1980s over the 1970s Sen and Sengupta admitted that the data on irrigation was flawed because it underestimated investment in private irrigation However they suggested that proxy indicators like increases in rural lending by commercial banks and electricity consumption could confirm that private irrigation was more important in the 1980s '

The overall picture of low growth in input use led Sen and Sengupta to conclude that West Bengal established a relatively high base level of inputs in the 1970s followed by increased x efficiency in the 1980s If this were the case (i e if motivation and effort applied to agricultural production increased in the 1980s over the 1970s and was much more significant in West Bengal than in neighbouring states) some of the credit might be laid at the door of the state government whose political and agrarian reforms could be said to have created the enabling conditions Boyce noted that an alternative hypothesis is that the output growth has been overstated in the official statistics

The paucity of data on yield and output is, however far greater in Bangladesh In contrast to the relatively rosy scenario painted by Richard Palmer-Jones (1992), data available at the workshop suggested that at the national level, while growth in agricultural output has exceeded that of population over the last two decades, there was no major shift in the 1980s compared to the 1970s and growth has not been on the scale reported for West Bengal

Sen and Sengupta analysed data from the *Bangladesh Statistical Yearbooks* of the Bangladesh Bureau of Statistics and found annual growth in rice production to have averaged 2 48 per cent in the 1980s and 2 66 per cent in the 1970s In Quazi Shahabuddin's paper, agricultural output was reported to have increased by 2 7 per cent per year between 1972-73 and 1992-93 Here too growth of output was found to be slower in the later period (1986 87 – 1992-93 2 7 per cent per year) than in the earlier period (1972-73 – 1985 86 3 0 per cent per year) Indeed, growth of rice production between 1989 90 and 1993 94 was computed to be just 0 48 per cent per year

According to Shahabuddin, the proximate cause of the growth in output for the period to the end of the 1980s was an increase in area under high yielding varieties of rice which in the early 1990s, accounted for 75 per cent of the gross cropped area and 60 per cent of the total value of crop output Although Shahabuddin attributed the recent growth in production to intensification of input use this raised rather than answered questions about the direction of growth Both the total consumption of chemical fertiliser and total irrigated area increased into the early 1990s The annual rate of growth of total irrigated area was 2 85 per cent in the 1970s, 6 21 per cent in the 1980s and 8 26 per cent in the early 1990s Why then were output growth rates in the 1990s so low ? Indeed why was there a decline in the acreage of boro paddy in the early 1990s ? Has there been compensating growth in the production of other crops ?

Given the recent history of stagnaton in agricultural output in Bengal as a whole, the growth rate of 2 7 per cent per year over the last two decades has been heralded as a success However when the apparent downturn of the early 1990s is set alongside the policy shifts towards deregulation of agricultural markets in the 1980s the role of liberalisation in providing incentives to greater production in Bangladesh remains a question for research

Thus while there is strong evidence from West Bengal to indicate rapid growth in agricultural output since the mid-1980s (even if the average annual rate was 4 to 5 per cent per year rather than 6 to 7 per cent), evidence from Bangladesh is much scantier and the growth less remarkable The available figures suggest a slow-down in the 1990s after modest increases in per capita agricultural production since the early 1970s

IV
Agrarian Structures and Agricultural Growth

The nub of the debate giving rise to this workshop lay in the question whether agrarian structure in Bengal acted as an obstacle to agricultural growth On close inspection, agrarian structure is about much more than the distribution of land and other assets among rural people and/or the organisation of agricultural production Even these factors varied widely across Bengal Moreover, structures of rural industry, trade and commerce, may be so closely interwoven with agricultural activity that the question requiring study is whether rural social and economic structures acted as obstacles to growth Structures may shape the pace and social distribution of the growth rather than simply restrict it Further, causality is likely to be complex, interactive and lagged rather than unidirectional, with growth impacting on structures as much as vice versa Papers presented at the workshop included investigations focusing on both directions of causality and varying concepts of structure, including land and other productive asset distribution, ownership and mode of allocation of irrigation water agricultural product markets, socially embedded labour exchange and ideologies of gender and social rank The rhetoric and practice of state policy' may also be seen as structural and papers focusing on this in West Bengal are reported separately in the next (fifth) section

Shapan Adnan's paper showed how the distribution of tangible assets (mainly land) in one ward in Pabna district shaped the process of agrarian technical change Contests between classes over resource allocation through both market and non-market mechanisms worked in the favour of the richest families Coalitions of rich farmers enabled the transition from a predominantly sharecropping rental system prior to 1971 to the appearance of fixed rent leases thereafter Adnan argued that the fixed rate system was an outcome of landlord domination because the tenant bore risk and paid regardless of output Rates were set on a take-it-or leave-it basis, with increases being led by one landowner and followed by the others Further productive accumulation was constrained by these changes as rich farmer practices aiming at rent maximisation caused the accumulation of land for further rent extraction It was much harder for poorer people to acquire shallow tube wells because of the convoluted procedure required to form a co-operative (mandatory in tube-well ownership until the mid 1980s) and the size of the bribes involved

Thus, for a period apparently dominated by state intervention in agricultural input supply, structure – in the form of class differences – influenced the direction of growth This in turn caused changes in agrarian structures – particularly in rental contracts Indeed shares were reintroduced for the renting of water Adnan explained this as the outcome of a balance of forces between waterlords and rich peasants owning plots in the command area The result for poor producers was a decreasing share of the agricultural product, as rent-receiving landlords increased their proportion of the surplus through rent hikes, and waterlords increased theirs through deliberate overpricing of water through the share

One key feature of rich peasants' class power was their capacity to bribe low level bureaucrats, elected office-holders, bank employees and others. Whereas this was crucial during the period under study – one of large-scale involvement by the state – class contentions under the liberalisation of agricultural markets require separate consideration. Adnan's central argument was that the incentive to extract surplus as rent was associated with a polarisation in which production on owner-occupied holdings was delegated to the poor. The implicit assumption here is that the changes in structure associated with technical change – particularly subinfeudation and unproductive investment – were outcomes of the initial structures and were responsible for low output growth. In discussion, Willem van Schendel argued that non-market resource allocation mechanisms (such as 'shalish, shamaj' and religious rituals, which were touched on by Adnan), non-agricultural activity and institutions of intra-household resource allocation had been neglected in this study and in the workshop generally. The question of whether such institutions moderate or exaggerate the unequalising impact of liberalisation remained unanswered.

Mahabub Hossain gave an account of changes in government policy towards agriculture including the privatisation of fertiliser distribution and the lifting of import regulations on irrigation equipment. He suggested that equity was adversely affected both by the continuing favourable access to credit of richer farmers and by the investment of the latter in shallow tube-wells. Charges for water in the command areas were higher to small farmers than to medium and large farmers. This supports the findings of Adnan's microstudy for the period leading up to 1986.

However, the dynamics of water markets reported in these Bangladesh studies contrast with those encountered by Neil Webster in Bardhaman district of West Bengal. Whereas in the former, water was allocated to landowners (albeit on an inequitable basis), in the latter, in the boro season, tube-well owners leased in the land in their command areas on a take-it-or-leave-it basis. Webster termed this 'water blackmail' – it is made possible by the monopoly structure of irrigation water ownership.

Geof Wood's paper also examined how different classes of actors in rural Bangladesh managed household survival and accumulation. Wood took an actor-oriented approach focusing on what people do, rather than what constrains/enables them. Making people rather than households central entails analysis of intra- as well as inter-household relations. Wood reflected, from numerous research rounds in rural Bangaldesh, on the broad structural trends towards (i) smaller holdings and (ii) the strong intrusion of agrarian capital and new technology. At the same time increasing landlessness was only partly absorbed by non-agricultural employment and there was a proliferation of roles, including the provision of water and other 'services'. Wood thus questioned whether the farm household remained the appropriate unit of analysis for studies of production relations in rural Bangladesh, as decisions were increasingly made around tube-well command areas (perhaps in arrangements akin to those reported by Webster from Bardhaman district of West Bengal) rather than on the basis of a household's total landholding. Indeed, the larger a holding, often the greater the number of scattered plots and thus the greater the complexity of transactions required to cultivate intensively.

Wood pointed out the recent rapid increase in the number of shallow tube-wells with command areas of 10 to 25 acres and the overall dependence on irrigation indicated by the 1990-91 figure of 50 per cent of net cropped area double-cropped (and 10 per cent triple cropped). In contrast to Adnan, he conceived of shallow tube-well 'services; as entrepreneurial activity rather than as a route to a rentier income for water-lords. Each command area had its own house rules, requiring different levels of cultivation intensity and an increasing likelihood that other 'services' such as ploughing would be provided by the tube-well owner(s). Increasing use of contract labour gangs might indicate the 'servicing' of plots across command areas. Nevertheless, while such complex arrangements may have been developing in the irrigation-dependent boro paddy season, in the aman season there were much higher prospects for the management of each landholding by the household owners of that holding. Although Wood's paper was largely speculative, it was based on over two decades of engagement with the Bangladesh countryside and its challenge to orthodox conceptions of agrarian structure deserves serious consideration. Wood emphasised the proliferation of non-agricultural 'services' but also raised questions about the sources of capital for investment in such activities and the subsequent distribution of surplus along lines of region, religion, class and gender.

Barbara Harriss-White's paper on agricultural markets in West Bengal also focused on the relation between growth and structure – particularly the impact of the former on the latter. Harriss-White's framework for analysing market structure built on a systems approach to agricultural markets which also attends to class differentiation within the system, to the functional differentiation of component firms, to variation in the competitive environment for contract formation and to the social and political embeddedness of exchange. Transactions in market systems for three staples (mustard oil, potato and rice) in three market centres in West Bengal (Memaral, Gulsi and Katwa) were examined. Trading firms revealed complex internal structures taking the form of a high degree of uniqueness of combinations of activities. These activities included buying, selling, brokerage, storage, processing, transport, the finance of trade and of production. Asset ownership revealed a highly skewed market structure mirroring to a large extent the distribution of land, including urban land and storage and processing sites. However, as in the case of mustard seed non-local, non-land based capital, was as much involved as local commercial capital, and qualified any simple relations of determination of market structure by the structure of landholdings.

Harriss-White found that growth in the marketed surplus in West Bengal has been associated with an explosion of petty trade in a political constituency generally favourable to the Left Front government. However, the state has effectively blocked accumulation in this sector (and therefore competition from it) by rationing licences to petty traders and continuing to try to protect mercantile magnates through legal arrangements guaranteeing local monopoly control over the wholesale trade, restricting processing technology to large scale and through subsidised credit targeted away from small traders. With the state's failing to implement regulated market law, much of such regulation has been left in the hands of collective institutions of civil society with oppressive, arbitrary and extra-legal penalties on (usually weaker) outsiders.

Harriss-White asked whether this economic empowerment of commercial magnates was international or had such research as hers problematising the development of small-scale petty trade simply not reached the regime? The Left Front government's focus on reforms in the structure of land ownership and in tenurial relations represented a concentration on structures of production to the exclusion of property relations in exchange and circulation. In the meanwhile a compro-mising accommodation had been developed between a powerful commercial elite and the state.

Suman Sarkar and Kali Shankar Chattopadhyay tackled the issue of whether growth and technical change in agriculture could dissolve the constraining institutions in which market exchange is embedded or whether market institutionssurvive, notwithstanding growth. Village level field research in the mid-1970s and now, in localities undergoing a variety of growth trajectories, was compared. In the 1970s markets were physically fragmented and socially segmented such that a spectrum of prices could obtain in a given location and point in time for a given crop, and such that intervillage price differences were greatest

than justified by transport costs alone Agricultural growth has brought about considerable change in marketing systems a reduction in the use of periodic marketplaces a great increase in itinerant trade and the creation of chains of agents bound by credit, the conversion of village traders to rice mill agents and increased price collusion by commercial rice millers Sarkar and Chattopadhyay concluded that commercialisation was relatively economically differentiating, that growth in the marketed surplus accentuated the economic power of the mercantile capitalist class and that liberalisation would increase their capacity to bias towards traders and away from suppliers the gains from trade

The structure of agricultural product markets in Bangladesh was discussed by K A S Murshid based on a collaborative study with Ben Crow [Crow and Murshid 1994] of Noakhali and Bogra districts Crow and Murshid found that in a relatively 'backward' region only 30 per cent of grain outflows were not tied Producers were obliged to sell to their creditors who were mainly merchants and absentee landowners In an 'advanced' region on the other hand 92 per cent of grain sales were not tied to loans and here the main creditors were friends and relatives These structural differences in the product market have been sustained by different institutional environments In the 'backward' area for example tied contracts between money and product markets have continued because of the oligopsonistic power of a transport cartel dominated by absentee landowners and backed by force depriving producers of alternatives

Ben Rogaly's paper discussed structures of labour exchange in West Bengal and stressed their importance for interpreting macro data on changes in wages and employment The paper was based on evidence from two localities one in an irrigation intensive area of Bardhaman district and the other in a rainfed area of Purulia district While wage data cited by Sengupta and Gazdar (forthcoming) for West Bengal suggested their rapid growth in the late 1980s and early 1990s coinciding with the rapid growth in agricultural output Rogaly argued that efforts to understand the impact of wage changes on poverty required data on the structure of labour arrangements Two components of structure were highlighted therefore

(i) the forms of social and economic differentiation both *among* agricultural workers and *among* agricultural employers in which labour supply and demand are embedded – these include landholding structures and ideologies of gender and caste, all of which change over time, and

(ii) the forms of labour arrangement or contract which also enable and constrain demand and supply 'choices

Rogaly found at least six different indigenous types of hired labour arrangement being practised in each locality Conventionally several of these are lumped together as 'casual' including individual – and gang based piece rate arrangements, seasonal beck-and call ties and daily time rate employment Yet, there were significant differences not only in remuneration but also in the types of social embeddedness of each one Variation in remuneration occurred *within* arrangement types Such differences were shown to be grounded in wealth differences among labourers, in gender and caste ideologies and in the detail of party politics

In analysing the impact of growth in production on the structure of labour exchange it was therefore necessary to track changes in the occurrence of different arrangement types and variation within each type Changes associated with the recent growth in agricultural production have included an increasing use of seasonal migrant workers (again raising measurement problems for one off annual or decennial surveys) and greater use of gang based piece rate labour As ideologies of work and employment shift and are contested and as local untouchable jati offer less labour for hire an increasing number of former seasonal migrant (often adivasi) have settled in intensively cultivated areas Analysis of the impact of the interaction between growth and structure on workers' livelihoods requires the tracking of changes in (i) hired labour arrangements (ii) the distribution of landholdings, and (iii) the often contrasting ideas of different jati about appropriate work place 'choices' for women and men

Jayati Gupta's presentation drew out the critical links between unequal property rights in land for men and women on the one hand and gender relations in the household and at wider levels on the other Drawing on evidence from Medinipur district of West Bengal in the late 1980s, Gupta also highlighted the importance of dowry in the reproduction of the land-owning structure The non-land resources of dowry enable land to be retained by the males in the natal household Equally this form of dowry may be used to capitalise land controlled by males in the bride-receiving household Greater co ordination was required between the women's movement and the 'peasant movement' in pushing the gender distribution of land owning rights onto the the policy agenda In discussion Naila Kabeer also emphasised how dowry became a key means of economic accumulation for those with sons showing the importance of studies of family size and composition to studies of household mobility

In his paper on wealth, power and status among CPM-supporter groups in rural West Bengal, Arild Ruud linked economic well-being to cultural change Ruud's main question was why the local party leadership of the CPM, many of whom were caste-Hindu in the Bardhaman district (West Bengal) villages where he worked, favoured certain groups of the poor - particular jati from among the 'scheduled castes' – and not others Ruud further argued that the 'civilisational' objectives of the CPM's cultural project (anti-casteism, teetotalism and literacy) followed closely from earlier cultural and social reform movements

Ruud described the operation of jati ideologies and how these structured the distribution of benefits from agricultural growth The two scheduled caste' jati discussed were Muchi and Bagdi Ruud argued that Bagdis, former lathiyals have benefited more than Muchis from economic reforms Bagdis have also been favoured in the selection of party candidates The party's civilisational project' has succeeded with Bagdis who are more scrupulous in religious observances than Muchis The Bagdis have become included in the sphere of power via their adoption of certain values Once Congress supporting liquor producers they became teetotal CPM-loyalists They have achieved higher literacy levels than Muchis indicating greater social belonging and status The Muchi attempts to raise their social status have been widely ridiculed and scorned In this way the paper weaves together (i) changes in the ideologies of two scheduled castes , (ii) the 'civilisational' ideology of certain caste Hindus and (iii) the distribution of political, social and economic boons of the 1970s and 1980s

Thus in the workshop agrarian structure took on multiple meanings Growth in Bangladesh has been shaped if not impeded by the prior distribution of productive assets The development and diffusion of irrigation technology may have combined with landholding distributed in fragmented smallholdings to move decision-making at least in the boro paddy season from household to command area By constrast in West Bengal, waterowners' use of monopoly power was described as 'water blackmail' Growth in West Bengal agriculture had led to an explosion of petty commodity traders, who were (whether intentionally or otherwise) constrained from accumulation by state policies subsidising trading, storage and processing magnates Growth in production also impacted on forms of labour exchange in West Bengal, with increases in seasonal migrant labour and piece rate arrangements in labour deficit areas However remuneration of agricultural labour and supply to different arrangement types was embedded in landholding structures and caste and gender ideologies, which were themselves contested and changing Household composition, particularly the number of sons and daughters had major implications for accumulation because of a system of property rights favouring sons and

the related dowry system. One micro study in West Bengal also suggested that where there were absolute gains among suboridate groups during the 1980s, they accrued to 'untouchable' jati favoured by the dominant peasant jati, who were also subject to the latters' 'civilisational project'.

'Policy' in Practice: Case Studies of CPI(M) at Village Level

In linking the Left Front government's agrarian reforms and Panchayati Raj to changes in agrarian structure or to agricultural growth, the history of smallholder movements and other agrarian radicalism in West Bengal should not be forgotten. In his paper to the workshop, Nripen Bandyopadhyay argued that both the relatively large percentage of land owned in holdings of five acres or less and the continuity of agrarian struggle in West Bengal since the 1940s created an enabling environment for the reforms. Others have argued that a tradition of grass roots activism was necessary for the reforms' success [Prasad 1995, cited in Balakrishnan 1995] Further, according to Arild Ruud, changes occurring since the late 1960s in terms of land redistribution and mobilisation by parties of the Left triggered cultural changes in the 1970s and 1980s. Like Ruud's the three papers summarised in the remainder of this section were taken from micro studies. All three focus on the practice of 'policy' at the local level since 1978.

Neil Webster used the local history of agrarian radicalism in a group of villages in eastern Bardhaman district to argue that collective action worked and that the Left Front government should take the opportunity at appropriate junctures to recognise the value of non-governmental organisations able and willing to facilitate collective action by landless people. In the 1950s farmers in the area had formed a service co-operative for shared storage, marketing and, later, mechanised ploughing. In the 1970s, when land was redistributed to some landless scheduled caste households collective cultivation had worked until the land could be allocated into separate holdings. The beneficiaries then preferred to cultivate separately.

Webster argued that collective action by poor householdsis located in a combination of a collective experience of deprivation (tied to exploitation) and a common social identity. Co-operatives may thus be appropriate in this area for the control of mini-submersible tube-wells (MSTWs), which have a larger command area than shallow tube-wells (STWs) and are known locally as 'minis'. Currently MSTWs are owned almost exclusively by colluding large cultivators. The latter co-operate over sites to avoid overlap and refuse to rent out water, thus acquiring land on fixed rent in the boro season via 'water blackmail'. If this continues, then the owners of very small holdings will be excluded (as predicted by Adnan for different reasons in villages in Pabna district of Bangladesh) and 'water blackmail' will provide larger colluding land – and MSTW – owners with high oligopolistic returns to boro cultivation

Webster suggested that this anti-poor outcome was not the intention of the Left Front government, but urged the latter to acknowledge the existence of new actors in order to encourage non-governmental facilitation of local constellations of the poor in irrigation ownership.

Dwaipayan Bhattacharyya's paper aimed to shed light on the ways the Left Front government used its engagement with the politics of agrarian reforms as a legitimacy-building exercise, as its component parties, especially the CPM, played on the existing balance of forces to retain power at the village level Electoral considerations cut across class or political divides The ensuing 'politics of middleness' (defined by Bhattacharyya as "a consensus evolving unifying politics of mediation between several sectional interests) did not alter the structure of inequalities in rural West Bengal. The paper also implied that the practice of the local branches of the constituent parties in the Left Front government contrasted markedly with the period of United Front rule in the late 1960s. It could be argued that the policy declarations of the first Left Front government in relation to rural areas were based on a class analysis relevant ten years earlier, when the vestiges of zamindari may still have been tangible, and class harmony ('peasant unity') between rural wage workers and middle (if not rich) peasants would have been more credible.

Glyn Williams' study of three Gram Panchayats in Birbhum district led to more optimistic findings. The interaction of agricultural growth and political change in the three villages where he carried out fieldwork in 1992-93 involved empowerment of the poor, which would not necessarily have been the outcome of either on its own. The increase in demand for labour together with the implementation of Panchayati Raj increased the bargaining power of labour. The former led to a decline in personalised employment arrangements because of which labourers were better able to shift support between factions They could thus use the vote for material gain. The presence of large numbers of 'untouchable' workers in one area was also associated with their 'takeover' of the panchayat, which would only have been possible with Panchayati Raj.

No general conclusions can be drawn from these three micro studies. The CPM has had unprecedented political success reflected in its repeated re-election to power in the vast majority of gram panchayats, panchayat samitis and zilla Parishads. Bhattacharyya illustrated graphically how, in order to achieve political success, it may be necessary to take advantage of rivalries between local leaders. While Williams' study suggests that poor agricultural workers have benefitted economically because of the political reforms, Webster warns that the control of irrigation water by owners of large holdings may be beginning to work against the interests of such workers.

VI
Poverty in West Bengal and Bangladesh

While growth in Production was rapid in West Bengal in the 1980s and ahead of population in Bangladesh over the same period, the discussions of 'structure' and 'policy' in the two sections above indicate the difficulty of immediately identifying changes in the well-being of rural poor people from macro data and of making inferences about poverty reduction *either* from agricultural growth *or* from changes in agrarian structure.

Recent trends in poverty in Bangladesh were examined by Zillur Rahman. Rahman argued that poor people had multiple earning sources, including self-provisioning agriculture, homstead production, petty entrepreneurial income and wage income. The household was seen as an unsatisfactory unit of analysis because it often broke down into sub-nuclear units or membership was transitory Further, poverty was about vulnerability to crises (both anticipated and unanticipated) as well as income. Gender disparities were common among the poor, with women accessing lower levels of nutrition and extreme poverty in female headed households

Rahman briefly summarised poverty trends in the period 1971-90 before focusing in more detail on the recent period Although absolute levels of poverty were especially bad after the disasters of 1971 and 1974, there was consistent improvement thereafter, stalling only at the time of the 1987-88 floods Since then overall improvement has continued. However, detailed data for 1990-92 indicated that while the number of people in "moderate" poverty declined, extreme poverty increased. In 1992-93, when rice prices collapsed, monthly expenditure data indicated a "consumption bonanza" compared to 1991-92. The very recent increase in rice prices due to fertiliser price increases have had very negative effects on poverty [Syed Hashmi, personal communication]

The main cause of the overall improvement over the late 1970s and 1980s was growth in annual crop output (estimated in Rahman's study to average 3.13 per cent per year)

which was greater than population growth. However, the scale of improvement was modest partly because of low levels of overall economic growth and partly because of the occurrence of shocks leading to the vulnerability of income gains to the poor. The lack of improvement in well-being of the poorest was partly due to the self-selection of moderately rather than extremely poor people to targeted programmes.

Sunil Sengupta and Haris Gazdar's work indicated clear increases in real wages in West Bengal correlated with the period of rapid agricultural growth (i e, since 1982-83) [Sengupta and Gazdar, forthcoming]. Although the neighbouring states of Orissa and Bihar also experienced growth in output and higher real wages, NSS data clearly indicated that the proportion of rural people below the poverty line in West Bengal declined between 1982 and 1987, while it remained stagnant in the neighbouring states. Infant mortality was also shown to have declined relatively fast in West Bengal. However, Sengupta and Gazdar's analysis suggested continuing gender bias in literacy and undernutrition.

Madan Ghosh and Tony Beck are carrying out field research into access of poor people to common property resources. At the workshop, Beck argued that studies of the impact of growth on poor rural people had neglected to analyse its impact on ongoing struggles over common property resources, including fuel, fish and gleaned grain. Further, he cited earlier research which had measured the additional income accruing to different wealth groups as a result of the installation of 14 shallow tube-wells in a village in 24-Parganas district (north). Income from the new boro paddy crops had accrued mainly to the richest groups, while the poorest, despite an increase in employment income, had gained much less. The quantity of grazing land available also declined. Beck argued that this increase in relative poverty mattered very much to poor people, who now experienced a lower quality of life, more important to them than incremental employment income.

The workshop thus presented a mixed picture of the impact of agricultural growth on poverty. While poverty in Bangaldesh decreased in aggregate, the position of the extremely poor worsened. In West Bengal, while many gained increased employment and higher wages, relative poverty had increased and the quality of life of the poorest may have decreased.

VII
Conclusion

The main question addressed at the workshop and requiring further research was how agrarian structures in the broadest sense shape the direction of agricultural growth and vice versa. This included the interaction of the gender, caste and class in differentiating impacts of growth and of state policy changes. It also included the ways in which patterns of agricultural (and rural non-agricultural) investment and accumulation are grounded in pre-existing relations of production. For example, research is required into how the gendered structure of property rights is related to such accumulation and whether existing inequalities between households shaped decisions to invest in shallow tubewells rather than deep tubewell or canal irrigation.

Further research is also called for into the nature of rapidly expanding new agrarian markets, including markets for water in the two Bengals. Are production decisions in rural Bangladesh increasingly made at the level of the irrigation command area rather than household landholding? What forms of social organisation can enable poorer households to control irrigation water to prevent further skewed accumulation? Are there roles for non-governmental catalysts of localised collective action as part of the West Bengal government's anti-poverty strategy?

'Policy' is not separate from structure. The West Bengal agrarian reforms of the late 1970s were clearly grounded in an earlier history of 'peasant' struggle. Does initial evidence from parts of the state suggesting that early implementation of Panchayati Raj increased the power of rural workers in bargaining for a greater share of the gains from growth reflect wider trends? What has been the impact of agricultural market deregulation in Bangladesh and how is it associated with slower growth in rice output in the early 1990s?

These emerging research agendas call for the use of longitudinal micro studies alongside secondary data. However, analysis needs to link local and regional with more widespread changes to include the penetration of global markets, imported products including inputs and machinery and the impact of increased tendencies to export production. Recent reports of high environmental costs to intensive use of groundwater, including arsenic poisoning [Jadavpur University 1995], warn against complacency over the sustainability of the new agricultural growth in the two Bengals.

Notes

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1 The average annual growth in output of foodgrains increased from 0.6 per cent between 1969-70 and 1981-82 to 6.5 per cent between 1981-82 and 1991-92 [Saha and Swaminathan 1994a, A-2].

2 The trend growth rate in boro paddy production from 1979 to 1991 was 9 per cent per annum [Palmer-Jones 1992:A-130].

3 The workshop was hosted by the Centre for Studies in Social Sciences, Calcutta, in collaboration with Queen Elizabeth House, University of Oxford, UK, and the Centre for South Asian and Indian Ocean Studies, Tufts University, USA. It was funded by the Overseas Development Administration, UK. The workshop brought together 70 researchers, including a relatively large number of younger scholars, working on contemporary agrarian change in West Bengal and Bangladesh in Bengal. A volume of selected papers is being prepared for publication.

4 Conversely, in Bangladesh, it could be argued that in conditions of aid-dependency it works to the advantage of the regime to demonstrate low levels of growth in food production.

5 At the workshop, Boyce pointed out that this growth rate was pushed up by abnormally low output in 1981-82 and 1982-83. He estimated that the use of a kinked exponential growth model with a break point at 1980 would reduce Sen and Sengupta's figure by 1 per cent.

6 Although other sources report many shallow tube-wells in West Bengal as using diesel rather than electric poser, e g, Neil Webster's paper at the workshop.

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Changing Terms of Political Discourse

Women's Movement in India, 1970s-1990s

Indu Agnihotri
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The revolutionary changes which followed the two world wars created fora and structures that promoted debates on women's rights. By the beginning of the 1990s however, the international context in which the struggle for the advance of women's rights was being waged had been transformed Debates being actively promoted today twist the very premises and values on which the movement had been based It is against the background of these developments which have influenced the women's movement in India that one must evaluate the goals and directions of the movement and locate its strengths and weaknesses

I
Introduction

THE 20th century promoted the cause of gender justice by internationalising struggles for equality by women and other oppressed people Women's struggles against their subordination were intertwined in varying degrees with ideologies and movements based on the values of freedom, self determination, equality democracy and justice Confined earlier by locale or limited foci, these now found expression through movements against imperialism for national liberation and social transformation The defeat of fascism and the forced retreat of imperialism around the mid century paved the way for social advance of which gender relations were a key component along with the other broad objectives of human rights and the end of iniquitous social orders The revolutionary changes which followed the two world wars also created fora and structures that promoted debates on women s rights The International Women s Decade was initiated during this period of hope which also posited a new International Economic Order By the end of the decade, however, this hope was already shaky [Mair 1985] In the mid 1990s, the context in which the international struggle for advance of women's rights is being waged has been transformed Debates being actively promoted today twist the very premises and values on which the movement had been based Terms like empowerment, choice, reproductive freedom, spiritual autonomy, etc, are being appropriated by forces inimical to the goals of the women's movement Can the movement ensure the continued existence of fora to mount pressure for intervention in favour of more equitable gender relations – both at the level of international realpolitik as well as at ground level processes?

It is important to note these international developments since they have influenced the movement in India from the start If we were to spell out the parameters within which the movement developed in recent years, these would be (a) the decadal thrust provided by the preparations for the UN Conference in Mexico, and the initiatives coming forth from the Non-Aligned Movement in this context, (b) the history of and relationship between earlier movements for freedom, equality and democracy values which were subsequently enshrined as basic political tenets in the Constitution of India, and the constraints felt towards achievement of these in independent India and (c) the influence of ideas coming across through the various streams of the women s liberation movements of the west Thus equality, democracy and freedom were at the same time, actual national and ideological goals which the women s movement addressed in all their connotations including specific gender perspective and components

II
The Indian Movement

Although in India colonial rule and the freedom struggle marked the beginning of an awakening among women, differing streams within the anti-imperialist anti-feudal struggle posited different even contentious images of identities for women [Sangali and Vaid 1989] But the nationalist consensus symbolised in the Fundamental Rights Resolution of the Indian National Congress 1931 postulated freedom, justice, dignity and equality for women as essential for nation-building The Constitution assured these rights In the post-independence period, however women exploring avenues for socio-economic and political mobility came up against the limitations of a third world ex colonial state This posed conflicts between their new rights and the values carefully promoted by a longstanding patriarchal social hierarchy Social disabilities and gradual isolation from the politico-ideological struggles that were shaping the nation building process led to the fragmentation of the women s movement and the women's question faded from the public arena [GOI 1974, Mazumdar 1978]

This is not to imply that no struggles were waged during this period But, with the exception of the tempo built up before the passage of the Hindu Code Bill, 1956, these could not form the basis of spurring agitations which could catch the public imagination cutting sectional demands and organisations

In contemporary India the resurgence of the women's movement and its contours have to be seen in the light of (1) The crisis of state and government in the 70s going into the emergency (2) the post-emergency upsurge in favour of civil rights, (3) the mushrooming of women's organisations in the early 1980s and the arrival of women's issue on the agenda (4) the mid-1980s, marked by a fundamentalist advance and the 1990s when the crisis has deepened with regard to state government and society

The women s movement in India is one of the many burgeoning efforts at reassertion of citizen's claims to participate as equals in the political and development process This places it in a situation of direct confrontation with the forces of conservatism and reaction The fundamentalist onslaught in one country after another have exposed the vulnerability of women's advance in most places In the third world as well as erstwhile socialist states, however, the combination of these with the onset/ acceleration of free market capitalism has both strengthened the powers of the oppressors as well as created new instruments for hegemony, by weakening the balancing mechanisms and ideologies that sought to place limits on their rapacity In India the mid-1980s have seen an onslaught on even existing rights of women through a harking back to 'tradition' and culture' and the positing of images which emphasise women's reproductive role as the only natural, historical one The fundamentalist/revivalist face of many social movements today is directly opposed to the radical demands and upsurges coming from below

These decades in India have marked the end of the age of complacency apathy and acceptance of the existing social order Undoubtedly these stem from both problems of transition is well as the outcome of the world s largest experiment in democracy Shifts in foci and awareness of problems that impinged on women s lives, the social construction of gender relations and the identity of women from different classes in their attempts to resolve the problems of the national economy and polity occurred during a period of dissolving certainties that characterised local national or global systems

This changing character and the contradictions are reflected within the governmental structures and in a shifting attitude towards the women s movement A major question facing all governments in office has been how to respond to the movement and its demand to place the women s question on the political agenda The government s response has been teetering between responding to the conservative or the radical forces in dealing with the women s question

The women s movement in turn, has mounted pressures on the state and government from the opposite end of the spectrum itself experiencing major transformations it has grown immensely despite pressures from diverse areas Within the movement diversities manifested themselves in many ideological cleavages and fragmented regionally uneven growth But the issues on which women first articulated their visible opposition covered a vast terrain – ranging from those which were gender specific to those which impinged on citizen s rights class formations values and the direction of social transformation

The main concerns of the movement as it emerged were laid out in the issues opened up by the report of the Committee on the Status of Women in India (CSWI) which drew attention to the wide diversities in culturally prescribed gender roles in India's plural society The committee raised serious doubts about the development or modernisation models that not only ignored the real differences that revolved round caste class and ethnic history but exaggerated the influence of religion culture and social attitudes on gender role prescriptions Questioning the continued invisibility of women' in areas/sectors where they were largely involved the CSWI pleaded for a renewed concern that would reflect real life issues and aspirations of the majority of women [GOI 1974 3]

This disenchantment of women with the post-independence development scenario was not a stance dictated by exogenous political considerations Demographic indicators like the accelerated decline in the sex ratio, increasing gender gaps in life expectancy mortality and economic participation or the rising migration rate were disturbing enough Combined with this was the utter failure of state policy to live up to its constitutional mandates in any field of national development The CSWI noted clear linkages between existing and growing social and economic disparities and women's status in education, the economy, society and the polity [GOI 1974 234], putting the demand for equality on an actual historical terrain It also formed a starting point for women s studies [1]

In this paper we have confined ourselves to the movement's responses to violence fundamentalism and the debate on economic role and processes We have focused on these not only because of limitations of space but because we see a close link between the marginalisation of women as economic beings (a trend which is now on the rise despite the movement s interventions in the last decade and a half) and the rising trend of violence targeting women In India today the most modern techniques of propaganda are used to project women as consumers and reproductive beings rather than producers and, above all as members of one or other particular community which seeks to establish its political identity by right of birth, religion or culture Fundamentalism provides an ideological framework while globalisation and glorification of the market provides the operative instrument to demolish women's claims to equality freedom and dignity as individuals This awesome combination poses a challenge which is forcing women s organisations into rethinking, soul-searching and questioning of their roles and identities in the reshaping of the struggle

This, however does not mean that the movement has not intervened in other critical sectors that affect the overall processes of national transformation, e g, education, science, technology, research and development management of natural resources and food security We have here focused on three main aspects which are critical determinants in the struggle for gender equality

The focus on these themes reflects both the views of the authors as well as that of activists in the movement The method followed is one of fairly widespread consultation with activists through workshops organised in different regions to get a feedback on what activists considered to be the major issues looking back on the last two decades [2] The paper does not attempt to write a history of the movement It only focuses on the issues trends and challenges as these have emerged while locating women in the overall context of the complexity of India's social and political entity of a democracy-in-making, as well as a democracy endangered

III
Violence: Case of Expanding Arenas

From its earliest phase in the late 1970s the contemporary women's movement perceived growing violence as a major issue, bringing 'visibility' to the movement itself This identification violence has also been interpreted in many ways, by analysts of the movement Primarily of course, it has been seen as a 'rallying cry' or a 'rallying point'

Violence, however is perpetrated through the given institutions of the state, community, the family and society at large It draws sustenance from prevailing ideologies which seek to propagate status quoism through advocacy of 'falling-in-line', be it in response to transgression of social norms or laws, which are defended in the name of age-old customs and tradition, religious or caste identities, or even political dissidence Such status quoists perceived the movement's adoption of violence as a threat to basic social institutions like the family community and construction of gender roles developed by the elites and projected as universal to 'Indian' culture – at all levels Over the decades, however, there has been a change in this perception

Rape

It was the widespread national level campaign, in the course of 1979-80, on the Mathura case which brought women's issues onto the public agenda The Supreme Court's acquittal of two policemen involved in the rape of a minor tribal girl brought to the fore several crucial aspects of women's oppression, viz, the roles of class and caste in oppression of women, and the issue of accountability of public servants and the judiciary in achieving the constitutional guarantees These were pointedly raised by four law teachers in their protest to the chief justice

> Must illiterate, labouring, politically mute Mathuras of India be continually condemned to their pre-Constitutional India fate? [3]

Though the agitation sparked off by the Mathura case led to significant changes in the Evidence Act, the Criminal Procedure Code and the Indian Penal Code, including the introduction of a category of custodial rape, the changes introduced were not sufficient The concept of power rape was resisted and has only recently been admitted through an amendment in the Civil Rights Act Significant loopholes nevertheless remain, both with regard to the law and its implementation

While the movement's understanding of the issue has widened, success has been limited due to both lacunae in the conceptual definition as well as monitoring of procedures. The definition of rape does not extend to marital rape and anomalies exist between the Child Marriage Restraint Act and the rape law in that consent is not required for intercourse in marriage before the age of 18. Also, whereas the character of the victim is not supposed to be a consideration in determining rape, clauses in earlier legislation to the contrary effect continue to be used and even the Supreme Court has violated the principle of custodial rape on this count. There is also the element of 'provocation' or, as the Supreme Court put it recently while reducing the sentence in one case, inability to resist temptation so that rape became a 'crime of passion'. Apart from all this there is the inability and unwillingness of the state machinery to act in a manner as to collect evidence in order to prove rape. As has been highlighted in the case of rape of nuns in Gujraula, UP, the law leaves sufficient loopholes for agencies such as the concerned police and medical personnel to not act, with perfect impunity. Of late, the movement is emphasising the rising trend in child rape, and demanding new legislation to combat the trend.

Anti-Dowry Agitation

Of all the agitations focused on violence the one that most touched the public imagination, the media and the widest sections outside the pale of organisations, was that which protested against dowry and dowry-related violence. It is the anti-dowry agitation which emerged as a rallying cry.

The 'atrocities against women' headline, attracted attention in the post-emergency scenario of 'excesses', and the 'Brides Are Not for Burning' slogan focused media attention both in India and abroad on women's lives. The question has often been posed, whether it perpetuated the 'women as victim' syndrome? But for those who became crusaders in the fight against dowry the movement transmitted a pulsating sense of energy which over time got transformed into a brand of activism which asserted women's agency in social change. It was this public assertion of what had till then been seen as a private agenda, which shook older organisations from a seemingly unending slumber.

One of the amendments in the Criminal Law, Section 498-A, passed in the wake of the agitation, encompassed for the first time a definition of cruelty which included not just physical but mental cruelty as well. One of the most commonly used clauses in cases filed by women, the invoking of the clause has in effect focused on the issue of domestic violence. The successive campaigns brought into focus the trauma women undergo within the confines of the ever-enduring family, glamorised by policy-makers and elite groups in general, as "the basic foundation of Indian society".

By 1982 organisations in Delhi and elsewhere built up formidable evidence of dowry-related murders being passed off as 'suicide' or accidents [Kishwar and Vanita 1984; Kumar 1992]. In several cases activists had themselves recorded the dying declaration of victims and urged the courts to treat this as evidence. Newspaper headlines screamingly reminded readers that 'dowry deaths' were on the increase. But the government, the police and other official agencies alongwith society at large slumbered in insensitivity and the convenient middle class ploy was used to dismiss torture of a young bride as an 'internal family matter'. It was a consistent, widespread mass campaign both individually by organisations and jointly under the aegis of the Dahej Virodhi Chetna Manch (DVCM) that finally mounted pressure on the government to act, if only out of political expediency. The Law Commission undertook a *suo motu* study on improving the law to combat this social menace more effectively. The parliament appointed a joint committee of both houses of parliament to review the working of the Dowry Prohibition Act. Though members were drawn from all political parties, it included several leaders of national women's organisations and led to one of the rare occasions of "all the women speaking with one voice" [Government of India 1981; Palriwala 1985].[4]

What came into focus in the course of the campaign was a clear link between dowry and the urge to accumulate consumer items as well as mobilise resources to be used as 'investment' or 'capital' to start petty business or enterprise [Karat and Agnihotri 1993]. These facts were so stark that for the high court to assert that the giving of gifts was customary was sure to invite the wrath of women's organisations. The irony of the high court assertion seemed greater in view of the fact that in 21 years since the Dowry Prohibition Act of 1961, only one conviction had taken place.

However, as anyone in the movement would today testify, even as increasing 'cases' of harassment and torture are registered with the numerous complaint cells as well as legal aid centres, the menace of dowry has increased mainfold. Did the focus shift from fighting dowry to only highlighting dowry deaths, asks an activist? Why could we not end dowry, ask others? There are no simple answers. While analysts have critiqued the movement for an emphasis on legal remedies, the fact is that the movement addressed itself to much more, and also achieved more. The question that may be raised is, was it and is it possible to fight dowry in a social context where both caste and consumerism are penetrating deeper? Matrimonial columns of leading dailies now proudly classify advertisements along caste lines, and consumerism has spread its tentacles far and wide in Indian society. The DVCM's demand of comprehensive legislation including changes in the whole gamut of inheritance/succession/property laws has gone unheeded, prompting even feminists/ erstwhile feminists to "rethink" dowry [Kishwar 1988a; 1988b]. Dowry, far from being a 'deep-rooted' Indian tradition, is the fastest way to make quick money in India while also claiming social sanction and legitimacy [Srinivas 1983]. In fact despite the most visible solidarity shown on the issue in the media, concerned women parliamentarians and activists, the issue has today been relegated to the background from the public eye in the face of more 'immediate' and 'pressing' problems, which are not altogether separate from the social agenda inherent in the anti-dowry campaign. In fact with the given state of a son-preference in Indian minds amniocentesis and sex-selection also draw their rationale from the dowry menace

Amniocentesis and Sex Selection

In 1974 the department of human cytogenetics, All India Institute of Medical Sciences (AIIMS), New Delhi, started a sample survey with the aid of amniocentesis to detect foetal abnormalities. By 1975, the AIIMS knew that the tests were being followed by abortion of female foetuses. While the AIIMS tests were stopped by 1979, reports came in from Amritsar in Punjab where medical entrepreneurs openly advertised their services referring to daughters as a 'liability' to the family and a 'threat' to the nation's population problem. Expectant parents were exhorted to avail of the services of clinics to rid themselves of the daughters to come. At a meeting convened in New Delhi in July 1982 a three-point position was arrived at wherin: (a) government was requested to restrict use of amniocentesis to only teaching and research establishments; (b) the Indian Medical Council was requested to take severe action against members indulging in unethical practices; and (c) women's organisations were to remain vigilant against the spread of the practice for commercial purposes [Mazumdar 1994].

While government did issue some circulars to this effect, not such action followed. In the meantime the sex determination business had came to stay, with clinics spreading even to small towns and information on this count reaching families.

which were otherwise unaware of technological advances Today the business flourishes more rampantly in North India, where in some places which earlier practised female infanticide, female foeticide has come in From the south alarming reports have come in of the prevalence of female infanticide among the Kallars in Tamil Nadu Ironically, this was not a tradition of the community Approval and connivance for the practice are being granted by an emerging new prosperous community leadership which includes educated professionals as well as politicians

In 1985, The Forum Against Sex-Determination and Sex-Pre-Selection (FASDSP) was formed in Bombay The Forum addressed itself to the entire spectrum of new reproductive technologies It sought wider alliances, undertook surveys, and filed a public interest litigation A private member's bill introduced in the state assembly, forced the government to move into action The bill finally adopted by the Maharashtra government in 1988 had several lacunae as does the central government's bill passed in July 1994 A question that has arisen from these long campaigns and the debate is, what about the women who practise female foeticide or infanticide? The new law treats them as guilty and punishable But does a woman in India have the right to choose or decide?

Population Policy

A strange link has united sex-selection followed by female foeticide and female infanticide Both cite national population concerns as the instigation for these anti women acts The government of India's current efforts to formulate a new population control policy in consultation with or at the behest of its international benefactors, include a series of measures foisted on women after the initial attempts at vasectomy during the emergency period met with stiff resistance The notable features of this policy are that (a) it is premised on the assumption of the population bomb theory (b) women feature as the main targets since they are the agency of reproduction (c) the contraceptives include steroids and hormonal injectables with long term effects on the health of the user, (d) no provision/consideration for monitoring of impact [5]

Women's organisations have been fighting for several years against the entry of these hazardous contraceptives which exploit women's desperate need for safe contraception , and proposals for coercive 'fascist' punitive measures such as changes in the People's Representation Act to disqualify those with more than two children and in the Maternity Benefits Act to restrict the benefits up to two children, while increasing leave provisions for abortions. These concerns were articulated forcefully before a recent expert committee appointed by government of India to draft a new national population policy [6] The committee's report, while upholding gender equity as crucial, and declaring its position as pro-poor, pro-women and pro-nature, recommends disincentives and other measures that have united many women's organisations in protest and one woman member dissociating herself from the recommendations" [7] It has also stirred up a public debate

Political Violence

In a highly charged political environment, violence against women too is viewed through coloured lenses Whereas the movement has attempted to contextualise the woman victim on the basis of prevalent social inequalities, the prevalent divisions in society take the edge out of the condemnation of the crime *per se* Thus in every incident of violence against women the attempt is made to underplay the crime itself by focusing on the identity/position of the perpetrator as well as the victim in order to mobilise support on the basis of defined parameters of polarisation in the specific context These can be caste, community, regional or even politico-ideological Thus rape and other atrocities inflicted on women and others in Nagaland, Manipur Assam, Tripura, Punjab or Kashmir by the armed or par-military forces can be condoned by the administration as well as government under cover of action taken to put down subversive activities A more perverse definition of pro-national activity in complete violation of constitutional guarantees, human rights as well as women's rights would be difficult to find It is this 'teaching a lesson to curb dissidence (whatever its shape or form) which is disturbing Given the trend of growing criminalisation of politics in India this form of violence can be crucial in keeping women away from public life [8] In fact this also reflects a cynical societal response to transgression by women of given norms of social behaviour, which in turn are defined along lines of caste and status

This applies to the increasing social acceptance of violence against women In recent years there has been a spate of incidents of stripping, rape and other forms of humiliation inflicted on dalits as well as other women in different parts of the country in recent years This is in addition to earlier instance of lynching of women on suspicion of being 'witches' Many have seen in these the reflection of new political configurations and conflicts arising out of the aspirations of upwardly mobile backward castes This comes along with reassertion of authority by traditional community and religion based structures

Claiming sanction and power to wield authority on the basis of various brands of identities, there is in contemporary India a powerful ganging-up of conservative and reactionary forces which aggressively impose moral prescripts Where other processes fail, gender equality and women's rights to freedom is opposed through intimidation, humiliation and violence in complete violation of norms of civil society

What is important is that even as the movement for women's rights has strengthened, there is the opposite phenomenon of increasing social acceptance of violence and its use for political purposes This violence is limited neither to the personal sphere nor to the framework of man-woman relationships [Karat and Agnihotri 1993]

It is notable that response from social scientists on the theme of violence in general and specific to women has not been very illuminating There have been few studies of the patterns of violence or even causal analysis [Das 1990, Datar 1993] While the movement itself identified violence against women in many ways and has expanded its horizon in terms of definition of violence also, corresponding perspectives in terms of analysis of the phenomenon are singularly lacking Within the movement of course differing perspectives continue to persist While there is a shift away from the earlier emphasis on domestic violence alone, there is a simultaneous trend of subsuming other arenas of conflict – communal conflicts, fundamentalism, even economic conflicts within 'violence against women'? Conceptually, this gives primacy to a gender perspective, but it oversimplifies conflict in other spheres and other levels of societal existence, by reducing them to a one dimensional affair Such conceptualisation also ignores differences in perception of these varied conflicts among diverse groups of women

IV
Fundamentalism and Communalism

The wave of fundamentalist xenophobic upsurges sweeping across the world threatens the international women's movement as a whole In India the complex social structures, evonomic constraints and political opportunism have provided ample breeding ground for the growth of revivalist ideologies and identity politics These have adopted aggressive postures, showing scant regard for the Indian Constitution or the fundamental rights it guarantees All religious, ethnic or cultural fundamentalists are basically hostile to gender equality whatever the rhetoric they profess

As early as 1983, 'a deal' was reportedly struck between the government of India and the Akali Dal, spearheading the agitation for

a Sikh state, to withdraw the agitation if government of India accepted a separate personal law for Sikhs. The bill drafted by the Dal would have deprived Sikh women of their rights to a share in their fathers' property (provided under Hindu Succession Act 1956) of right of divorce except through the dispensation of the religious heads (against the provision of the Hindu Marriage Act), and would have legitimised polygamy through the custom of *chadar andazi*, claimed as a 'Sikh custom'. Protests from national women's organisations and others backed by several Sikh women including five village mahila mandals, apparently compelled GOI to change its mind and no bill was introduced.

1985 however marked a shift in Indian politics. Pro liberalisation statements and measures by the government on the economic front began to be combined with compromises and even advancing the cause of fundamentalists. People's disenchantment with the nature and pace of India's development was sought to be offset by successive governments by playing the communal card with each community to win their support.

May 1986 witnessed a total surrender by the government to Islamic fundamentalism. The Muslim Women's (Protection of Rights on Divorce) Act 1986 deprived divorced Muslim women of their right to seek maintenance under section 125 of the Criminal Procedure Code a secular law open to all communities [Engineer 1987].

The act came in the wake of a year long debate on the Supreme Court judgment in the Shah Bano case. While upholding a Muslim woman's right to this legal remedy not available to them under Islamic personal law, the court observed that it was high time for government to think of a uniform civil code. In the months that followed Muslim fundamentalists organised themselves for a show down with government accusing it of interference with Muslim Personal Law. It is no coincidence that the campaign proceeded alongside protests against the re-opening of the gates of the Babri masjid which Hindu fundamentalists claimed was the birth place of Lord Rama. Women's organisations campaigned and drew support from large numbers of Muslim women especially from the poorer sections, intellectuals and reform groups from the community against the bill. The Bharatiya Janata Party however, suddenly 'espoused the demand for the uniform civil code'. Muslim fundamentalists responded with the hysteria of 'Islam in Danger'. Despite sharp differences within the ruling party and the resignation of a Muslim minister (who had opposed the bill), the bill was enacted with the help of a three-line whip issued by the Congress to its members [Hasan 1989, Palriwala and Agnihotri 1993].

Petitions challenging the new law as anti-constitutional are still pending hearing in the Supreme Court. Meanwhile, organisations report that many more Muslim women come to discuss their problems and participate in other campaigns for women's rights [10].

In September 1987 in Deorala a village in Rajasthan Roop Kanwar, a young bride burnt to death sitting atop the funeral pyre of her dead husband, while several thousands of people watched and even chanted slogans glorifying sati. Though a few in the media came out with strong statements against the event, many played it up as if it was a return to pristine glory likening Roop Kanwar to a devi (goddess), who presented a sharp contrast to the urban elite westernised feminist women who had disowned their traditional values. Sati therefore was sought to be projected as a sort of ethnic re-assertion of indigenous womanhood [11].

The state government remained paralysed despite massive protests by women's groups and a court order to stop the celebrations of the event. But protests from all over the country forced the government of India to intervene belatedly with a quite unnecessary and ineffective law against both the act and the glorification of sati. A strange feature of this law is to make the victim if she escaped death culpable for attempted suicide [12].

Women's organisations, some scholars and legal experts argued that sati was murder that its worship in Rajasthan and elsewhere was being encouraged by the rich Marwari business community and the landed Rajputs. They also prophesied that glorification of such heinous crimes would encourage violence as well as the positing of a family and community bound identity for women.

Ayodhya: Prelude and Aftermath

In December 1992 when aggressive Hindu fundamentalists demolished a 500 year old mosque in Ayodhya claiming that it was a mandir (temple) which marked the birthplace of Lord Rama, the government's perfidy was fully exposed indicating the depth of the crisis of state and government. It also deepened cynicism about the state's legitimacy. The demolition also sparked off riots in several parts of the country.

The overtly political manipulations of fundamentalists also found other victims. Several scholars were threatened or harassed for not adhering to fundamentalist versions while writing cultural, religious or even literary histories with a gender focus. There have been several such indications of growing intolerance. These were not confined to any single community. Repeatedly during discussions on the movement activists expressed the view that countering communal politics is the greatest challenge before the movement. Many expressed the need to define religion and secularism as more positive, ethical values and to discuss links with other progressive organisations [13].

Activists express concern at the rupture with the essence of progressive movements of the 19th and early 20th centuries. The growth of a metropolitan culture and continued use of English as the *lingua franca* of officialdom often makes the non-English speaking feel alienated from the emerging elite cultural ethos. This disjunctive situation was capitalised by communal parties who stepped in to fill the void [14].

Of late there are many activists who have established dialogue with reform movements and women's groups coming up within the religious framework. It is argued that this is necessary since religion seems to be the only outlet sanctioned by society for advance of women's latent talents. There is also an ongoing debate regarding retrieving religion from fundamentalists and highlighting the progressive aspects of socio-religious reform movements. Others argue that such instrumental use of religion at this critical juncture of its politicalisation would not only be self defeating but might even prove hazardous since it may lead to the assumption that reform too can come only through preordained idioms in denial of secular space. Activists from minority communities argue forcefully that they can advance only if the majority does so. Respecting people's faiths is one thing. But excessive preoccupation with religious analysis within the movement would endanger the fragile solidarity that has been achieved [15].

The movement has sought to counter communal propaganda amongst women. Organisations have intervened according to their capacities in riot situations to provide relief as well as to start a process of dialogue between women of different communities. Apart from several local initiatives by the myriad women's organisations, at least two rallies of several thousand women each were held in Ayodhya 1989 and Lucknow 1992. Nevertheless, as had been witnessed on previous occasions when a clash took place between women and fundamentalism, the inaction of the government on the plea of neutrality was a stance which itself constituted an active intervention.

The fundamentalist/communalist organisations aware of the ferment in women's minds are today making a bid to channelise/harness the nascent consciousness about women's rights for their own purpose. Taking advantage of women's deep attachment to religion they are today floating new organisations and fronts such as the Hindu Mahila Sammelan and the Durga Vahini wherein women's role as mothers, progenitors and defenders of the faith etc, are highlighted along with their role in the family. Fundamentalists of all hues have moved in this direction.

and the class and gender bias marked out for criticism

The critique of macro policies basically adopts three thrusts (a) that they would enhance rather than reduce inequalities among the people in general (b) that this would make the condition of the majority of women already struggling for survival in the informal sector still more vulnerable and (c) they would contribute to the social turbulence and violence of which women and children are the major victims Critiques have also condemned violence stemming from the promotion of consumerist lifestyles through the mass media as such lifestyles trap women into the stereotype of being objects and subjects of consumerism [Bhasin and Agarwal 1984] It is important to note that the few important concessions wrested from the government in the poverty alleviation through economic development programmes provided some space for urban poor and rural women to use the opportunities made available to organise and articulate their demands However, the macro policies remaining untouched and unchanged continued the processes of marginalisation

The issue facing the movement today is about the relevance of these debates and efforts The earlier critique of macro policies was from a standpoint of introducing a pro women approach within the given parameters using the constitutional guarantees as the basic reference point Today Indian women feel that the structural adjustment programmes and the package of economic reforms threaten not only earlier gains but also the stated national goals by successive governments While the movement was critiquing the development model SAP has now removed the few regulatory/compensatory aspects of India s mixed economy leaving global market forces the sole players in the field The processes especially to those with inconvenient historical memories bear significant resemblance to what happened to the Indian economy and to women s role in the economy in particular during the colonial period [Krishnaraj 1988 Patnaik 1993 Krishnamurty 1989 Ghosh et al 1994 Mitra 1979]

This realisation has made unity amongst differing organisations easier to achieve today In a joint statement women s organisations asserted We say no to Dunkel no to GATT we oppose the unrestricted entry of TNC s into the Indian economy They argued that

> discussions on the impact of the new economic policies usually focus on the impact on the organised sector since women make up only a small percentage here it is assumed that the impact is minimal We need to unitedly and forcefully correct the picture In our multidimensional roles as workers as peasants as producers as citizens as mothers, wives, daughters, as women the economic policies hit us the hardest [29]

The overall impact of SAP has to be understood in the context of the overbearing reality that already 94 per cent of the women workers are part of the informal sector and that they constitute half the labour force in the unorganised sector [30] What is the future lying ahead for women in an economy which itself shall be struggling to find a space within the model of 'sustainable development' under the aegis of a carefully orchestrated Structural Adjustment Programme?

Conclusion

The contemporary women s movement in India spans a large canvas There are small groups as well as large national level organisations [31] While some are recent having been formed only over the last two decades, others go back to over 50 or even 100 years Some organisations focus on single issues while the mass organisations cover a vast range The organisational structure as well as activities undertaken differ

The movement has been fraught with tensions, rifts and differences, reflecting differing notions of what are women's issues or how the movement should proceed to focus on these In comparison with the early years of the decade, today it is much easier to come together With an experience of working together for over a decade and a half women s groups in the country are fairly well aware of the issues they agree on and where they differ However neither the agreement nor should the differences be seen as static or in a frozen time frame Whereas ideological differences remain and perspectives differ the overall thrust is in favour of unity in action [1]

The same attitude is reflected in the issues being taken up In the 1970s the movement took off as part of an overall build up against the authoritarian regime symbolised ironically by a woman prime minister It then got fragmented and even perhaps insulated For a while even overtly political statements were resisted Today it is much easier to come together even on a platform to denounce the economic and other policies of the government The 1990s represent a trough in the political graph where the need to join hands and build alliances with other forces is even greater

The women s movement has undoubtedly grown Its outreach is far beyond the figures of enrolled membership of organisations These have now to take note of the increasing articulation of confidence by women at the grass roots level Nothing illustrates this better than the response to the literacy campaigns in several states where earlier attempts to reach women had been abysmal failures At a general level it is estimated that two-thirds of the neo-literate learners as well as two-thirds of the volunteers are women [Government of India 1994] The impact of the literacy movement came to be highlighted in the context of the anti-arrack movement in Andhra Pradesh However another remarkable achievement in recent years has been the process set in motion by the implementation of the 73rd and 74th constitutional bodies which provide for 33 per cent representation for women in local bodies in rural and urban areas

Whereas observers rightly see in this a qualitatively new dimension that has been added to the women s movement through this development the depth and complexities of these linkages are yet to be understood In rural India as also in the cities it is the new found articulation and confidence which is coming into conflict with the consolidated combine of conservative social forces which draw strength from the regressive steps taken by government as well as political representatives of reactionary forces It is the latter which are today preparing to mount an onslaught through the political process to check women s halting steps to advance and strengthen democracy in India

Movement politics as it has developed in India tends to show up elements which are unclassifiable Ideological differences exist – but within a continuum – and tend to get blurred when strategic choices have to be made between priorities But the debates continue and the questions persist Is the movement s decentralised structure and multiple arenas of interaction a point of strength or weakness or both? Is the movement s excessive preoccupation with the state s development policies and legislation welfarist in its objective rather than 'feminist or radical' Does the extension of the issue of violence against women from the domestic to the social and political spheres indicate a backsliding or an advance? Or does it successfully combat the dichotomy posed between economic welfarism and body politics? Should the women s movement get involved with issues related to environment population child rights, globalisation/marketisation international debt burden all of which arise from its widening base at the grass roots level or should it retain its autonomy while restricting its focus?

Clearly as it has developed, the focus could not be confined to the issue of interpersonal relationships The limits to creating an essentialist, biological entity as well as identity of 'woman' have become only too obvious While the ideological outreach of 'feminine' identity politics has widened this spread has also demolished the fossilised image sought to be created From different starting points, organisations have moved towards a more holistic vision As

the proto-fascist undertones of political events/processes become clearer along with the state's surreder to them, the need to join hands is felt ever more deeply, lest we come out with a *cri de coeur* – "we have the movement but they (the other?) have the women". While the movement is aware of these challenges the strength of its grass roots support base provides a ray of hope that counter-actions and counter-ideologies are not impossible.

Notes

[This paper, commissioned for a volume of studies on the women's movement in different countries, was written on the basis of a process of wide-ranging inter-action in four regional consultations to incorporate activists' own perceptions of current challenges It was not included in the volume since the authors refused to comply with large-scale revisions in the text, deleting certain sections by the editor/publishers/the agency funding the study The deletions included the introduction and conclusion, the section on population policy as well as large parts of the discussion on communalism/fundamentalism, on the grounds of their not being "specific to the women's movement in India". Instead new paragraphs/pages were incorporated which contradicted the views of the authors The political context in which women's struggle was being waged in India was edited out altogether Reports of the consultations which provided the evidence for our analysis shall be published shortly

There is a wide difference in the age of the two authors of this paper However, both happen to be students of history What initially brought us together was the contemporary women's movement's effort in India to bring out a journal in English Vina Mazumdar was the first publisher of Manushi and, Indu, a member of its editorial collective Our link with the movement could be put very logistically – there is perhaps not a single joint statement/document of the women's movement which may have emanated from Delhi to which both or either of us, individually or as part of sponsoring women's organisations – the Centre for Women's Development Studies and the All India Democratic Women's Association, have not been signatories Our doubts, dilemmas and convictions in some way reflect the continuum of consciousness passed over from one generation of Indian women to another]

1 A recent study, making note of *Towards Equality* as a reference point, points out that as a "founding text" it is perhaps a good measure of "the contrast between the Indian movement and the movement in the US, which often cited Betty Friedan's *The Feminine Mystique* as the book that set the women's movement in that country going". See Tharu and Lalitha, K (eds), 1994, *Women Writing in India*, Vol II, OUP, p 101.

2 The first such consultation was held in Bombay where activists from Maharashtra and Gujarat participated. At a similar exercise in Calcutta, groups and organisations from West Bengal, Bihar and Orissa came together. The third consultation in Delhi brought together activists from the northern and central region and the southern region activists met in Hyderabad in November. Reports of these consultations shall be published within the year

3 'Open Letter to the Chief Justice of India, 1979', *Supreme Court Journal*, 1979, 4, pp 19-22

4 The comment on the committee achieving solidarity despite party-based differences was made by Susheela Gopalan, MP, and general secretay of AIDWA.

5 'Perspectives from the Women's Movement Health and Population' in *Some Issues in the Struggle for Women's Equality*, 1994 (henceforth, *Some Issues*), a joint document published by the Delhi Network of Six National Women's Organisations, pp 10-17

6 *Joint Memorandum to Swaminathan Committee* by 12 Women's Organisations, November 12, 1993 (unpublished)

7 Open Letter to Swaminathan Committee Cf *Indian Express*, July 9, 1994, and *The Pioneer*, July 11, 1994

8 Cf Resolution adopted in meeting to plan Joint Action against Criminalisation of Politics and Sexual Abuse of Women, Delhi, October 22, 1994 (unpublished)

9 A common custom among peasant communities, aimed at preventing partition of property by making a widow marry her brother-in-law

10 Information received in conversation with AIDWA activists in Delhi, also Razia from Patel, *The Times of India*, Research Fellowship, Study of Muslims in India (unpublished)

11 *Janasatta*, editorial, September 18, 1987, also see Nandy, Ashis 'Human Factor' in *The Illustrated Weekly*, January 17, 1988, pp 20-23

12 For debate on 'voluntary' *sati* see Vaid, S and Sangari, K, 'Institutions, Beliefs, Ideologies Widow Immolation in Contemporary Rajasthan', *Economic and Political Weekly*, Vol XXVI, No 17, April 27, WS 2-18 Also see 'From the Burning Embers', A film on *sati* by Mediastorm. Also see, Mani, Lata in Sangari and Vaid, 1989, *op cit*

13 All the consultations emphasised this issue

14 These points emerged from a discussion on Fundamentalism and Violence during the Consultation in Bombay, January 1994, organised jointly by the Centre for Women's Development Studies (CWDS) and the Maharashtra Abhyas Vidyapeeth to review the last two decades of the Movement (henceforth Bombay Consultation). Cf *Women's Movement: Towards a Critical Self Appraisal Report on Consultation*, 1994 (forthcoming), CWDS

15 Plenary session, V National Conference on Women's Studies (NCWS), Jadavpur, January 1991 The theme of the conference was 'Religion, Culture and Politics'.

16 Bombay Consultation, *op cit*.

17 It was the first priority area in the Indian Council of Social Science Research's sponsored programme of women's studies See *Critical Issues on the Status of Women*, 1977, ICSSR.

18 SEWA Ahmedabad, the Working Women's Forum, Madras, the Annapurna Mahila Mandal, Bombay, etc.

19 The general election of 1977 removed the government led by Indira Gandhi, for the excesses of her rule during the emergency and a non-Congress government came to power at the centre for the first time

20 *Critical Issues on the Status of Women*, op cit.

21 The demand for Joint *pattas* was earlier made by peasant women in two officially sponsored meetings in West Bengal: *State Conference on Women and Development*, Calcutta, 1979 and *Orientation Camp for Seasonally Migrant Women Labourers*, Jhilimili, Bankura, 1980. It is ironical that the demand which brought on the movement the charge of 'trying to break up the family', was ardently advocated by three representatives of the Government of India in 1992 at a conference on *Peasant Women and Environment of India, Bangladesh, Nepal and Pakistan* See *Report of the Lahore Conference* 1992, Aurat Foundation and Unifem; also Mazumdar V, *Embracing the Earth. An Agenda for Partnership with Peasant Women*, 1994, UN FAO.

22 Vina Mazumdar to Lotika Sarkar, M-6/80, September 12, 1980, CWDS files, and Vina Mazumdar to Ashok Mitra, M-6/80, October 1, 1980, CWDS files.

23 *Charter on Employment*, March 8, 1983. Also, *Appeal to NAM Sunmit*, New Delhi, 1983, reported in all national dailies on March 11, the day before the summit ended For NAM's decisions on women – see *The Non-Aligned Movement and the International Women's Decade. A Summary of Decisions*, CWDS 1983 Also Tomsic, Vida – 4th J P Naik Memorial Lecture, CWDS, 1986

24 *President's Address* to the newly elected (in December 1984) parliament at its opening session, January 1985

25 Nirmala Banerjee, See *Report of Calcutta Consultation, CWDS, forthcoming*, 1995.

26 Joint Press Statement by National Women's Organisations, July 6, 1988, Also *National Perspective Plan A Perspective from the Women's Movement, Report of a National Debate by Women's Organisations*, 1988, New Delhi, CWDS (mimeo).

27 *National Debate*, 1988, op cit

28 The memorandum submitted to the president asserted that "the struggle for economic independence is of prime importance if women are to achieve equality and lead a life of dignity" At this rally as on other occasions activists pointed to the paradox of government continuing to view women as supplementary earners even though all records show that over 30 per cent of rural housholds are headed by women Cf *Women's Equality*, July-December 1989

29 'Why We Need to Struggle against the New Economic Policies'? in *Some Issues*, op cit, p 3.

30 'Organising Women in the Unorganised Sector, Some Issues'. Workshop organised by National Labour Institute (NLI), New Delhi, 1994.

31 Some of these may even have a membership going up to a few million AIDWA – 3.5 million, NFIW, 1 million, YWCA 15,000.

32 This point came across from the round of consultations held by the CWDS with activists across the country A greater readiness and felt need to act together is also reported from state level Consultations of Women NGOs preparing for the World Conference on Women Beijing 1995

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Employment Situation of Tribal Population in Orissa

1981 Census Data

K K Mohanti
Sakti Padhi

A closer look at the 1981 Census data shows that the tribal population of Orissa is engaged in mostly low-productivity, low income employment, i e, they are invisibly underemployed In terms of policy this means that employment creation for tribals must be linked to improved access to land and other resources

FISCAL crisis and balance of payments crisis affecting the Indian economy have become the centres of attention and discussion in both academic and policy circles There is, however, another quiet crisis which is equally, if not more alarming, namely that on the employment front According to the latest available data for the Indian economy (Table 1), the growth rate of employment has declined between 1977 78 and 1987 88 in all the major sectors of the economy except in mining and construction (which account for only some 4 5 per cent of total employment) To give one important and striking example in agriculture (which in 1987 88 accounted for 65 5 per cent of total employment in the economy), the growth rate of employment has steadily and sharply declined between 1972 73 and 1987 88 (Table 1) There has in fact occurred a fall in the *absolute* number of workers in registered manufacturing [1] Now this has been taking place in the face of what is by now fairly well established – namely an increase in the growth rate of GDP in the aggregate as well as in all major sectors, particularly in the 1980s This means that the employment-output ratio must have sharply declined in the 1980s, i e, employment growth is becoming less elastic (responsive) to output growth, a phenomenon which has been aptly described as 'jobless growth'

According to the Seventh Plan document, it was estimated that the labour force would be increasing at an annual rate of 2 56 per cent during 1985-90 and at 2 24 per cent during 1990-2000 [2] If the growth rate in employment during part of the Seventh Plan period was only around 1 55 per cent (Table 1), as against the growth rate of labour force of 2 56 per cent, it follows that the rate of unemployment must have increased sharply in the second half of the 1980s

In such a situation, the enormous task of ensuring employment to the incremental labour force is best seen in the following quotation from an important Planning Commission document.

> Labour force is projected to increase by about 37 million during 1990 95 and another 41 million during 1995 2000 Thus the total number of persons requiring employment would be 65 million during 1990-95 and 106 million over the decade 1990 2000 Employment growth in the aggregate over the estimated employment of 300 million in 1990 would have to be about 4 per cent compound per annum if the goal of providing employment to all is to be achieved by the end of the Eighth Plan and over 3 per cent per annum if it is to be attained by 2000 AD [3] This indeed is a tall order, given the historical rates of growth of employment in India To see the massive investment requirement of providing jobs for all unemployed over a five year period the estimated cost is known to range between Rs 60,000 crore and Rs 75 000 crore or between 18 and 22 per cent of the targeted public sector outlay of Rs 3,35,000 crore during the Eighth Plan [4]

It is in the light of this grim employment scenario that the Eighth Plan's thrust is purported to be what has been called an 'employment-oriented growth strategy', and the issues relating to 'right to work' in academic policy as well as political circles are raised It is in this context that it becomes important to examine the level of employment, rate of unemployment and

TABLE 1 GROWTH RATES OF EMPLOYMENT BY MAJOR SECTORS, 1973 88

(*Percentage*)

Sector	1972 73 to 1977 78	1977 78 to 1983	1983 to 1987 88	1972 73 to 1987-88
Agriculture	2 32	1 20	0 65	1 37
Mining	4 68	5 85	6 16	5 47
Manufacturing	5 10	3 75	2 10	3 61
Construction	1 59	7 45	13 69	7 23
Electricity gas and water supply	12 23	5 02	4 64	7 06
Transport storage and communication	4 85	6 35	2 67	4 63
Services	3 67	4 69	2 50	3 05
Total	2 82	2 22	1 55	2 17

Source Planning Commission, *Employment Past Trends and Prospects for 1990s* Working Paper, New Delhi 1990, Table 2

TABLE 2 DISTRICTWISE PERCENTAGE OF AND SHARE IN TRIBAL POPULATION, 1981 RURAL

District	Per cent of Tribal Population in Total	Size of Tribal Population (in lakhs)	Per cent in all-Orissa Tribal Population
Orissa	24 2	56 42	100 0
Sambalpur	29 9	5 76	10 2
Sundargarh	65 4	6 07	10 8
Kendujhar	47 2	4 66	8 3
Mayurbhanj	60 0	8 95	15 9
Baleswar	7 0	1 45	2 6
Cuttack	3 5	1 44	2 5
Dhenkanal	12 7	1 86	3 3
Phulbani	40 6	2 76	4 9
Bolangir	20 7	2 74	4 8
Kalahandi	32 8	4 12	7 3
Koraput	60 2	13 27	23 5
Ganjam	11 0	2 51	4 4
Puri	3 7	0 92	1 6

Sources *Census of India* 1981, Series 16 Orissa, Part-IX(iii), Special Tables for Scheduled Tribes and Part-III-A and B, General Economic Tables

underemployment and what are some of their proximate determinants

In this paper, we choose to focus on the tribal population of Orissa for several reasons First of all, very little is known about their employment/unemployment status though there is evidence that the incidence of poverty is very likely to be significantly higher among the tribal population compared to the general population Second certain data on unemployment and underemployment exclusively for tribal population is available at the district level (though the reliability of these estimates can be questioned) from the 'Special Tables on Scheduled Tribes of the *Census of India* which make it possible to carry out certain analytical exercises

The paper is divided into three sections In the first section we shall examine the sexwise workforce participation rate for main and marginal workers[1] for the tribal population and compare the same with the general population Here the workforce participation rate will be taken as a broad indicator of the overall level of employment In the second section we shall look at the industrial classification sexwise of rural main workers in terms of three broad categories, namely cultivators agricultural labour and other workers (rural non agricultural employment) In the third section, we shall present the data for open unemployment and visible underemployment among tribal population sexwise (Here similar data for the general population is unfortunately not available from the census for the purpose of comparison) We shall then attempt to see the relationship between rates of open unemployment and visible underemployment on the one hand and industrial classification of workers on the other In particular we are interested in exploring the following hypotheses with district cross section data using simple correlations (a) Rate of open unemployment is a positive function of proportion of agricultural labour among main workers and a negative function of proportion of cultivators this effect is assumed to work through variations in access to land and inequality of landholding reflected in proportion of cultivators and proportion of agricultural labour (b) Rate of visible underemployment is a negative function of proportion of cultivators among main workers and a positive function of agricultural labour, again through access to land (c) Whether and in what way rural non-agricultural employment has any association with mitigating effect on the rate of open unemployment and/or the rate of visible underemployment

Workforce Participation

Before we move into the main concern of this section, let us take a quick look at the magnitude of the tribal population relative to the total population in different districts as well as the distribution of the tribal population across districts (Table 2) As can be seen, rural Orissa is home to some 5 6 million tribal (this is nearly 10 per cent of the all India tribal population, whereas the total population of Orissa is only about 4 per cent of the total all India population) In Orissa the tribal population accounts for nearly one fourth of the total population Among districts of Orissa, this percentage is between 40 to 60 in Koraput, Mayurbhanj, Kendujhar and Phulbani and around 30 in Kalahandi and Sambalpur districts whereas it is less than 10 in the coastal districts of Cuttack Puri and Baleswar Thus, the six districts namely Koraput (23 per cent) Mayurbhanj (15 9 per cent) Sundergarh (10 8 per cent) Sambalpur (10 2 per cent), Kendujhar (8 3 per cent) and Kalahandi (7 3 per cent) together account for 75 5 per cent of the tribal population of rural Orissa

Let us now take a look at the workforce participation rate (which is simply the crude worker population ratio, i e, unadjusted for age composition of the population) This is presented separately for main and marginal workers sexwise in the case of tribal population and general population (Tables 3A and 3B) It should be noticed from these two tables that the workforce participation rate (WFPR) is higher for tribal than for the general population While this is true in the case of main as well as marginal workers for both male and female workers, the difference is particularly pronounced in the case of female marginal workers This is seen to hold good for all the districts of Orissa as well, with the difference being particularly sharp in the four coastal districts of Cuttack, Puri, Baleswar and Ganjam (where the percentage of tribal population is relatively much less – Table 2) with respect to male and female main workers and female marginal workers

What this means is that significantly the overall level of employment and participation in productive activity and hence absorption of labour is higher for tribal than for the general population What this might signify will be spelt out in the end

Industrial Classification of Rural Main Workers

We now turn to see how rural main workers are distributed across major economic activities in terms of a simple three fold classification namely cultivator agricultural labour and 'other workers (which mean all *rural non* agricultural i e, non land based, activities) The relevant data are presented

Table 3A Workforce Participation Rate (per cent) for Scheduled Tribe Population Rural

District	WFPR (Main Workers)		WFPR (Marginal Workers)	
	Male	Female	Male	Female
Orissa	60 3	19 8	2 0	17 8
Sambalpur	61 5	19 4	1 7	17 8
Sundergarh	55 4	12 2	2 3	16 7
Kendujhar	55 8	16 1	2 4	16 4
Mayurbhanj	58 4	26 1	2 3	20 8
Baleswar	59 5	27 3	1 0	9 5
Cuttack	60 9	20 1	1 2	6 3
Dhenkanal	60 4	18 2	1 6	15 8
Phulbani	61 6	23 9	1 8	19 8
Bolangir	63 3	12 5	1 1	13 8
Kalahandi	63 5	14 9	1 3	13 2
Koraput	63 2	20 3	2 2	20 6
Ganjam	63 7	26 9	1 9	21 4
Puri	59 6	21 5	1 5	13 0

Computed from data in *Census of India 1981* Part IX (iii) Special Tables for Scheduled Tribes ST 1

Table 3B Workforce Participation Rate (per cent) for General Population Rural

District	WFPR (Main Workers)		WFPR (Marginal Workers)	
	Male	Female	Male	Female
Orissa	52 5	12 3	1 2	8 5
Sambalpur	56 0	17 1	1 0	10 7
Sundergarh	51 9	11 7	1 1	11 1
Kendujhar	51 6	14 0	1 1	11 1
Mayurbhanj	52 4	21 4	1 9	15 5
Baleswar	48 9	4 0	0 8	2 3
Cuttack	48 3	3 8	0 6	1 7
Dhenkanal	51 9	9 8	1 3	11 9
Phulbani	55 8	21 6	3 6	17 0
Bolangir	57 2	12 7	1 0	11 9
Kalahandi	59 6	14 3	1 6	14 3
Koraput	57 3	21 9	1 9	17 4
Ganjam	51 6	20 3	1 5	10 7
Puri	51 1	5 1	0 8	2 1

Source Computed from data in *Census of India*, 1981 Part 16 Orissa, Part-III-A and B, General Economic Tables

in Tables 4A and 4B, for tribal and general population respectively

The following salient points may be noted from these two tables First, for the state as a whole the proportion of cultivators is higher for the tribal population as compared to the general population (for both male and female workers) At the same time, the proportion of agricultural labour is also somewhat higher in the case of the tribal population (this is much more so in the case of a number of districts) As a result, the proportion of rural non agricultural employment is more than double for the general population compared to that for the tribal population in the case of male workers and one and a half times higher in the case of female workers This is more or less true at the level of districts Second at the district level the proportion of cultivators is much lower and the proportion of agricultural labour is much higher among the tribal population than among the general population in the case of the coastal districts of Cuttack Puri and Baleswar for both male and female workers On the other hand Phulbani is the only district where the opposite is true i e here the proportion of cultivators is higher and of agricultural labourers is lower among the tribal population as compared to the general population for both male and female workers On the whole one could say that tribal male and female workers have relatively more restricted access to land depend more on agricultural labour and have far fewer opportunities for rural non agricultural employment as compared to male and female workers among the general population

Open Unemployment and Visible Underemployment

The census in its 'Special Tables on Scheduled Tribes', gives two kinds of data number of non workers seeking/available for work and number of marginal workers seeking/available for work We have taken the former as a rough proxy for number of persons *openly* unemployed (and then worked out the rate of open unemployment by taking the ratio of this to total number of main workers) We have taken the latter, i e those workers who are working for anything less than six months in a year (marginal workers according to the census) but seeking/available for work for a longer period of time, as the workers who are *visibly* underemployed (as distinct from *invisible* underemployment which refers to a situation in which a person is employed full-time [not seeking/available for work], but not able to earn a certain minimum income, i e, those who are engaged in essentially *low productivity* employment) The relevant data are presented in Tables 5 and 6

First, as regards rate of open unemployment, it may be seen that for Orissa as a whole, it is as low as 1 6 per cent for male workers and relatively higher (6 3 per cent) for female workers Among districts relatively higher rates of open unemployment are noticeable in Keonjhar district among female and male non-workers in Dhenkanal district for female non-workers and in Sundergarh and Mayurbhanj districts in the case of male non workers Though we do not have similar data for the general population to be able to compare according to the NSS data on employment and unemployment the rate of open unemployment for rural male labour force of Orissa in 1983 was 5 1 per cent Thus one could tentatively infer that the rate of open unemployment among tribal (male) population is not much higher than among the general population

Second as regards the rate of visible underemployment we find (Table 6) that it is very much higher among male marginal workers than among female agricultural workers with a lot of inter district variations But then as can be seen from Table 3A *male* marginal workers form only 2 per cent of the male population (and in no district does it exceed 3 per cent) therefore for the tribal population *as a whole*, even the rate of visible underemployment would not be more than say, 10 per cent (since females account for nearly 90 per cent of *all* marginal workers) except in Kendujhar and Dhenkanal districts

Table 5 Tribal Non Workers Seeking/ Available for Work as Per Cent of Main Workers Male/Female (Rate of Open Unemployment)

District	Male	Female
Orissa	1 6	6 3
Sambalpur	0 9	3 5
Sundargarh	2 8	4 0
Kendujhar	3 5	15 8
Mayurbhanj	2 7	7 2
Baleswar	1 3	2 7
Cuttack	1 2	3 6
Dhenkanal	1 6	9 0
Phulbani	0 7	2 0
Bolangir	0 7	6 4
Kalahandi	0 8	5 7
Koraput	0 8	4 9
Ganjam	0 6	0 02
Puri	1 7	4 3

Source Same as Table 3A

Table 4A Industrial Distribution (Per Cent) of Rural Main Workers by Sex Tribal Population

District	Cultivators		Agricultural Labourers		Others (Rural Non Agricultural Employment)	
	Male	Female	Male	Female	Male	Female
Orissa	61 9	30 3	29 6	58 9	8 5	10 8
Sambalpur	52 4	22 1	38 5	64 4	9 1	13 5
Sundargarh	62 7	28 9	21 1	49 1	16 2	22 0
Kendujhar	61 4	28 4	25 0	51 4	13 6	20 2
Mayurbhanj	59 5	31 4	30 5	59 4	10 0	9 2
Baleswar	34 9	11 1	56 4	82 5	8 7	6 4
Cuttack	31 1	3 9	52 3	64 3	16 6	31 8
Dhenkanal	41 1	14 4	47 8	70 3	11 1	15 3
Phulbani	76 4	52 2	17 8	42 7	5 8	5 1
Bolangir	62 4	19 0	32 5	69 2	5 1	11 8
Kalahandi	61 9	27 7	32 8	62 9	5 3	9 4
Koraput	72 6	38 0	23 1	57 0	4 3	5 0
Ganjam	66 0	37 8	22 8	56 1	11 2	6 1
Puri	42 1	5 0	45 5	70 0	12 4	25 0

Source Same as Table 3A

Table 4B Industrial Distribution (Per Cent) of Rural Main Workers by Sex General Population 1981

District	Cultivators		Agricultural Labourers		Others Workers (Rural Non Agricultural Employment)	
	Male	Female	Male	Female	Male	Female
Orissa	54 5	27 8	25 4	57 5	18 4	16 5
Sambalpur	54 3	23 6	27 9	56 6	17 7	18 1
Sundargarh	56 6	28 3	19 9	46 5	23 6	25 1
Kendujhar	60 9	30 5	19 8	46 9	19 2	22 6
Mayurbhanj	55 9	30 2	26 4	56 2	17 8	13 6
Baleswar	59 7	17 2	23 9	63 7	16 3	19 1
Cuttack	53 2	8 6	23 5	60 1	23 3	31 4
Dhenkanal	52 9	25 4	25 1	54 0	22 0	20 6
Phulbani	60 4	37 2	23 9	51 4	15 7	11 4
Bolangir	60 9	19 3	27 0	61 7	12 2	19 0
Kalahandi	58 8	23 2	31 3	62 5	9 9	14 3
Koraput	65 6	34 0	22 7	56 5	11 7	9 4
Ganjam	53 0	29 0	25 6	59 8	21 4	11 2
Puri	54 6	9 2	23 5	62 5	22 0	28 3

Source Census of India, 1991 Series 19 Orissa Paper-1 of 1991 Supplement Supplement Table 6

TABLE 6 PER CENT OF TRIBAL MARGINAL WORKERS SEEKING/AVAILABLE FOR WORK MALE AND FEMALE (Rate of Visible Underemployment)

District	Male	Female
Orissa	26 0	4 1
Sambalpur	19 1	2 4
Sundargarh	36 6	4 6
Kendujhar	40 6	8 8
Mayurbhanj	35 7	6 5
Baleswar	32 2	3 4
Cuttack	26 5	7 1
Dhenkanal	39 2	7 6
Phulbani	15 2	1 6
Bolangir	21 9	3 8
Kalahandi	17 1	3 6
Koraput	14 4	3 4
Ganjam	10 4	1 8
Puri	40 6	4 6

Source Same as Table 3A ST 2

TABLE 7 SIMPLE CORRELATION MATRIX TRIBAL MALE WORKERS

Variables	1	2	3	4	5
1	1 00	0 81*	0 08	0 11	0 60**
2		1 00	0 52**	0 38	0 59**
3			1 00	0 96*	0 50
4				1 00	0 23
5					1 00

Notes * Statistically significant at 1 per cent level of confidence
** Statistically significant at 5 per cent level of confidence
Var 1 Non workers seeking/available for work as per cent of number of main workers (proxy for rate of open unemployment)
2 Per cent of marginal workers seeking/available for work (proxy for rate of visible underemployment)
3 Per cent of cultivators among main workers
4 Per cent of agricultural labourers among main workers
5 Per cent of other workers among main workers (level of rural non agricultural employment)
Source Based on data in Tables 4A 5 and 6

TABLE 8 SIMPLE CORRELATION MATRIX TRIBAL FEMALE WORKERS

Variables	1	2	3	4	5
1	1 00	0 79*	0 10	0 06	0 25
2		1 00	0 38	0 02	0 59**
3			1 00	0 79*	-0 66**
4				1 00	0 06
5					1 00

Notes * Statistically significant at 1 per cent level of confidence
** Statistically significant at 5 per cent level of confidence
Var 1 Non workers seeking/available for work as per cent of number of main workers (proxy for rate of open unemployment)
2 Per cent of marginal workers seeking/available for work (proxy for rate of visible underemployment)
3 Per cent of cultivators among main workers
4 Per cent of agricultural labourers among main workers
5 Per cent of other workers among main workers (level of rural non agricultural employment)
Source Based on data in Tables 4A 5 and 6

We have attempted to see how the rates of open unemployment and visible underemployment are correlated with the structure of employment by using inter district cross section data The simple correlation matrix is presented in Table 7 (tribal male) and Table 8 (tribal female) Some pertinent inferences that can be drawn from the estimated correlation coefficients may be put as follows (i) The rate of visible underemployment and the proportion of cultivators among main workers are significantly *negatively* correlated only for tribal male workers This is in line with our expectation and may be interpreted as follows a higher proportion of cultivators among main workers means better and wider access to land and hence a higher degree of on farm employment which makes some dent in the rate of visible underemployment (But it should be noted that the correlation coefficient is just about significant at the 5 per cent level) In the case of female workers the correlation coefficient has the expected negative sign but is statistically insignificant (ii) The rate of open unemployment is correlated neither with the proportion of agricultural labourers nor with the proportion of cultivators but is highly significantly correlated with the rate of visible underemployment This is true of both male and female workers However it is not obvious what this correlation means (iii) Finally, the level of rural non-agricultural employment is positively and significantly correlated with both the rate of open unemployment[7] and the rate of visible underemployment in the case of tribal male workers In the case of female workers the level of rural non agricultural employment is positively and significantly correlated with the rate of visible underemployment and negatively and significantly correlated with the proportion of cultivators among female main workers This perhaps means that the rural non agricultural sector plays a critical role in absorbing surplus labour from the farm economy

CONCLUSION

To sum up the main points in the case of the tribal population of Orissa there is a relatively higher level of participation in economic activity as compared to the general population (as reflected in the workforce participation rates) Second, the rate of open unemployment does not seem to be much higher among the tribal population than among the general population Third we have suggested that the rate of visible underemployment is not spectacularly high (though similar data for the general population is not available for purpose of comparison) Finally the tribal populations has much fewer opportunities for rural non-agricultural employment compared to the general population

From the above points we would like to draw certain general policy conclusions First, the tribal population is engaged in mostly low productivity, low income employment i e, they are essentially invisibly underemployed Therefore, the question of employment creation must be linked up with the question of productivity growth Second, improvement of access to land, non land and common property resources of resource poor cultivators, semi landless and landless tenant cultivators and agricultural labourers can make some dent on visible underemployment as our correlation exercise suggests Finally promotion of rural non agricultural activities with a high employment potential through incentives subsidies training and skill formation, and infrastructure development is a necessity since as the correlation exercise suggests the rural non-agricultural sector acts as a sponge for absorbing at least some surplus labour from the farm sector Some targeting of this towards the tribal population is called for since as we have seen the level of participation in rural non agricultural activities is much less for the tribal population as compared to the general population

Notes

[We are grateful to our colleague Paramananda Nayak for invaluable computational help We would also like to thank Chittaranjan Dash for his computational assistance Our sincere thanks to Debabrata Sahoo and N K Mishra for prompt and efficient typing of the manuscript We alone are responsible for errors of fact and interpretation that may still remain]

1 R Nagaraj Employment and Wages in Manufacturing Industries Trends Hypothesis and Evidence *Economic and Political Weekly* Volume XXIX No 4 January 22 1994 p 177
2 C T Kurien *The Economy An Interpretative Introduction* Sage Publications New Delhi
3 Planning Commission *Employment Past Trends and Prospects for 1990s* Working Paper New Delhi May 1990 p 8
4 Pravin Visaria and B S Minhas Evolving an Employment Policy for the 1990s What Do the Data Tell Us ? *Economic and Political Weekly* Volume XXVI No 15 April 13 1991 p 969
5 The census definitions of main and marginal worker are as follows Main worker was defined as a person whose main activity was participation in any economically productive work by his physical or mental activities and who had worked for 183 days or more in a year Work involved not only actual work but effective supervision and direction of work A marginal worker is a person whose main activity was participation in any economically productive work by his physical or mental activities for less than 183 days in a year
6 A Vaidyanathan Labour Use in Rural India Study of Spatial and Temporal Variations', *Economic and Political Weekly*, Volume XXI No 52, Review of Agriculture, December 27, 1986, p A-135
7 This has also been established with inter-state cross section data, see Vaidyanathan, p A-145

Import Protection and Exports

Murali Patibandla

THE note by Marjit and Sarkar (1995) in this journal attempts to show that reduction in tariffs on imports of a commodity could lead to decline in its exports. The arguments put forward by the authors is not only one-sided but also leave serious gaps in the explanation of the possible results within their model. This note shows by taking the basic model used by Marjit and Sarkar that reduction in import tariffs on a commodity does not necessarily lead to a decline in its exports. If one takes import tariff reduction to be both on the final good and also on intermediate goods used in its production, it should lead to increase in exports by shifting the cost curves downward. Analysis of exports in the context of the present policy reforms towards making policy prescriptions warrants a careful examination of the effect of liberalisation polices in general on the evolution of the domestic market structure and its implications on costs of production rather than going by piecemeal approaches.

I

We take the domestic producer to be a monopolist in the protected domestic market and a price taker in the competitive world market. In the figure, Pw is the world price line, DD is the domestic demand curve, MR is the domestic marginal revenue curve and MC is the marginal cost curve. A price discriminating monopolist maximises profits when marginal cost is equal to marginal revenues realised in both markets (MC = MR = Pw). The firm will produce OQ_1 level of output out of which it will sell OQ in the domestic market at price P and export QQ_1. It can continue to charge domestic price P as long as import tariffs (t) keeps the import price above P. Let us consider a reduction in import tariffs bringing in an import price line Pw (1+t). The firm cannot charge any price above Pw(1+t) as imports will eliminate the firm in the domestic market. At price Pw(1+t), the size of domestic demand is OQ_2, increased by the extent of QQ_2. According to Marjit and Sarkar all of OQ_2 will be catered by the domestic producer which leads to a decline in exports by the extent of QQ_2. There is no reason why one has to believe that at a price of Pw(1+t) only the domestic producer should satisfy all the domestic demand. The increase in the domestic demand might be satisfied by imports by the extent of QQ_2 in which case the domestic firm will continue to supply OQ in the domestic market and the reduction in tariffs will have no effect on the magnitude of exports. In such a case, the only effect of a reduction in import tariffs is reduction in the domestic market price and producers' surplus (excess profits) and an increase in consumers' surplus. One way exports could decline, within this framework, is if the monopolist decides to charge a price that is lower than Pw(1+t) (but higher than Pw) in order to eliminate imports in the domestic market. But this happens only when the total revenue she can realise with a domestic price that is lower than Pw(1+t) is higher than the total revenue she could realise by following the domestic price of Pw(1+t). This, in turn, depends on the price elasticity of demand in the domestic market and the extent of the difference between the domestic market and world market prices.

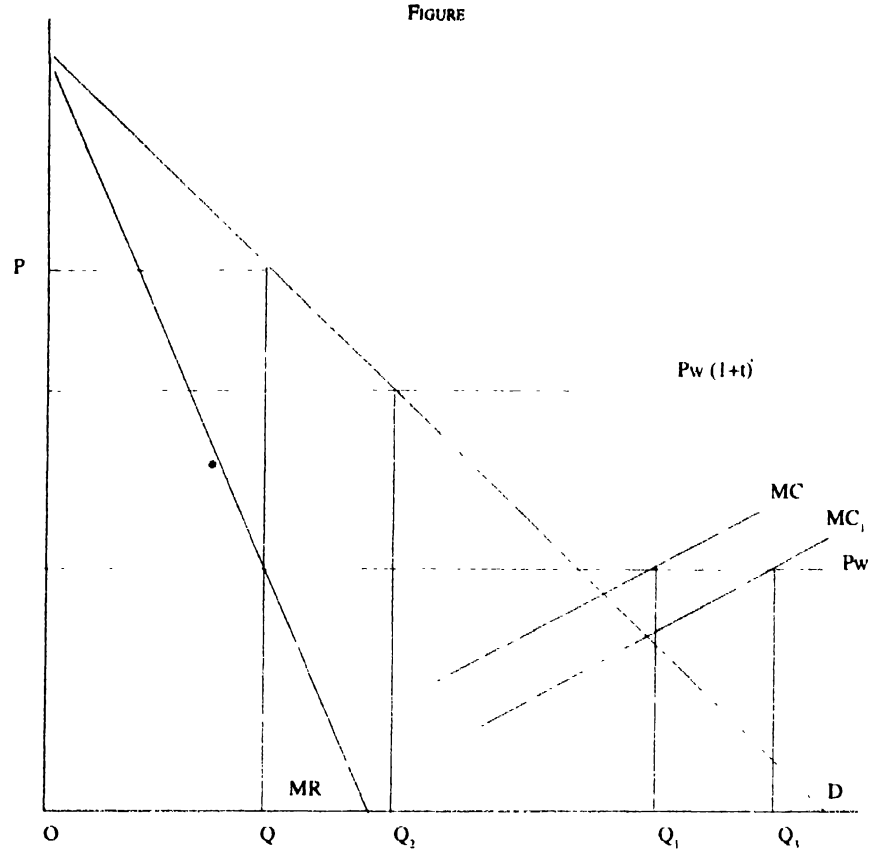
In the above analysis the cost curve is taken to remain unchanged after the reduction in tariffs. If trade liberalisation is taken in terms of reduction in tariffs on both the final good and also raw materials and intermediates used in its production it will have implications on the cost conditions. Reduction in tariffs on intermediate goods may reduce the cost of production and shift the marginal cost curve downwards as shown by the curve MC_1 in the figure. Consequently the total output will increase; exports increase to the extent of Q_1Q_2.[1] Within this framework, exports could decline if there is an upward shift in the domestic demand curve. One of the explanations provided by Patibandla (1992a) for the decline of exports of manufactured goods in the 1980s, when import liberalisation, especially of intermediate goods, was initiated is that the upward shifts in the domestic demand curve might have been more dominant than the downward shifts in the cost curves during this period. The 1980s was a period when the pent up demand of the middle-class for consumer goods was released. But as long as there is no significant increase in the incomes of the lower income groups (or if income distribution remains to be highly skewed), the outward shifts in the domestic demand curve will not sustain for a considerably long period.[2] In other words, once the domestic demand is saturated it is the downward shifts in cost curves that determine exports. The cost conditions depend not only on a given technology but also on the market structure conditions. If the market structure becomes very competitive (highly contestable) as a result of market reforms, domestic firms may have to compete with lower costs of making systematic technological efforts and improving upon the organisational efficiency (X-efficiency) which, in turn, will push cost curves downwards and contribute positively to exports. Lower import tariffs would prevent firms from charging high domestic prices (towards maximising producers' surplus) but they do not have to cause a decline in exports. In other words, tariffs could be used to discipline domestic monopolies and collusive oligopolies.

One of the explanations provided in the literature for the Japanese export success is that high levels of domestic market protection facilitated dumping in export markets. In other words, import protection facilitates the domestic monopolist to restrict domestic supply at a high price and subsidise exports with the excess profits made in the domestic market. This type of dumping strategies are necessary if domestic production costs are higher or equal to the international frontier. In the case when the domestic and international costs of production are equal, dumping strategies are used to eliminate foreign rivals in export markets through predatory pricing. If the domestic costs of production are higher than international frontiers and this gap widens, dumping strategies will be highly costly and will not be sustainable. In the case of Japan, dumping strategies were pursued along with consistent efforts at improvement of cost conditions.

II

The Japanese and South Korean policies are generally cited to justify the argument that import protection could lead to export promotion [Krugman 1984; Patibandla 1994]. Import protection in the case of developing economies (or newly industrialising economies) like India was justified on the basis of arguments of infant industry protection and realisation of static and dynamic economies of scale [Patibandla 1992a]. An important aspect of the Japanese and Korean policy frameworks is that they are a combination of trade and industrial policies under an effective institutional set-up. Promotion of domestic monopolies

FIGURE



through import protection and policy-based entry barriers provide domestic large firms sole access to the domestic market and facilitate realisation of static and dynamic economies of scale (dynamic comparative advantage). But the possible trade-offs of this is that in the absence of an effective disciplinary mechanism, domestic monopolies could derive monopoly rents without having to make any systematic and consisent efforts towards improving cost conditions which had been the case of several Indian industries in the past. In other words, high levels of X-inefficiency associated with monopoly power, in turn, could cause upward shifts in cost curves and decline in exports. The Japanese and Korean policy frameworks ensured that the firms that were provided with domestic monopoly status and other incentives like access to imported inputs at international prices performed accordingly with a 'carrot and stick' policy mechanism [Patibandla 1992b]. In the absence of an effective institutional (and domestic market) mechanism that could monitor and discipline domestic monopoly and oligopoly producers, lowering tariff levels on imports could be one of the possible means of disciplining them.

Notes

1 This result is also valid in the case of characterisation of domestic market structure in terms of Coumot oligopoly [Patibandla 1995]

2 Highly skewed income distribution restricts the domestic market size for manufactured goods This must not be interpreted to mean highly skewed income distribution is good for export promotion. See Patibandla [1992a].

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New Institutional Economics

Neoclassical institutional economists have emphasised efficiency-improving institutional change through the reduction of transaction costs, placing much faith in the pricing mechanism being the driving force in resource-allocation, provided property rights are properly established But there is a need to develop more fully the scope of the theory of collective action, which has the potential to incorporate factors such as the sharply differing bargaining power of different socio-economic classes Under both approaches the focus has to be on the extent to which the prevalence of a highly unequal socio-economic structure and a state dominated by the propertied classes impinge on the capacity of temporary or specific voluntary groups to resolve short or long-term developmental problems **PE-65**

Cartography and Conquest

The emergence of modern cartographic representation in India is intimately linked to the colonial project of conquest, rule and administration After the early mapping efforts in the latter half of the 18th century, three major surveys the topographical, trigonometrical and revenue surveys – were carried out which were all crucial to the mapping of India **PE-87**

The Political after Modernity

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Reforms as Politics

The economic reforms are neither 'economics' nor 'reforms' but instead a political ideology to shore up support for the use of power of the governing section of the ruling class of resident non Indians **PE-73**

Dangers Ahead

The threat of a deepening of the dualism that already exists the possibility of erosion of some of the capabilities built up during the last four decades the need for wariness in dealing with MNCs and the importance of safeguarding national interests in the face of the inequities of the global market and the pressures of the global political configuration – these should be the major concerns relating to the future of economic reforms **1913**

Prehistory of Self-Reliance

The case of the Government Industrial Institute set up in Madras in 1919 and the problems at diverse levels raised by the experience of the institute – of provision of venture capital, of infant technology protection, of plain incomprehension of the issues involved –clearly form the prehistory of more recent lunges at self-reliance **PE-99**

Honorary Taoist

Joseph Needham's monumental *Science and Civilisation in China* reshaped perceptions of the non-west and raised important questions of historiography along the way **1904**

FDI and BOP Problems

In the aftermath of the debt crisis of the early 1980s the view that foreign direct investment has a more salutary influence on the balance of payments of the developing countries than debt finance has become widespread How valid is this view? **1921**

Empire of Chaos

US imperialism has reached a critical stage in its evolution the over extension of the empire is causing the downfall of the domestic economy and society Domestic economic reconstruction has been sacrificed for global corporate and financial expansion as the interests of the capitalist ruling class lie in foreign investment and global markets **PE-54**

Industrialisation: The Options

The West Bengal Left Front government's industrial policy hardly differs from that of the central government. The pursuit of such a policy by the Left Front cannot but weaken the struggle against the IMF-World Bank strategy, the offensive by international as well as Indian capital and the centre's new economic policy **1896**

Bihar's evolving new policies for industrial development should consider all the available options so that what emerges is a genuine alternative to the dismal policies of the centre **1902**

LETTERS TO EDITOR

On 'Bombay'

ASGHAR ALI ENGINEER in his article on Bombay (July 1) seems to have concerned himself more with the 'controversy than with the issues involved Having given details of the controversy around the film and having raised the issue of artistic freedom rather cursorily Engineer prefers not to raise more pressing questions about the nature of the film, as a finished product notwithstanding the noble intentions or otherwise of Ratnam It cannot be anybody's case that the film has to be necessarily viewed from a primarily sectarian/fundamentalist viewpoint as is being done by fundamentalists of one hue or the other A third viewpoint is also possible without falling into the acrimonious trap By all appearances it seems that Engineer has been more than concerned with projecting a 'moderate Muslim viewpoint in view of the rather 'queer' behaviour of the 'ummah' and the attendant scorching media gaze

There is no doubt that the film is valuable for its message of communal amity and brotherhood coming out strongly, as it does, against the mindlessness of communal riots and violence And much of the objection raised about the film, elopement scene included, hardly merits serious attention But seen more closely, the film does belie a lack of objectivity, however fictionalised, in its depiction of the chain of events leading to a harrowing national experience of the recent past and thus lacks any documentary value But then the wiseacres may very well question the desirability of taking the film as a reliable source for shedding light on a contemporary phenomenon However, going by the experience of the film 'Gandhi', it can hardly be denied that it seems to have disseminated, rather successfully at a popular level quite a different version of the Indian freedom struggle Engineer while concerning himself with the controversy and the issues of artistic freedom strangely fails to raise larger issues of artistic honesty at a given place and time This omission becomes all the more glaring in view of the fact that Thackeray remains fully content with a doctored version of the film and mind it, a 7-ft cut is quite a substantial one

Viewing the film, one is struck by the wonders of editing for frame after frame, it transpires at an abstract level, that the victims were, in fact, the aggressors in the first place, however tangentially Film making/censorship is not the innocent exercise it is made out to be and the behaviour of even the ever watchful censor board leaves no room for ambiguity about its actual working Nor can one assume Ratnam to be naive enough not to realise the implications Having compromised his artistic freedom once he can hardly afford to plead innocent What was expected from a critique of the film has hardly been attempted by Engineer But then, that would have required attributes other than just good intentions as would be evident from a reading into the critique of Roja carried by *EPW* in the recent past Alternatively, it would have required an Anand Patwardhan and a 'Father Son and the Holy War' for it is obvious that obfuscations however well intentioned hardly serve any purpose as far as an understanding into the nature of things or phenomena are concerned

EKRAM KHAWAR

New Delhi

Reorganising Universities

THE government is planning to permit the setting up of private corporate universities The idea needs to be discussed more thoroughly West Bengal appointed an education commission under the chairmanship of Asok Mitra Amrik Singh while reviewing the report has hailed it as the best report in recent time and has said it should be a model for other states to emulate An extract from the report quoted in the review makes interesting reading 'students prefer to elongate the phase of supposed education because of the grim prospects awaiting them in the labour market" In other words enrolment in university is looked upon as distinguished unemployment Later the commission adds "The country's authorities too have done their cost-benefit analysis, if a genre of social turbulence can be kept confined for an extra number of years within the low walls of a so-called university, a considerable saving of resources would take place at the other end, the creation of employment is (a) relatively a great deal more capital intensive ' (*EPW* July 17-24, 1993)

E M S Namboodiripad is equally forthright in his column in the *Frontline*, (March 24) He has suggested that more attention should be given to off . . diverse courses at this level, and there is a need to trim higher education He has used V I Lenin's interesting expression 'fewer but better Another question relates to elitism Dharma Kumar and Jayant Narlikar have argued that the disbursement of funds among institutions cannot be equal One cannot disagree with this argument This has existed even in former communist countries The question is in regard to the nature of elitism Many of these institutions are hot house plants without any organic link even with their discipline in question We have a truncated elitism There is a need to reorganise the system and sufficient encouragement must be given to elite institutions Sometimes anti-elitism becomes a cover for enjoying elitist perks without performing elitist tasks

T S RAMNARAYAN

Bombay

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ECONOMIC AND POLITICAL

Dithering on Forward Trading

THE impasse over the implementation of the revised scheme of forward trading proposed by the Securities and Exchange Board of India (SEBI) should not surprise anyone The history of the past 70 years or so beginning with the turning down by the Bombay Stock Exchange brokers in 1925 of the then government's offer to grant them a monopoly of organised trade in securities by a charter in return for the government assuming authority to control the rule making power of the stock exchange, has been one of constant tussles between the authorities and the share brokers over matters relating to disciplining of share trading Every attempt by the government to introduce a modicum of discipline on the speculative proclivities of the brokers has been fought tooth and nail by the latter feigning to fear official tyranny in matters of free monetary trade as they had put it in 1925 Unfortunately because of the brokers possession of great influence authority and wealth and because of the government s mistaken notion that stock exchanges serve as a barometer of the general state of the economy the government while it has been ready to strike has been unwilling to wound – even though the failure of the much touted self regulation by the brokers their monopolistic ways of functioning the bouts of unbridled speculation and the gross over trading by members of stock exchanges far beyond the resources at their command to back up their commitments have all been well established facts Right from the second world war period when the Defence of India Rules were applied in September 1943 to prohibit forward contracts and badla financing and confine all dealings to ready delivery contracts for a period of seven days share brokers have resorted to manipulative and even illegal devices to carry on speculation carry forward dealings being resumed in the end not by formal official sanction but as a result of the government s policy drift, lethargy and connivance For instance after the June 1969 ban on forward trading the J J Anjaria committee had recommended the lifting of the ban and permitting forward trading with tight controls, but the Indira Gandhi government was not impressed and the ban continued But by the middle of 1972 the stock exchanges had evolved a system under which carry forward trading was brought back in a special 'A' group of shares Officially, it was only in January 1983 more than 10 years later, that the government permitted the stock exchanges of Bombay Calcutta, Delhi and Ahmedabad to institute forward trading in delivery spells of 14 days up to a total period not exceeding 90 days from the date of the initial contract As the G S Patel committee (March 1995) has pointed out, notwithstanding safeguards in the form of daily margins, *ad hoc* margins and limits on individual holdings to control excessive speculation, frequent stoppage of work and payment crisis took place because of speculative excesses"

When there was an unprecedented rise of 838 points (or 32 per cent) in the BSE sensex in a period of just six weeks (from 2616 96 on November 2 1993 to 3454 81 on December 13, 1993) and rampant malpractices came to the surface, SEBI banned the carry over system in December 1993 With some extensions of time for winding up existing contracts the ban actually became effective on March 12 1994 This was the time when in the aftermath of the notorious stock market scandal, the Narasimha Rao government was forced to grant special powers to the SEBI which then headed by G V Ramakrishna, set about enforcing some discipline on the market for the first time Though the brokers fought the SEBI at every step they had to accept some reforms, such as 50 per cent non member directors on the boards of stock exchanges, payment of annual fees to the SEBI and most importantly, mandatory separation of clients accounts from brokers own accounts Unfortunately at this stage the SEBI blotted its copybook by moving in the direction of a derivative system of options and futures trading, when it was obvious that the proposal was both premature and far from well worked out, for without a nationwide screen-based trading arrangement sophisticated derivatives as envisaged by the SEBI was not capable of being implemented Also SEBI needed to look more closely at the experience of other countries in derivatives trading which it had not done Then came the change of guard at the SEBI and intentions of reintroduction of forward trading were announced in March 1994 though with stiffer carry over margins The SEBI also suggested that the settlement cycle for cash scrips be reduced to seven days The counter proposals of the stock exchanges, the sharp fall in share prices which induced the government to appoint the G S Patel committee to review the whole question of forward trading, the committee's recommendations and finally the SEBI's latest modified proposals for starting forward trading which have again been rejected by the stock exchanges – all these follow the familiar pattern of the stockbroking community's determined opposition to all reform and change, and the ambivalence and confusion on the part of the government

It should certainly have been possible to avoid the present deadlock and make a beginning towards restoring a semblance of stability and order in the share markets by effecting some basic changes in their functioning and in the share delivery system which would have provided a measure of assurance to investors that our stock exchanges are after all not pure gambling casinos and also made for transparency and prompt

delivery and payment in respect of share transactions But instead of firmly adhering to the reform agenda including the introduction of the depositories system, capital adequacy norms and an effective system of surveillance the government has given the impression to the sharebrokers that if they held out long enough they would more or less be allowed to have their way and the carry forward system would be brought back despite the fact that the system has been thoroughly discredited and the government and the SEBI have themselves expressed serious reservations as to its usefulness

In the sequence of events leading to the present imbroglio the role of the G S Patel committee deserves some note The perspective on forward trading and 'badla' financing of the chairman of the committee G S Patel available from different sources - the 1986 report of the high powered committee on stock exchange reforms of which too he was the chairman his A D Shroff memorial lecture in February 1987 and the report of the latest committee (March 1995) is marked by two notable perceptions First to quote from G S Patel's 1987 lecture nearly 90 per cent of the trading on the stock exchanges is sheer gambling in differences as the speculative activities permitted to be carried on in our country have no backing of either the intentions to take genuine deliveries of shares which are purchased or to give deliveries of shares which are sold In such a situation, speculation does not mobilise any fresh savings or lead to any asset formation in the industrial sector Second, the stock exchange boards as they are structured today with control firmly in the hands of brokers themselves are incapable of enforcing any self regulation To quote the G S Patel committee report the present system has unfortunately lent itself to malpractices and abuses with speculative excesses at times price rigging market manipulation non reporting of transactions evasion of margins neglect of interests of small investors etc, not so much because of its own weaknesses which it has, but more so because of the weaknesses and laxity of administration, absence of any satisfactory reconnaissance and surveillance machinery lack of back up machinery for surprise checks and periodical audit and inspection of the books of accounts of the members, absence of adequate infrastructural facilities, prolonged periods of settlement and resultant delays in deliveries and payments to the investors and overall helplessness of the governing boards in ensuring proper monitoring, regulation and control of the stock exchanges and their inability to meet crisis situations in a prompt and effective manner" Under such a dispensation, statutory curbing of speculative deals and effective monitoring and surveillance by the SEBI are a necessary condition for the smooth and orderly functioning of stock exchanges

It is known that the introduction of some system of derivatives in the form of options and futures trading is being considered as an alternative to forward trading Interestingly in this respect the G S Patel committee (1995) has come out strongly against the introduction of such a derivative system The committee has concluded thus

They have tremendous potential for evil rather than good and have brought about frequent crisis situations and made markets increasingly volatile even in advanced countries with all their automation sophistication of their systems etc Increasing use of these instruments as speculative instruments rather than instruments for risk management are also turning the stock exchanges around the globe into legalised casinos threatening their solvency stability and integrity

Against this view of speculative trading the G S Patel committee's recommendations, in particular the suggestion for introduction of forward trading, are both intriguing and indefensible The argument that the absence of forward trading has been responsible for the present lack of liquidity in the market holds little water For one thing large and continuous increases in share prices should not be expected if the economy does not achieve broad based development The rise in equity prices in 1993-94 was artificial based as it was on the liquidity injected into share markets by the investments of the FIIs once these investments dried up share prices were bound to soften Second liquidity should be a function of domestic saving which has not been growing in recent years Third it is a well established fact that the capital market has performed perfectly well during periods when forward trading has remained suspended A number of the major recommendations of the G S Patel committee are clearly at variance with the views expressed by the committee's chairman elsewhere The committee has, for instance proposed a daily margin of 15 per cent on the gross position in the first settlement, rising to 90 per cent by the fifth settlement This contrasts with G S Patel's observation in his A D Shroff lecture that 'we must introduce immediately the system of front end margins of 30 to 40 per cent for forward sales or purchases of shares or even 100 per cent in case of emergencies no speculation should be allowed in shares for more than a maximum period of one month" The SEBI's 1994 proposal had required payment of an initial margin of 30 per cent and additional margin of 15 per cent for each subsequent settlement going up to 90 per cent by the fifth settlement The SEBI has now proposed an initial margin of 20 per cent and additional margins of only 10 per cent each for the second, third and fourth settlements, with the sixth settlement leading to actual delivery or payment. It is the rejection of this proposal by the brokers that has created the current impasse True, the SEBI has also proposed a few other precautionary steps, going beyond the Patel committee's recommendations such as a limit of 25 per cent on a broker's outstanding position on any day in relation to his or her total transactions on that day and introduction of the twin-track system providing for segregation of forward transactions from cash transactions at the time of the transaction itself (instead of at the end of the settlement as suggested by the Patel committee) On the other hand, the Patel committee's suggestion for impounding 25 per cent of the profit earned by each broker from the carry forward business has not found favour with the SEBI

It is curious that both the G S Patel committee and the SEBI despite having strong reservations on the role of the carry forward system and 'badla' financing should have failed to take a closer look at the performance of the National Stock Exchange of India (NSE) The NSE's operations have exposed the vacuity of the arguments in support of the carry forward system and badla financing Without any of these tainted artifices the NSE has gradually expanded its operations in both the debt and equity segments It has also begun to work on such significant reforms as capital adequacy norms for brokers, some self financing forms of insurance for broking business and an investor compensation fund for compensating investors in the event of default by a trading member The NSE has set up committees to examine the problem of short and bad deliveries and the proposal for a national securities clearing corporation Similar initiatives on the part of the government and the SEBI would have gone a long way in reforming the capital market But had the government been serious about reforming the capital market, it was not necessary to even set up a separate NSE with the enormous duplication of infrastructure, instead the Bombay Stock Exchange could have been converted into a national stock exchange Be that as it may, the NSE's managing director has effectively put paid to the case for bringing back forward trading when recently he pointed to the experience of the NSE, "We rely on delivery and also since we are moving into more cities, there will be a large number of investors and therefore we will have more volumes which will take care of liquidity" Liquidity is essentially a function of facilities for easy trading by genuine investors which a speculative market controlled by a few large stock brokers and financiers certainly cannot provide. Is it too much to hope that at least after the present impasse, brought on by the obduracy of market operators, this basic truth will dawn on the government and the SEBI?

SAARC

Misgivings Reinforced

THE deliberations at the first meeting of speakers and parliamentarians from the SAARC countries which concluded in Delhi recently, reinforced the misgivings voiced by critics about the usefulness of SAARC ever since its formal launching in Dhaka in 1985. At the recent Delhi meeting, delegates from Nepal, Pakistan and Bangladesh demanded the reframing of the original SAARC charter to allow member states to discuss bilateral issues which are now out of the purview of SAARC (according to the charter drafted in 1985) – a demand which was vehemently opposed by India.

In fact, right from the beginning, SAARC has been dogged by the contentious issue of bilateral problems that have divided most of the member states – India and Pakistan, India and Bangladesh, India and Nepal, India and Sri Lanka and Pakistan and Bangladesh. In 1985, when the first SAARC summit took place in Dhaka, India and Pakistan were at loggerheads over the presence of Soviet troops in Afghanistan (with India supporting Moscow and Pakistan allowing the US to use its territory to arm the anti-Soviet Afghan fighters). The gulf of distrust between the two countries was further widened by reports circulating at that time about Pakistan making the bomb. The stepping up of operations by Tamil secessionists in Sri Lanka, backed covertly by the Indian government's intelligence and security agencies, strained Indo-Sri Lankan relations. Bangladesh has a dispute with India over the sharing of river waters and with Pakistan over the latter's refusal to take back the several thousand Urdu-speaking people who had opted for Pakistani citizenship but were stranded in Bangladesh, creating a law and order problem and a strain on Dhaka's financial resources. All these disputes cast their shadow over the 1985 Dhaka summit and quite often manifested themselves in veiled diplomatic innuendoes (mainly directed against India) by Jayewardene of Sri Lanka and Ziaul Haq of Pakistan in their speeches. While these smaller member states of SAARC favoured the inclusion of bilateral problems in the agenda of the newly launched forum, Rajiv Gandhi, representing the giant nation looming large over these small neighbours, persuaded them to agree to the myth that economic co-operation among the SAARC countries should come first and would automatically lead to the solution of bilateral political disputes.

The past 10 years have proved the falsity of Rajiv Gandhi's notion. While economic co-operation among the SAARC countries has made little progress, old disputes between member states have got exacerbated and new areas of contention have emerged. Kashmir is now the main bugbear of Indo-Pak relations. With Nepal, India has picked up a dispute over the entry of Nepalese workers into India. The conflict over the sharing of river waters with Bangladesh has escalated recently – to the point that one Bangladeshi delegate to the Delhi meeting, a parliamentarian, officially communicated his refusal to attend a dinner hosted by Indian parliamentary affairs minister V C Shukla, for the SAARC delegates in protest against India's refusal to give Bangladesh its due share of water. The polite consensus arrived at by the Dhaka summit 10 years ago primarily at India's behest – to keep out uncomfortable bilateral issues is about to collapse, as evident from the increasingly vociferous demands made by delegates to the Delhi meeting for a change in the SAARC charter to allow the discussion of bilateral issues.

It is becoming obvious that unless the outstanding political disputes are settled, it would be unrealistic to expect smoother economic co-operation. It will be the political environment of the region which will determine the shape and scope of regional economic co-operation in South Asia and India, being the predominant power in the region, must play an important and positive role in reducing tensions among member states of SAARC. Ironically, in most of the bilateral disputes that bedevil the SAARC countries, India is the main contender. As it is, the unequal power base and level of economic development of the different countries is an obstacle to fruitful co-operation. The problem has been compounded by India's belligerent attitude towards its smaller neighbours. As long as India persists in this attitude, SAARC can never hope to be another ASEAN (which inspired the late Ziaur Rahman of Bangladesh to float the idea of SAARC), where the member states share a certain common level of economic development are more or less free of bilateral political conflicts and do not feel threatened by any big brother from within the forum.

ROADS

Abdication of Responsibility

IT is hardly surprising that the lack of infrastructural development should become the focus of all round concern. After all, the expansion of the economy, thinly spread as it is, requires the facility of high speed communications across the country. In fact, the plans being evolved for road development show the nature of the growth path of the economy. Clearly, the objectives are to develop facilities for the movement of goods and people between large congregations of population which constitute the market for the new 'goods' being produced and sold to facilitate the exploiting of natural resources and their movement from the hinterland to the production centres and ports; and to foster the 'other' exploitation through tourism. The facts that highways peter into nothing near the villages that rim the metropolises, that a major factor in the failure of the public health system is the difficulties of transport over non-existing roads, and that all development, employment generation and poverty alleviation programmes suffer from the inadequacy of roads appears to have missed the planners' attention.

There has been much movement on the road sector especially in the last year. The government has identified some 27 road projects for private participation. In order to facilitate this process, the National Highways Act is being amended to allow for private participation under the build-operate-transfer (BOT) arrangement. The 10,000 km expressway plan to connect major metros is largely based on the recommendations of a study funded and completed by the Asian Development Bank (ADB), the major financiers for road development. While the government is pursuing the plan by calling for proposals to undertake feasibility studies, etc, the World Bank in January released its report on the Indian roads sector in which it has expressed doubts about the feasibility of the entire ADB approach. It has suggested that large private investment under the BOT scheme may not be forthcoming because road building is a high risk venture with issues such as deforestation, environmental destruction, displacement of rural populations likely to stall projects while the uncertain traffic projections render returns uncertain. Interestingly, the minister's expressway proposal has generated sufficient interest for it to go ahead with the proposal. Reports say the Malaysian Renong group has submitted a plan for developing a major portion of the expressway plan. As of now, the government has called for proposals for the preparation of feasibility studies with an assurance that the party awarded the contract for the study will also be awarded 30 per cent of the future work even if its offer does not turn out to be the lowest. While the details of these deals will no doubt come in for scrutiny and change, the fact is that large parts of the country's new superroad links will be built and operated by private, essentially foreign, companies who will collect toll for their use. Users of these dream roads of the future are not likely to be the real producers of the goods which will be despatched on these highways.

The new proposals for highway and expressway development are not a departure from the general philosophy which has guided the development of road systems in the country. For the state roads constitute in the main not communication links among people for social, cultural and economic purposes but infrastructure for the pursuit of commerce. This perspective has remained, though the absence of roads and transport

systems has greatly contributed to the dismal performance of health and employment generation schemes besides overall development programmes The ministry s annual report for instance points out that there has been slow growth of road length in comparison to the growth of vehicles The share of transport in the five year plans has come down from 22 per cent in the First Plan to 12 5 in the Eighth Plan National highways which constitute 2 per cent of the network and carry 40 per cent of the road traffic account for 0 5 per cent of the Eighth Plan allocation Even in the states expenditure on development of national highways has dwindled over the last few years as surprisingly has maintenance expenditure The government thus appears to have withdrawn from the sector even before private investment has taken its place This does not mean however that funds are being diverted to smaller road systems serving economically unimportant regions outside the range of private interests Neither the research and development efforts nor the major proposals being mooted appear to have given much thought to the development of minor road systems

This failure to address the communication needs of the large mass of the rural population is also reflected in the nature of the traffic which uses roads The ministry s annual report for instance points out that while two wheelers have grown by 16 per cent per annum during 1981 91 buses have increased only by 7 4 per cent annually The report further concedes that the unprecedented growth of personalised vehicles has been caused by inadequacy of the public transport system This is further borne out by performance data on the 69 state transport undertakings (STUs) which show that the total fleet strength has actually diminished from 1 04,500 vehicles in 1990 91 to 1,01,002 in 1993 94 with worse years in between whereas both vehicle and staff productivity has increased as also total passenger km In other words STUs are splitting at the seams suffering as they do from a fiscal crunch and general neglect The ministry's report nevertheless calls for a strategy to reduce the growth of personalised vehicles and institute measures to regulate the growth of the vehicle population and to develop an adequate and efficient public transportation system to "dissuade people from using personalised transport That public transportation is a desperately needed infrastructural requirement for the people appears to have been entirely missed Any change in the perception of the role of roads in human development is unlikely to occur in the near future And yet especially in the context of shrinking resources for social sector development, roads and communications in the rural areas or rather the lack of them will play a crucial role

US AND CHINA

Testing of Waters

FIRST it was president Lee Teng-hui of Taiwan whose visit to the US created bad blood between China and the US Now it is Madame Chiang Kai shek wife of the Generalissimo who died in 1975 She is to be the centre of attention at a reception to be addressed among others by Robert Dole Senate majority leader in the US Congress

Madame Chiang's impact on Taiwanese politics since 1975 has been negligible Nevertheless her reception in the US will further ruffle Chinese diplomatic feathers First she is a reminder of the era when Taiwan figured as one of the two Chinas' in the U S's China policy Second Robert Dole who has co sponsored the reception, is a presidential candidate and may be the next US president An additional reason for the Chinese reaction may be that Newt Gingrich speaker of the house of representatives who has a close rapport with Dole is known to support the idea of the US recognising Taiwan although his public posture on the issue is more diplomatic

The People's Republic of China was recognised by a Republican administration but the current Republican leadership is notorious for its radicalism that is, its extremely conservative stand on political diplomatic matters For example only recently this leadership ensured the passing of a resolution in the Senate favouring the lifting of the arms embargo on the Bosnian government the real target of the policy being not only the Bosnian Serbs but also the Russians who have a strategic stake in a Serb victory

In the event of this leadership assuming presidential powers it would likely further drive in the wedge between Taiwan and China with a two fold objective to hurt China economically Taiwan being the leading investor in China, and eventually to ensure a permanent separation of the two territories Such separation would be a long-term fulfilment of US strategic interests in the trans Pacific region

The response of the Chinese leaders to the visit of president Lee Teng hui to a US university showed that China will not easily countenance these US moves Not only did China recall its envoy from Washington, it carried out surface-to-surface missile tests along the Taiwanese border The tests were a warning not only to Taiwan but also to the US to keep off the issue of Taiwanese independence although as many as 30 countries already recognise Taiwan

U S recognition of Taiwan, in other words, is not a real possibility yet The only thing that can be said with some certainty is that this possibility will become stronger under a Republican administration, especially if it has people like Robert Dole and Newt Gingrich at its helm

TRIPURA

CPI(M) Digs In

BY winning a majority in the elections to the Tripura Tribal Areas Autonomous District Council in late July, the CPI(M) has consolidated its hold over the state While the state government has been run by the CPI(M), the majority of the autonomous district councils (ADC's) had been in the hands of the Congress-Tripura Upajati Juba Samity (TUJS) combine But now the voters have given a clear verdict against the combine's administration which was widely known to have been marked by corruption and factionalism

The dissension within the TUJS came to the fore on the eve of the election when Harinath Debarma the TUJS president formally split the party by announcing the formation of Tripura Tribal People's Forum (TTPF) Debarma hoped to wean away the support of the tribals from the moderates in the TUJS who the TTPF claimed had allowed themselves to be co opted by the Congress This sudden concern for the tribal cause after five years of being in power was also evinced by the TUJS when it demanded that the voters' lists be revised on the basis of the 1971 electoral rolls and names of non-tribals who had come to live in the ADC areas after that year be deleted Given that the demand was made just two months before the district council elections it was clear that the intention was to create hurdles in the way of the elections In fact, pressure was also sought to be brought to bear from the centre to make the state governor postpone the elections The decision of the Tripura National Volunteers (TNV) to opt out of the proposed triple alliance with the Congress and the TUJS and to contest the elections separately had already affected the prospects of the combine But in the event neither Harinath Debarma s TTPF nor the TNV nor the BJP was able make any impact in the elections

The polls conducted in two phases, passed off peacefully with a voter turn-out of 75-80 per cent Though the Congress blamed the CPI(M) for rigging the polls, the charge was made more out of a need to find excuses for the combine's defeat What did happen was an escalation in ethnic tensions which is now a regular feature of elections in the north-east The various tribal militant outfits not only killed and abducted non-tribals and ambushed police patrols, they also engaged in internecine warfare, against rival tribal groups In any case, the five-year record of the Congress-TUJS combine was so dismal that even their promise to provide rice for Rs 2 per kg to poor tribals and non-tribals in the ADC areas failed to shore up its political fortunes

ASEA BROWN BOVERI

Opportunities in Power Sector

ASEA BROWN BOVERI the Indian subsidiary of the Swiss Swedish engineering con glomerate is engaged in the manu facture of power transmission equipment switchgear, capacitors communication products motors process automation equipment and railway locomotives and allied equipment ABB has a 46 year history in India Hindustan Electric Company manufacturing electrical items like motors and transformers and selling imported electrical equipment was established in 1949 In 1962 the company entered into a financial and technical collaboration with Brown Boveri and Company of Switzerland resulting in the formation of Hindustan Brown Boveri which later became Asea Brown Boveri

The company recorded sales of Rs 617 crore in the year ended December 1994, up from Rs 452 crore in the previous year, a rise of around 37 per cent Other income grew by 21 per cent, from Rs 21 crore to Rs 25 crore Provision for depreciation and taxation increased by 17 per cent and 27 per cent respectively There was a non operating profit of Rs 9 crore against a loss of Rs 2 crore in the previous year, which together with lower interest costs were reflected in the healthy bottomline Exports were Rs 16 crore and imports Rs 67 crore Despite this the company had a net foreign exchange inflow of Rs 60 crore, thanks to fees earned for technical know-how The results for the year incorporate the performance of Flakt India a manufacturer of pollution control equipment, which was amalgamated with the company in October 1994 A dividend of 35 per cent has been recommended by the directors

ABB has taken over ACC Babcock a large Indian power equipment supplier and a former sick public sector undertaking under the charge of the ministry of power ABB had submitted a proposal for its takeover when the unit was thrown open to the private sector ABB has acquired 76 per cent of the equity of the ailing boiler manufacturing unit with an investment of $ 16 5 million The move reflects ABB's objective of meeting the growing demand for turnkey power plants in India

ABB has secured the turnkey order for design, engineering and supply of electrical systems for the Bokaro steel plant valued at Rs 185 crore ABB has also bagged orders worth around Rs 180 crore including one from Reliance Industries worth Rs 30 crore for its petrochemical complex at Hazira in Gujarat ABB is to partner Reliance for all future projects at the Hazira complex According to Jorgen Centerman president of ABB's automation business the order assumes significance in that Reliance will be the first petrochemical company in South Asia to introduce the 'open distributed control' technology of complete automation systems ABB is executing orders worth Rs 25 crore for Indian Oil Corporation It will supply, for the first time in India its emergency shut-down systems to the new Panipat refinery with a capacity of 6 million tonnes per annum The multinational is also modernising the process control systems in the IOC refineries at Guwahati, Haldia and Digbhoi ABB has signed a contract with GVK Industries to set up a gas based power project in Andhra Pradesh scheduled to be completed in early 1997 ABB is negotiating to set up two joint ventures for 250 mw power projects in India with the M M Bhagat group The cost of the two projects is estimated at $400 million The company has also been holding talks with the Hindujas for the engineering procurement and construction contract for the 1,000 mw coal based power plant at Visakhapatnam The estimated cost of the project is Rs 5,760 crore and the promoting companies are Hindujas Ashok Leyland and National Power of the UK The company has also initiated talks with the National Thermal Power Corporation on the Kayamkulam power project being set up by it

ABB is building a 1 330 MW gas fired combined cycle power plant in Perak, Malaysia which will meet 11 per cent of Malaysia s power requirement The company has signed a turnkey contract valued at $1 billion for the project which is scheduled to become operational by July 1997

ABB has entered into a strategic tie-up with Dalmier-Benz of Germany, the two having announced a merger of their global rail transportation activities The new entity, a 50 50 joint venture, is to be called ABB Dalmier-Benz Transportation and will offer full rail system solutions from design and engineering to assembly and project management

ABB plans to expand its business in India, with plans to make India the focus of its Asian business According to ABB officials while their main aim was to develop India as a market for their products, plans were also afoot to make the country the base for manufacturing the entire range of power equipment

ABB is getting into the area of robotics The company is setting up a robotics unit in Bangalore, with the basic hardware being imported from ABB Sweden and the rest made in Bangalore

ABB has been permitted to set up a fully-owned holding company in India The proposal envisages total foreign investment of Rs 675 crore and projected export earnings of around Rs 3,000 crore The new company will hold shares on behalf of ABB Sweden in the joint ventures already in operation in the country

HINDUSTAN LEVER

Merger Accomplished

Hindustan Lever, a dominant force in soaps and detergents, personal products and speciality chemicals has turned out an impressive performance for the year ended December 1994 Sales increased from Rs 2,067 crore to Rs 2 826 crore, an increase of around 37 per cent Total income rose from Rs 2 121 crore to Rs 2,879 crore Provision for depreciation and taxation increased by 6 per cent and 18 per cent, respectively Profit after tax was Rs 190 crore, up from Rs 127 crore in the previous year, an increase of 49 per cent The company performed very well on the export front, notwithstanding recessionary trends in the European markets and Japan and disruption of the economies of the countries which were part of the former Soviet Union Export turnover in 1994 was Rs 427 crore against Rs 234 crore in 1993, a growth of 84 per cent HLL's warehouse facilities in Rotterdam in Holland and Marseilles in France have contributed to the growth of exports The directors have recommended a dividend of 80 per cent against 56 per cent last year

A divisionwise breakup of the company's turnover presents the following picture The soaps and detergents division the company's flagship accounted for 64 per cent of the total turnover Coming second was the exports and personal products division with a contribution of 24 per cent The reduction in excise duty by 20 per cent, from 70 per cent to 50 per cent gave a boost to the personal products division and the consequent lowering of prices led

Financial Indicators	Asea Brown Boveri		Hindustan Lever		Ponds India	
	Dec 1994	Dec 1993	Dec 1994	Dec 1993	Dec 1994	Dec 1993
Income/appropriations						
1 Net sales	61651	45176	282648	206680	25119	21596
2 Value of production	61651	45176	284595	209136	25377	22195
3 Other Income	2502	2074	5091	2976	826	99
4 *Total income*	64153	47250	289686	212112	26203	22294
5 Raw materials/stores and spares consumed	39949	30820	125296	135333	8404	7978
6 Other manufacturing expenses	476	307	61821	8021	6863	5960
7 Remuneration to employees	5273	3605	14531	6426	1224	1101
8 Other expenses	9775	5441	19939	33110	4939	3808
9 *Operating profit*	8680	7077	35099	27222	1773	3447
10 Interest	724	907	2954	2723	254	243
11 *Gross profit*	8828	8001	32627	24499	4594	3379
12 Depreciation	878	746	2358	2222	211	181
13 *Profit before tax*	7878	5255	30271	22277	4383	3198
14 Tax provision	2800	2200	11275	9550	1379	951
15 *Profit after tax*	5078	3055	18996	12727	3004	2247
16 Dividend	1087	616	11574	7839	1540	1120
17 Retained profit	3991	2439	7422	4888	1464	1127
Liabilities/assets						
18 Paid up capital	3106	2053	32456	13999	1400	1400
19 Reserves and surplus	19232	14357	39127	24569	7073	5608
20 Long term loans	1696	2343	12597	8201	258	630
21 Short term loans	754	873	4419	3319	219	469
22 Of which bank borrowings	754	873	2362	880	0	0
23 Gross fixed assets	14137	9140	55148	42080	4672	4052
24 Accumulated depreciation	4757	3411	22259	16647	1125	920
25 Inventories	10876	6362	54221	47106	4618	3411
26 Total assets/liabilities	59726	39580	165453	107424	14356	12779
Miscellaneous items						
27 Excise duty	0	0	41490	37289	0	0
28 Gross value added	15552	10084	49511	35850	6168	4959
29 Total foreign exchange income	13548	16608	44236	24378	7254	6955
30 Total foreign exchange outgo	7521	3848	37654	19723	2441	1155
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	103.2	112.7	168.4	192.4	175.0	169.0
32 Sales to total net assets (%)	248.7	230.2	319.0	412.6	280.7	266.4
33 Gross value added to gross fixed assets (%)	110.0	110.3	89.8	85.2	132.0	122.4
34 Return on investment (gross profit to total assets) (%)	14.8	15.0	19.4	22.8	32.0	26.4
35 Gross profit to sales (gross margin) (%)	14.3	13.3	11.5	11.9	18.3	15.6
36 Operating profit to sales (%)	14.1	15.7	12.4	13.2	19.0	16.0
37 Profit before tax to sales (%)	12.8	11.6	10.7	10.8	17.4	14.8
38 Tax provision to profit before tax (%)	35.5	41.9	37.2	42.9	31.5	29.7
39 Profit after tax to net worth (return on equity) (%)	22.7	18.6	26.5	33.0	35.5	32.1
40 Dividend (%)	35.0	30.0	80.0	56.0	110.0	80.0
41 Earning per share (Rs)	16.35	14.88	5.85	9.09	21.46	16.05
42 Book value per share (Rs)	71.92	79.93	22.06	27.55	60.52	50.06
43 P/E ratio (based on latest and corresponding last year's price)	36.8	37.6	104.2	76.4	44.3	65.4
44 Debt equity ratio (adjusted for revaluation) (%)	7.6	14.3	17.6	21.3	3.0	9.0
45 Short term bank borrowings to inventories (%)	6.9	13.7	4.4	1.9	0.0	0.0
46 Sundry creditors to sundry debtors (%)	96.0	93.1	480.1	387.8	159.0	173.7
47 Total remuneration to employees to gross value added (%)	33.9	35.7	29.3	23.5	19.8	22.2
48 Total remuneration to employees to value of production (%)	8.6	8.0	5.1	4.0	4.8	5.0
49 Gross fixed assets formation (%)	54.6		31.1		15.3	19.8
50 Growth in inventories (%)	71.0		15.1		35.4	63.4

to "soaring volumes", according to the company. The chemicals and agriproducts division contributed 12 per cent to total turnover.

The process of merging Tata Oil Mills Company (TOMCO) with HLL, which had begun in March 1993, was completed on December 28, 1994. The scheme of amalgamation was also used to make a preferential allotment of 29,84,347 equity shares of Rs 10 each to Unilever Plc at a discounted price so as to retain the multinational's 51 per cent shareholding. The RBI had refused to allow the preferential allotment at a price of about Rs 103.88 per share when the market price was about Rs 700 per share. The company filed a writ petition before the Bombay High Court and the court gave an interim order which specified that the difference between the price offered by the company and that worked out on the basis of the RBI norm be kept in a separate 'share premium suspense account'. Accordingly Unilever Plc brought in a sum of Rs 209 crore of which Rs 178 crore has been kept in the suspense account.

With the acquisition of TOMCO, HLL's share of the soaps and detergents market crossed 30 per cent. High on HLL's agenda is the strengthening of TOMCO's existing brands and relaunching Tata Eau de Cologne and Revel washing powder which were being phased out by TOMCO. According to S M Dutta, chairman of HLL, the focus in 1995 will be to ensure a smooth integration, re-establish TOMCO brands and nurse its business back to profitability. HLL has incurred an establishment cost of Rs 5.4 crore as a result of the merger.

The company has some new projects on hand. It has made investments worth Rs 45 crore in three new projects. A leather tanning unit to produce finished skins has been commissioned at Neyveli in Tamil Nadu. The company is setting up a Surimi fish plant at Verawal in Gujarat in technical collaboration with Shinto Corporation of Japan. A rice milling facility in the free trade zone of Kandla, Gujarat, and a project for growing and processing catfish in Thanjavur are also on the cards.

Kimberly Clarke-Lever, the 50:50 joint venture between Hindustan Lever and Kimberly Clarke of the US, has formed two companies to manufacture personal care and hygiene products at Pune, with production scheduled to start this month. HLL is making an investment of Rs 11 crore in satellite-based information systems to leverage application of information technology and achieve a significant competitive edge. HLL is the first

consumer products company in the country to do so. The company has been awarded ISO 9002 for its rice unit, the first such facility in the country to receive the certification.

PONDS INDIA

Focus on Exports

Ponds (India), known for its range of skin care products, shoe uppers, mushrooms and thermometers, has posted a net profit of Rs 30.04 crore for the year ended December 1994, up by 33.7 per cent over the previous year's figure of Rs 22.7 crore. Net sales have grown by 16 per cent to Rs 251 crore from Rs 216 crore. The directors have recommended a dividend of 110 per cent, compared to last year's 80 per cent.

Ponds India has enhanced its market reach, benefiting from a joint selling and distribution arrangement with Hindustan Lever. The company also gained from the reduction in excise duty on cosmetics from 70 per cent to 50 per cent in the 1994-95 budget. In talcum powder, where Ponds is the market leader, volumes spurted by 30 per cent, and in skin care products by 40 per cent.

The company has been awarded trading house status for its exports. In 1994, the company's leather garments export division successfully penetrated the quality conscious markets of France and Italy. The division achieved substantial growth of turnover and profits with exports of Rs 11 crore. The leather products division, comprising shoes and shoe uppers, had another good year, with exports of Rs 38 crore, compared with Rs 32 crore in the preceding year. Hitherto having concentrated largely on the European market, Ponds is now looking to the US market. A major difference between the two, according to V Balaraman, managing director, is that while the former demands more style and variety, the latter is more volume-based. Ponds has set an ambitious export target of Rs 500 crore from its leather divison alone by the year 2005. The Pondicherry leather factory has been awarded the ISO 9002 certificate, the first shoe upper unit in the country to be so certified. By way of diversification from its mainstay, personal care products, the company entered the export market with thermometers and mushrooms. Ponds is the world's largest mercury-glass thermometer manufacturer, with a 35 per cent share of the American market and with a significant presence in the UK, Spain and other parts of the world. The company plans to increase its export turnover from thermometers, which currently stands at Rs 8 crore, to Rs 30 crore by 1998. It also plans to export digital thermometers and has created the chip design for these internally. The company's 100 per cent EOU for production of mushrooms at Ketty Valley in the Nilgiris has met international quality standards and the management is confident that the current capacity of 4,000 tpa will have to be rapidly expanded.

NHPC

Good Performance

National Hydroelectric Power Corporation (NHPC), a government of India enterprise, recorded a net profit of Rs 122 crore for the year 1994-95, as against Rs 72 crore in the previous year, a rise of 69 per cent. The total sales turnover went up by 130 per cent from Rs 236 crore in 1993-94 to Rs 544 crore for the period under review. The corporation declared a dividend of Rs 5 crore for the first time for the financial year 1993-94.

The operating units of NHPC generated 6,094 million units of electricity, registering an increase of 114.8 per cent. The 540 MW Chamera Stage I project, Himachal Pradesh, which started commercial generation during the year under review, performed satisfactorily. In the very first year of its commercial operation, electricity generated by the project stood at 2,307 million units as against the target of 1,470 million units. The smooth functioning of the northern grid last summer was largely possible due to power from this project. NHPC with six operating power plants supplies power to 15 states and union territories. The corporation has a total installed generating capacity of 1,653 MW and is one of the largest hydropower utilities in the country.

The corporation has bagged the construction job of lining of Jawahar Tunnel in Jammu and Kashmir from Beacons at an estimated cost of Rs 5 crore. It has also been entrusted with the execution of a small hydel scheme by the government of Andaman and Nicobar, and of the 45 MW Kurichi project in Bhutan by the governments of India and Bhutan. With the opening up of the power sector to private enterprises, the consultancy wing of the corporation hopes to bag major consultancy works in future. Plans to take up hydropower projects jointly are on the anvil with proposals coming from a number of leading industrial houses like Dalmia Enterprises, Escorts, GSI, etc. The corporation has made special efforts to develop the hydropower potential of Jammu and Kashmir. Four major projects with a total installed capacity of 1,560 MW have been taken up. The 690 MW Salal complex is already operational with the Uri and Dul Hasti due for completion in 1996-97 and 1998 respectively.

The corporation raised Rs 305 crore through bonds during the period under review. Expenditure incurred was to the tune of Rs 834 crore and a balance of the total plan allocation of Rs 1,278 crore would not be utilised as a result of the continued suspension of the construction activities at the Dhul Hasti project in Jammu and Kashmir. There is an outstanding amount of Rs 590 crore that a few of the beneficiary states owe to NHPC. The corporation is trying hard to recover these arrears from the defaulting states. There are plans to recover Rs 238 crore through central plan appropriation by the government of India in the course of the next four years. NHPC has taken up the matter of regulating power supply to these defaulting states with the government of India. NHPC plans to raise its authorised share capital from Rs 2,500 crore to Rs 3,000 crore and has been asked to submit a restructuring plan to this effect. NHPC is currently negotiating with the SBI Capital Services to take up the study.

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The decline in the annual inflation rate has continued with the rate dipping to 7.7 per cent in the week ended July 15. There has been some acceleration of money supply growth mainly due to a sharp rise in RBI credit to the centre. The capital market continues to be sluggish with share price indices lower by 16-18 per cent over the past year. Data on social indicators show that the decline in the natural rate of growth of population has been arrested because of the tapering off of the fall in the birth rate. The all India infant mortality rate (IMR) was 74 per 1,000 live births in 1993, still a long way from the target of 60 for 2001 AD. Wide disparities persist between urban and rural areas and among states with the BIMARU states continuing to show high IMR (as also high birth rates).

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	July 15 1995	Over Month	Variation (Per Cent) Point-to-Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
All Commodities	100.0	292.9	0.5	7.7	11.8	2.5	5.0	10.4	10.8	7.0	13.6
Primary Articles	32.3	298.9	0.0	5.9	14.8	2.4	9.0	12.7	11.5	3.0	15.3
Food Articles	17.4	329.3	0.4	3.7	12.8	4.9	13.3	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	317.0	0.4	10.1	21.4	2.0	2.7	15.5	24.9	1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.6	0.0	1.9	9.9	0.0	0.5	2.4	13.1	15.2	13.2
Manufactured Products	57.0	289.8	0.8	9.9	10.4	3.0	3.7	10.7	9.9	7.9	12.6
Food Products	10.1	279.6	0.6	3.3	11.0	2.6	7.4	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	311.0	0.1	3.5	13.2	4.1	11.2	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-July 08, 1995)	100.0	290.1		10.0	9.8	8.9	11.8	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1982=100)	300[5]	1.7	10.3	10.6	2.4	1.9	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	244	0.4	9.9	8.3	9.9	8.3	9.9	8.3	6.8	13.6
Agri Lab (July-60 to June-61=100)	1316[5]	0.8	12.0	13.2	1.2	0.0	10.6	11.6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	July 07 1995	Over Month	Variation: Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93
Money Supply (M3)	538229	5273 (1.0)	11751 (2.2)	7619 (1.7)	75167 (16.7)	72467 (19.1)	50484 (15.4)
Currency with Public	111007	2125 (1.9)	10137 (10.0)	9339 (11.4)	18990 (23.2)	14067 (20.7)	7111 (11.7)
Deposits with Banks	419407	2114 (0.5)	2851 (0.7)	3498 (1.0)	55321 (15.1)	57185 (18.5)	42945 (16.1)
Net Bank Credit to Govt	242818	5815 (2.5)	23227 (10.6)	14676 (7.1)	14380 (7.0)	29376 (16.7)	17903 (11.3)
Bank Credit to Commil Sector	291266	2964 (1.0)	3376 (1.2)	3441 (1.4)	43796 (17.9)	16591 (7.3)	30187 (15.3)
Net Foreign Exchange Assets	73555	81 (0.1)	-2335 (-3.1)	7797 (14.8)	22197 (41.3)	28775 (115.3)	3747 (17.7)
Reserve Money	178761	530 (-0.3)	9787 (5.8)	10071 (7.3)	30386 (21.9)	27843 (25.1)	11274 (11.3)
Net RBI Credit to Centre	119496	5467 (4.8)	20818 (21.1)	4332 (4.4)	949 (1.0)	1306 (1.4)	3586 (3.9)
Scheduled Commercial Banks							
Deposits	378460	2755 (0.7)	-4040 (-1.1)	-4182 (-1.3)	49271 (14.8)	52144 (18.6)	39017 (16.1)
Advances	212217	3668 (1.8)	2511 (1.2)	3612 (2.1)	38784 (22.7)	11566 (7.3)	23757 (17.5)
Non-Food Advances	196800	3747 (1.9)	631 (0.3)	4976 (3.1)	37416 (23.4)	7402 (4.9)	21684 (16.6)
Investments	151648	161 (0.1)	2394 (1.6)	10136 (7.5)	14172 (10.5)	28435 (26.7)	16820 (18.7)

Index Numbers of Industrial Production (1980-81=100)	Weights	Feb 1995	Average for Fiscal Year So Far 1994-95	1993-94	Variation (Per Cent) Fiscal Year Averages 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	262.5	245.4 (8.1)	227.1 (5.9)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	276.2	238.9 (6.6)	224.2 (3.5)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	252.1	236.5 (8.2)	218.6 (5.8)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	318.7	311.7 (8.7)	286.8 (7.1)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	July 28 1995	Month Ago	Year Ago	1995-96 So Far Trough	1995-96 So Far Peak	1994-95 Trough	1994-95 Peak	End of Fiscal Year 1994-95	End of Fiscal Year 1993-94	End of Fiscal Year 1992-93
BSE Sensitive Index (1978-79=100)	3453	3247	4107	3015	3557	3233	4604	3261	3779	2281
	(6.4)		(-15.9)					(-13.7)	(65.7)	(-46.8)
National Index (1983-84=100)	1599	1530	1946	1482	1691	1572	2176	1609	1830	1021
	(4.5)		(-17.8)					(-12)	(79.2)	(-48.1)

Foreign Trade	May 1995	Cumulative for Fiscal Year So Far 1995-96	1994-95	Full Fiscal Year Variations 1994-95	1993-94	1992-93	1991-92	1990-91
Exports Rs crore	7290	15128 (24.8)	12125 (10.6)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US $ mn	2324	4822 (21.2)	3865 (9.8)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports Rs crore	8609	15994 (28.2)	12475 (13.6)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US $ mn	2744	5099 (28.2)	3975 (12.8)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non POL US $ mn	2224	4060 (31.5)	3088 (17.3)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade Rs crore	1319	866	-350	-6375	-3259	-9687	-3809	-10640
US $ mn	420	-276	112	-2018	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	July 21 1995	July 22 1994	Mar 31 1995	Variation Over: Month Ago	Year Ago	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
Rs crore	62658	54547	66028	933	8111	-3370	6921	18402	27430	5385	10223
US $ mn	19775	17354	20816	27	2421	1041	2178	5640	8724	731	3383

Social Indicators

Birth Rate, Death Rate, Natural Growth Rate, Infant Mortality Rate and Population		Rural					Urban				
		1993	1992	1991	1985	1981	1993	1992	1991	1985	1981
India	Population (in mns)	–	–	628.7	–	523.9	–	–	217.6	–	159.5
	Birth Rate (000s)	30.3	30.9	30.9	34.3	35 6	23 5	23.1	24.3	28.1	27.0
	Death Rate (000s)	10.5	10.9	10.6	13.0	13.7	5 7	7.0	7.1	7.8	7.8
	Natural Growth Rate (000s)	19 8	20 0	20.3	21 3	21.9	17 8	16 1	17.2	20 3	19.2
	Infant Mortality Rate (000s)	82.0	85.0	87.0	107 0	119.0	45 0	53.0	53.0	59.0	62.0
Andhra Pradesh	Birth Rate (000s)	24.3	25 1	26.5	29.8	32 7	23 4	22 3	24 4	30.2	27.5
	Death Rate (000s)	9.5	10 1	10.5	11.1	12.2	5.4	6 0	6 7	7.3	6.5
	Natural Growth Rate (000s)	14.8	15 0	16.0	18.7	20.5	18.0	16 3	17 7	22 9	21.0
	Infant Mortality Rate (000s)	70.0	78 0	77.0	90 0	93.0	46.0	42.0	56 0	57.0	52.0
Assam	Birth Rate (000s)	30.4	31 5	31.7	35.0	33 8	23 4	21 4	21 3	25.0	23.2
	Death Rate (000s)	10.7	10 7	11.8	13.5	13 0	6.7	7.4	6 9	8.4	8.0
	Natural Growth Rate (000s)	19.7	20 0	19.9	21.5	20 8	16 7	14 0	14.4	16.6	15.2
	Infant Mortality Rate (000s)	84.0	77 0	83.0	112 0	107 0	57 0	50.0	42.0	96.0	76.0
Bihar	Birth Rate (000s)	33.0	33 1	31.3	38.5	39 7	25 5	25 0	25.5	31.1	33.9
	Death Rate (000s)	11.4	11 4	10.2	15.6	14 7	5.0	6.9	6.3	9.0	8.0
	Natural Growth Rate (000s)	21.6	21 7	21.1	22 9	25.0	20 5	18 1	19.2	22 1	25.9
	Infant Mortality Rate (000s)	73.0	74 0	71.0	109.0	124 0	41 0	49.0	46 0	62.0	60 0
Gujarat	Birth Rate (000s)	29.1	29 5	28.2	33 8	36.1	25.8	24 6	25 9	31 2	29.8
	Death Rate (000s)	8.9	9.5	8.8	11 8	12 4	6 7	8 3	7 9	8 7	10.7
	Natural Growth Rate (000s)	20.2	20 0	19.4	22 0	23 7	19 1	16 3	18 0	22 5	19.1
	Infant Mortality Rate (000s)	65.0	72.0	73.0	112 0	123 0	42 0	53.0	57 0	64.0	89.0
Haryana	Birth Rate (000s)	32.0	33 8	34 7	36 5	37.8	26 4	25.3	27 2	32.9	29.6
	Death Rate (000s)	8.7	9 2	8.5	9 7	11 9	5 5	7 0	6.8	7.1	7.6
	Natural Growth Rate (000s)	23.3	24 6	26.2	26.8	25 9	20.9	18 3	20 4	25.8	22.0
	Infant Mortality Rate (000s)	69.0	79 0	73 0	92.0	108.0	53 0	56 0	49.0	58 0	52.0
Karnataka	Birth Rate (000s)	26.7	27 4	27.9	30.9	29 2	23.1	23 3	24.0	26 2	25 7
	Death Rate (000s)	9.5	9 4	9.8	9.8	10.2	5.2	6 0	6 9	6 1	6.3
	Natural Growth Rate (000s)	17.2	18 0	18.1	21.1	19.0	17 9	17 3	17.1	20.1	19 4
	Infant Mortality Rate (000s)	79.0	82.0	87 0	80.0	77 0	41 0	41 0	47 0	41 0	45.0
Kerala	Birth Rate (000s)	17 3	17.6	18.4	23.1	26.0	17 2	18 3	18 1	24.1	23.5
	Death Rate (000s)	6 0	6.3	6.2	6.5	6.7	5 8	6 5	5.3	6 6	5.8
	Natural Growth Rate (000s)	11.3	11 3	12.2	16.6	19 3	11.4	11.8	12.8	17.5	17.7
	Infant Mortality Rate (000s)	15.0	17.0	17.0	32 0	40.0	7 0	13 0	16.0	30.0	24.0
Madhya Pradesh	Birth Rate (000s)	35.9	36 8	37.3	41.0	38 8	24 3	26.5	29.7	33 0	31.4
	Death Rate (000s)	13.9	13 9	14.9	15.3	18.0	7.6	8.5	9.2	9.4	9.3
	Natural Growth Rate (000s)	22.0	22 9	22.4	25.7	20 8	16.7	18 0	20 5	23 6	22 1
	Infant Mortality Rate (000s)	113.0	109.0	125.0	131.0	152.0	68.0	74 0	74.0	79.0	80.0
Maharashtra	Birth Rate (000s)	27.0	27 4	28.0	29.8	30.4	22.6	21 5	22 9	27.7	24 5
	Death Rate (000s)	9.3	9.1	9.3	9.4	10.6	4.7	5.6	6 2	6 7	7 4
	Natural Growth Rate (000s)	17.7	18.3	18.7	20.4	19.8	17.9	15 9	16 7	21.0	17 1
	Infant Mortality Rate (000s)	63 0	67.0	69.0	78.0	90 0	31 0	40 0	38 0	49.0	49.0
Orissa	Birth Rate (000s)	27.7	28.5	29.6	30 9	33.4	23 1	21 4	21 6	28 3	29.3
	Death Rate (000s)	13.1	12.1	13.5	14.6	13.5	6.1	7.8	6 5	8 1	7.9
	Natural Growth Rate (000s)	14.6	16.4	16.1	16.3	19.9	17.0	13 6	15.1	20 2	21.4
	Infant Mortality Rate (000s)	113.0	118.0	129.0	137.0	140.0	68.0	80.0	71.0	84.0	68.0
Punjab	Birth Rate (000s)	27.7	28.3	28.5	28.8	30.8	22 6	24 2	25.6	27.6	28.5
	Death Rate (000s)	8.8	8.8	8.5	9.7	10 0	5.5	6.5	5 7	6.7	7.1
	Natural Growth Rate (000s)	18.9	19 5	20.0	19.1	20.8	17.1	17.7	19.9	20.9	21.4
	Infant Mortality Rate (000s)	60.0	61 0	58.0	78.0	88.0	39 0	41 0	40 0	51.0	51.0
Rajasthan	Birth Rate (000s)	35 5	36.4	36.0	41.1	38.3	26 3	27.7	30.3	33.6	31.2
	Death Rate (000s)	10.1	11 1	10.6	14.0	15 8	5.0	7.5	7 7	9 6	7.6
	Natural Growth Rate (000s)	25.4	25.3	25.4	27.1	22.5	21.3	20 2	22 6	24.0	23.6
	Infant Mortality Rate (000s)	87.0	94 0	84.0	114.0	118.0	56.0	65.0	50 0	76.0	53.0
Tamil Nadu	Birth Rate (000s)	19.3	21 1	20.8	25.2	29.7	19.0	20 0	20 8	23.8	23.9
	Death Rate (000s)	9.2	9.2	9.5	10.9	13.5	5 7	6.7	7.6	6 9	7.9
	Natural Growth Rate (000s)	10.1	11.9	11.3	14.3	16.2	13.3	13 3	13.2	16.9	16.0
	Infant Mortality Rate (000s)	66.0	66.0	65.0	95.0	104.0	38.0	42.0	42.0	53 0	55 0
Uttar Pradesh	Birth Rate (000s)	37.2	38.0	37.2	39.0	40.8	30.9	28.9	29.0	31 6	31.5
	Death Rate (000s)	12.2	13.7	12.0	17.2	17.3	7.9	9.0	8.3	9 6	9.9
	Natural Growth Rate (000s)	25.0	24.3	25.2	21.8	23.5	23.0	19 9	20.7	22 0	21.6
	Infant Mortality Rate (000s)	98.0	102.0	102.0	154.0	157.0	67.0	78.0	74.0	78.0	97.0
West Bengal	Birth Rate (000s)	28.6	28.0	30.3	33.0	37.0	17.7	16.4	18.5	20.5	20.0
	Death Rate (000s)	8.5	9 1	8.9	10.7	12.2	4.1	6.6	6.7	6 8	6.9
	Natural Growth Rate (000s)	20.1	18.9	21.4	22.3	24.8	13 6	9.8	11.8	13 7	13.1
	Infant Mortality Rate (000s)	64.0	71.0	76.0	80.0	98.0	32 0	38.0	47.0	46 0	44.0

Source *Sample Registration Bulletin* - January 1995, Office of the registrar general, India, Ministry of Home Affairs, New Delhi

COMMENTARY

WEST BENGAL

Industrial Development Policy

A Critical View

Ranjit Das Gupta

It is difficult to find any basic difference between the industrial policy of the Left Front government in West Bengal and that of the central government The pursuit of such a policy by the Left Front government cannot but weaken the struggle against the IMF-World Bank strategy, the offensive by international as well as Indian capital and the centre's new economic policy

I
The Wider Context

THE Left Front government's recent move for industrial development in West Bengal needs to be viewed in the national context of discussions and debates going on since the late colonial period and throughout the post-colonial period, particularly the early post-colonial period of the 1950s and early 1960s, on industrialisation and economic development, and social justice

The crucial issue in the industrialisation debate, whether in the Bombay Plan, better known as the Tata-Birla Plan, as well as in the first three post-independence five-year plans, was creation, protection and consolidation of a relatively autonomous domestic space in relation to the world imperialist system and foreign capital The concern was not just economic growth but self-reliant growth with social justice In the developmental strategy and policies the government was to play an active and large role The industrial economy was divided into public sector and private sector Foreign capital was not barred, but allowed selective entry

Because of the large role assigned to the government, the emphasis laid on the public sector which was to attain the 'commanding heights', the extensive power retained by the government through the licensing system and various other regulatory measures as well as the socialist rhetoric resorted to by the Congress leaders, the economy and economic policy were viewed by some quarters as socialist ones But it was basically a strategy and policy for fostering capitalist development, a relatively self-reliant one, with large space for the play of private market forces, though within some limits The existence of what came to be known as the world socialist system and particularly the Soviet Union facilitated the pursuit of such a strategy and helped the loosening of the imperialist stranglehold and creation of indigenous industrial capabilities to a considerable extent

The policy was, of course, marked by basic contradictions from the very beginning It came to be increasingly diluted since the early 1980s, if not still earlier The New Economic Policy launched in 1991 92 marked almost total abandonment of that policy in the name of globalisation and liberalisation, efficient allocation of resources and increased competitiveness This included, among others, the following

* an open-door policy towards and red carpet treatment of international productive, commercial and financial capital in its new form of multi-national companies (MNCs),
* deliberate planned retreat and withdrawal of the government from virtually all the key sectors and areas,
* curtailment and/or withdrawal of subsidies for foodgrains and virtual dismantling of the public distribution of essential commodities,
* privatisation of public sector units (PSUs),
* opening up of vital infrastructural areas and social sectors to private market forces, and
* attempted introduction of flexibility in the labour market, an euphemism for a 'hire and fire' policy

All these constitute a policy for unregulated growth and operation of capitalism

Essentially, it involves the convergence of the Fund-Bank package prescribed in the interests of international capital with the secular interests of important sections of Indian capital who had also been pressing for a similar policy

It would not be wrong to suggest that the policy being pursued is no policy at all Policy involves the putting forward of a well-formulated perspective, identification of thrust areas and prioritisation among those areas, forging of appropriate instruments and pursuit of suitable measures But all this is absent under the Rao-Singh dispensation

In justification of the new package frequent references are being made to the east and south-east Asian experiences of industrialisation and economic development in Japan, South Korea and Taiwan But the Rao Singh policy, if that can be called a policy at all, is in sharp contrast to the east Asian experience There is a large and growing volume of detailed, in depth studies showing that whatever might have been the nature of political institutions and political arrangements in none of the Asian tigers' and 'cubs' did the state abdicate its role In all these countries the state played a crucial role Using a mixture of positive incentives, instruments of control and pressure and mechanisms of spreading risks, the state performed the function of a catalyst in industrial growth In many of these countries, particularly Japan South Korea and Taiwan foreign capital did not have unrestricted entry It is striking that South Korea pursued a policy of exclusion of foreign investment for many years and did not allow the use of foreign brand names till the early 1980s Taking advantage of such protectionist measures, the growth of giant conglomerates like the Hyundai and Samsung the largest two companies, took place during the 1970s

To put it somewhat differently east and some of the south-east Asian governments exercised an industrial leadership role which is in sharp contrast with the role of the Rao-Singh government

II
Left Front Policy

The point in dwelling upon all this is to make a critical examination and assessment of the Left Front government's industrial policy ! It would not be wrong to suggest that it is hard to find any basic difference between this policy and that of the central government Some of the key components of the Left Front government's policy are

* virtual absence of any mention of promotion and expansion of government and public sector and by implication gradual withdrawal of the government from many key areas,
* privatisation of several state public sector units (PSUs) as well as social sectors,
* virtual open-door policy with regard to MNCs and foreign capital and foreign technology,
* development of the infrastructural sector through government or through private

and joint sectors, including MNCs and foreign capital;

* encouragement to almost unregulated, unbridled growth and penetration of market forces in various spheres of the economy and society, including townships, housing, health, education, hotels, commercial complexes, etc; and
* advocacy of a labour policy amounting to class peace between labour and capital.[2]

The pursuit of such a policy cannot but weaken struggles against the Fund-Bank strategy and the centre's new economic policy.

Propounded Justification

The adoption and pursuance of this policy are being justified on several grounds:

(a) West Bengal has been suffering from industrial stagnation and even de-industrialisation since as far back as the mid-1960s. Much of this was due to the licensing system which was deliberately used by the central government as a means of discrimination against West Bengal and the freight equalisation policy which militated against the natural advantages enjoyed by the eastern region. The remarkable agricultural performance in the state, the delicensing of most of the industries and partial freight equalisation have opened up new opportunities for industrial regeneration of the state. Industrial growth and technological change and upgradation are urgent imperatives and full advantage has to be taken of the new opportunities in the broader interests of the state. The new state industrial policy is also sought to be justified by projecting the hope that it would create large-scale new employment.

(b) West Bengal is not a sovereign independent republic and the Left Front government has to function within the constitutional, political and financial constraints of the Indian Union. Though many aspects of the centre's policy are detrimental to national interests, the Left Front government cannot go beyond that policy and work out and pursue a different one. Any criticism is met with the answer: 'The state cannot be allowed to be turned into an industrial desert by taking a dogmatic and unrealistic position. In other words, the Left Front government has no other alternative.'

Following the announcement of the new state industrial policy many circles traditionally hostile to the Left Front government, including many sections of business and industry as well as important sections of the media, are full of praise for the chief minister and the Left Front leadership for adopting a non-doctrinaire and pragmatic approach. Some have been euphoric about the changes in the industrial scene in the recent months. A leading mass circulation Bengali daily came out with a full-page story titled bam durge dhanatantrik biplab ('capitalist revolution in the left citadel'). Several statements and press interviews by government leaders including the chief minister himself and the West Bengal Industrial Development Corporation chairman Somnath Chatterjee have tended to give the impression that the state is already in the midst or at least on the verge of an industrial upsurge. Such euphoria was seen most at and around the time of the centenary celebrations of the Confederation of Indian Industry last January But it has been continuing since then.

Some Basic Reservations

While some aspects of individual policies may have some rationale at the micro level, one cannot but express several major, indeed basic, misgivings and reservations about the Left Front government's overall industrial policy and the ongoing changes.

In the first place, there is no doubt that under certain political, economic and social circumstances it is possible to have industrialisation and economic growth (as distinct from development) in a few countries of what is known as the third world. But Marxism does not allow discussion of industrialisation, economic growth and technological changes as well as social issues in the abstract, unrelated with and divorced from the class and social dimensions. But many of the pronouncements made by important state government and Left Front leaders exhibit virtually a non-class outlook and perspective. It is hard to find any awareness in the pronouncements and writings of the leading spokespersons of the new policy that the industrialisation policy being advocated and put into practice is basically a capitalist one and would have serious social and economic consequences. In justification it is argued that there is no option. (The validity of that argument in the form in which it is presented will be discussed below.) But there is an essential difference between such an argument and remaining oblivious of the class nature and capitalist characteristics of the industrialisation drive as well the social consequences of such a policy.

Furthermore, it needs to be stated that Marxism demands discussion of social questions in the wider historical and socio-economic context, both international and national. Without elaborating, it needs to be observed that the irony of the contemporary period is that behind the seeming worldwide triumph and 'golden age of capitalism', capitalism in the closing decades of the 20th century is in the midst of a deep crisis and has created catastrophic socio-economic conditions.

Notwithstanding some very recent indications of a moderate revival, capitalism in its North American, west European and Japanese bastions suffers from extensive and persistent stagnation marked, among other things, by what is characterised as 'jobless growth'. The reversion to capitalism in eastern Europe, Russia and the former Soviet republics has led to socio-economic collapse of a magnitude and intensity unthinkable even a decade back. China which has made a 'peaceful transition' to 'market socialism', is also experiencing, despite its remarkable economic performance, socio-economic problems unprecedented in recent history, accentuating social and regional inequalities and even alarming rise of crime. Entire continents, specifically speaking Latin America and Africa, particularly sub-Saharan Africa, are condemned to regression. Thus almost the entire capitalist world in its what may be termed the deregulated phase is exhibiting tendencies towards varying degrees of decline and stagnation.

The embracing of unregulated capitalism by the Rao government and the growing integration of the Indian economy into a world economy increasingly being dominated by the Bretton Woods twins – the International Monetary Fund and World Bank – and the newly set up World Trade Organisation and international capital organised in the form of MNCs cannot but lead to deeper contradictions in the growth of Indian capitalism with disastrous economic and social consequences for vast sections of the population, particularly the working masses.

All this indicates the fundamental global as well as national constraints within which the Left Front government has to function. This does not mean that the scope for industrial and economic development is entirely blocked for the state's economy and industry or that whatever limited scope exists need not be utilised. But given the crisis and contradictions in which world capitalism is caught currently, strikingly symptomised by the decline of the dollar, one cannot but wonder whether a broad-based vigorous capitalist industrialisation, not to speak of an industrial revolution, is at all feasible and achievable in West Bengal.

A no less, if not more, important point is that of the relationship between the currently pursued policy and the long-term perspective of bringing about a radical socio-economic transformation. Particularly noteworthy is that not only the state government but even the Left Front parties tend to maintain a silence about this relationship as well as the basic direction of the changes being sought.

Difference from Rao-Singh Policy

Another important issue is that of difference between the Rao-Singh economic policy and the Left Front government's

policy It is not that there is no difference An important feature of the Left Front policy is that it follows, despite limitations, the implementation of fairly extensive land reforms, considerable decentralisation of governmental power and functions through the panchayat system (not achieved, in fact not even attempted in any state other than Kerala with regard to land reforms and Karnataka in relation to panchayats) and significant agricultural performance Another important feature is the emphasis put on cottage and small industries and their growth But leaving aside these aspects it is difficult to find any fundamental difference with the Rao Singh policy and practices

It is being repeatedly stated that West Bengal is not a sovereign independent republic But in case the Rao government is replaced in future by a government having Left presence or a government over which the Left has influence would the Left parties particularly the CPI(M) press for a radically different policy and pursue that? Some of the public pronouncements made by the West Bengal chief minister himself and other important spokespersons of the state government indicate that the current policy is being viewed as irreversible

West Bengal's industrial situation of having experienced decline and stagnation for over three decades or so is a critical one It is often said that at the time of independence the state occupied the first place in the industrial map of the country But it was essentially a weak lopsided and limited industrialisation with export-oriented processing (e g jute) and plantation agriculture (tea) and extractive mining (e g, coal) occupying the first three positions Engineering largely related to wagon-building was another major industry It is only with the launching of a few public sector enterprises like the Durgapur steel plant, the alloy steel plant and the Mining and Allied Machinery Corporation in the Durgapur area that the industrial map began to change its colonial character But for various political, economic and social reasons, by the mid 1960s the process came to a halt and after that the industrial scene came to be marked by rapid decline and pronounced stagnation

Other Reservations

It is against the background of industrial stagnation and decline that the industrial policy announced last September and pursued since then by the state government is expected to bring about an industrial resurgence Some of the basic misgivings about the 1994 policy have been mentioned above But there are other reasons too for having reservations

During the first nine months of 1994, the state received 140 applications for industrial approval involving an investment of Rs 1,045 30 crore. Between 1991 and September 1994 the state received 682 industrial approvals involving an investment of Rs 12 383 66 crore inclusive of Rs 3,600 crore for the Haldia petrochemical complex (Government of West Bengal *Economic Review* hereafter *ER 1994* 95, p 36)

These are impressive figures, but there are several important questions to which answers are not readily available One, there is a distinction between applications received and approvals and between approvals and actual investment But the West Bengal government's *Economic Review 1994-95* does not give much information about all this Available reports suggest that most of the applications which have been approved are yet to be translated into actual investment According to one estimate, taking the country as a whole a mere 20 per cent of the direct foreign investment approved since 1991 has flowed into the country There is no reason to consider that the picture in the state is different from this

Two it is officially admitted that at least a number of the investment memoranda are marked by indecision and uncertainty The *Economic Review* presents a list of 17 MOUs signed by the West Bengal Industrial Development Corporation (WBIDC) between April 1994 and January 26, 1995 Of these in five cases even tentative locations have not been finalised (*ER 1994 95*, pp 37, 39-40) These include, among others a Rs 800 crore industrial complex comprising ship-breaking, ship-repairing, cargo-handling and port Ship-breaking is very important for getting scrap as input for mini-steel plants a segment of the iron and steel industry identified as a thrust industry in the 1994 policy declaration Further, ship-breaking, ship-repairing, cargo-handling, etc, are highly labour-intensive But all this needs very large areas with various infrastructural facilities However, such areas with appropriate facilities are yet to be selected and developed (*ER 1994 95*, p 37)

Three it is being claimed that no foreign or MNC and NRI investment is being allowed to be made in non-priority, non-basic industries But even a cursory glance at the lists of MOUs and projects in the pipeline presented in the *Economic Review* (which do not give much detail and even particulars and names of the parties with whom the MOUs have been entered into) reveals an entirely different picture Here are a few examples West Bengal Pharmaceutical and Phytochemical Corporation, a public undertaking, has signed an MOU with a US firm, Biomedica, for producing the ayurvedic anti-diabetic drug 'Eusolin' and other ayurvedic products (*ER 1994-95*, p43) One cannot but wonder what was the need for collaboration with a foreign firm for producing ayurvedic products The giant MNC Unilever is entering into many areas through its subsidiaries, Hindusthan Leve and Brook Bond Lipton India (BBLIL). Th latter is launching a Rs 70 crore foo preparation project (*ER 1994-95*, p62). Doe it involve a technology which cannot b researched and developed indigenously or if necessary, purchased from abroad? A few of the MOUs have been signed for projects which can by no stretch of imagination be considered as industrial or manufacturing projects For example, an MOU has been entered into with a Singapore-based company for setting up a Rs 500 crore shopping mall in Calcutta and another Rs 350 crore MOU with an NRI is for a residential-cum-commercial complex near Calcutta (*ER 1994-95* pp 37, 40) Essentially, it amounts to a deal for real estate development

Four, even in some areas which have been identified as thrust areas not much progress has been made One example is the Rs 600 crore Integrated Leather Complex In fact, talks have been going on for quite some time for developing the complex and shifting the tanneries from their present location in east Calcutta to Bantala, a few kilometres away in South 24-Parganas But the tannery-owners are reluctant to move, one major reason being the failure to develop adequate infrastructural facilities, including roads, power and water supply (*ER 1994-95*, pp 37, 76)

The Rs 700 crore Haldia petrochemical complex to which the US-based Chatterjee-Soros Fund Management is to contribute Rs 300 crore by way of equity participation is a much-talked-about project But in this case too much progress has not been made Those who are in the know of things hint that Chatterjee-Soros Fund Management is not serious about the Haldia complex, but has been able to secure a plot of land for a Rs 1,000 crore 'information technology park' and another plot for a Rs 350 crore residential-cum-commercial complex (*ER 1994-95*, p 37) – again two non-manufacturing, non-industrial projects – by dangling the carrot of the Haldia petrochemical complex One cannot but raise the question Is the Chatterjee-Soros Fund Management also really after real estate business?

Five, no estimate or even rough indication of the possible extent of job creation in a state burdened with huge unemployment and job-loss due to industrial stagnation and decline as well as sickness and closure of industrial units is available

It is still possible to argue that, given the constitutional, political and financial constraints, from the early days of assumption of power in the state the Left Front government was beset with the difficult and formidable problems of bringing a turnaround in the situation and that no other options were available

Yet the Left Front policy could have been radically different from what was announced last September. This is not wishful thinking divorced from ground realities. In fact, the Industrial Policy announced by the Left Front in 1977 on first assuming governmental power had a distinctly, in fact, a radically different perspective.[1]

It stated, among others, the following: "The major goals of the Left Front government over the long run should be (a) reversal of the trend towards industrial stagnation (b) arresting the growth of unemployment and providing for increased employment in the industrial as well as agricultural sectors (c) encouraging the growth of small and cottage industries, (d) lessening the stranglehold of monopoly houses and international firms on the economy of the state (e) encouragement of indigenous technology and industrial self reliance (f) gradual expansion of the public sector and (g) increasing the control of the actual producers that is the workers over the industrial sector. Further: The different goals mentioned above are interconnected. The announced policy having several interrelated components proposed a number of specific measures and instruments some in a fairly detailed manner for attaining the goals mentioned above.

A similar policy perspective was reaffirmed in some of the early Left Front government documents. For example even after acknowledging the constraints of the state government the *Economic Review 1980-81* stated: "The basic constraints on production ... are rooted in the unequal distribution of the ownership and control of productive assets in the different sectors of the economy. The essence of [the] policy measures has been to try to reorder within the limited powers of the state government this pattern of distribution in favour of a more equal situation. These measures therefore had to be redistributive in nature not simply for the sake of redistribution but, more fundamentally, in the interest of production itself." (*ER 1980-81* p 1, para 1.4)

With respect to the major private sector industries the same *Economic Review* spoke of the 'constraints ... rooted in the structure of ownership and control of the industry' and stressed the need for taking definite steps at the state level 'to achieve some social control in the ownership and management of specific industrial units' (*ER 1980-81* p 32, para 4.2).

Post 1977 Performance

But to the best of this writer's knowledge the 1977 policy and a few *ad hoc* moves such as formation of workers' co-operatives in the initial years were not followed up by any coherent leadership and thinking, working out of appropriate instruments and organisational steps and well-coordinated, consistently pursued concrete measures for translating the policy perspective into practice.

With regard to the state public undertakings the 1977 policy document had stated that these must operate at demonstrable levels of efficiency be free from corruption and generate surplus. The employees in these undertakings – workers as well as managers – must not be caught in a vicious trap of low productivity high costs, erosion of net worth and general indifference. With reference to the need for training and skill acquisition the policy document had stressed that 'workers must rapidly equip themselves with skills and knowledge so that they might be associated with the efficient running of these enterprises.

The document also specified the way in which the PSUs might be restructured. To quote: 'The Left government must critically review the performance of these PSUs rationalise and restructure them where necessary and put them under professional management. Continuing the document stated: their accountability must be established not by bureaucratic controls but by setting clear financial goals and physical targets and continuously monitoring their performance. But nothing was done at the ground level to put these policy guidelines into practice.

The result has been the dismal state of affairs of the state PSUs. By 1991-92 as many as 60 out of 70 public undertakings had been saddled with huge and mounting losses (*ER 1991-92*, Statistical Appendix pp 146-55, Table 6.26). Even enterprises like Gluconate India formed in 1987 and the only indigenous producer of certain life saving drugs like Pathedine, have over the years been incurring losses. Teesta Fruit Vegetable Processing formed in 1986 and belonging to a thrust area in terms of the recent policy declaration does not have any manufacturing facilities and has been making losses. Sunderban Sugarbeet Processing Co, belonging to the same thrust area has stopped production after a court order under the Environment and Pollution Act. The West Bengal State Leather Industries Development Corporation (1976) belonging to another identified thrust area with considerable growth potential has been making losses (*ER 1993-94*, Statistical Appendix pp 146-55, Table 6.25). In many if not most of these 70 units, the centre's discriminatory policies like industrial licensing and freight equalisation can by no means be held responsible for their poor financial performance. The responsibility lies very largely if not primarily, with the failure of the state government to provide industrial leadership and forge suitable instruments for implementing the 1977 policy declaration.

With regard to small-scale industries, in respect of which the state government claims notable performance and progress, even the government data reveal a steadily declining performance over recent years. Thus the number of small-scale industrial units registered with the state government's Directorate of Cottage and Small Scale Industries declined from 28,846 in 1990-91 to 14,923 in 1992-93 and thereafter to 13,217 in 1993-94 and the employment figure fell from 1,63,132 to 83,871 and then to 76,035 in the same three years (*ER 1994-95*, Statistical Appendix p 143, Table 6.22). In this sector too the major default appears to be that of the state government.

These are some aspects of the post 1977 Policy performance and no attempt has been made to examine and assess it in the light of the experience gained reformulate it and work out appropriate instruments and corrective steps. Curiously enough, in the current discussions and debates there has not been even a casual mention of it. It appears that the 1977 Policy document has been given a quiet burial.

III
Issue of a Different Policy

But even in today's extremely difficult and complex overall context – the demise of the socialist system the worldwide onslaught of international capital and imperialism in its new phase the disorientation among socialist and progressive forces and the defensive position in which the working class and working masses have been put – the Left Front government in West Bengal has the potential of playing a critical role. It is against this background that the Left Front government's industrial policy becomes particularly important. To reiterate despite the presence of formidable constraints it was and is still possible to work out and project an industrial policy distinctly different from the current one. Such a policy could pose a counterpoint to the Rao-Singh policy and strengthen popular mobilisation against the latter. In the remaining portion of this note a few indications of such a policy are presented in a schematic and synoptic fashion.

Regulation of Market Forces

Despite planning the large role of the state and bureaucratic control throughout the post-colonial period private capitalist market forces have been in operation and thriving at various levels of the Indian economy and society. Following the

those forces have been rapidly advancing in various spheres West Bengal too has not been free from this and could not remain so even if it wanted to But an important question is will unbridled play and penetration of private market forces be allowed by the Left Front government?

These need to be contained checked and regulated The Left Front government can introduce encourage and foster new forms of non statist non dirigist but public as well as non corporate non private forms In contrast to the typical capitalist form of enterprise run with private profit motive the corporate form the Left Front government can encourage and promote co operatives of various types - producer co operatives marketing co operatives credit co operatives etc – as against statism and bureaucratic control as well as unregulated marketism In fact the state does not lack at least a few examples of successful producers co operatives Tantuja in the handloom sector is perhaps the most notable instance Similar co operatives in other areas too can be encouraged to be formed It is not that the September 1994 announcement on industrial development or subsequent statement by the Left Front does not make any mention of such co operative enterprises But this is not accorded much importance and has not yet been followed by any significant concrete actions and measures

True, organisation of industrial co operatives is beset with serious operational financial marketing and related problems But there is the Kamani Tubes case of worker take-over and running of a sick industrial unit Even in this state there are several examples of worker s co operatives (for example, New Central Jute Mills Budge Budge, Wire Machinery Manufacturing Employees Industrial Co-operative Society Panihati International Automobile Co-operative Workshop Calcutta Satyajug Employees Industrial Co operative Society North Howrah Hosiery etc) The Sangrami Shramik Union of Kanoria Jute workers put forward a fairly detailed scheme for organising a co-operative which could not be launched due to various obstacles not the least in importance being the state government's apathy and the hostility of the CITU and the INTUC the two most important trade unions in the state In the case of marketing, (i) provision of alternative marketing channels controlled by the people which could threaten and contain speculative and profiteering private market forces, and (ii) establishment of direct links between the actual producers and the consumers as well as the markets should have an important place in the Left Front government's policy The government could also explore the formation of managers' co-operatives in case of sick units and provide facilities to these the units.

Even in social sectors like health and education launching and running of non-profit hospitals/health/diagnostic clinics and educational institutions on co-operative basis and through cross subsidisation could provide cheap and excellent medical and educational facilities to the poor and non-affluent sections That such schemes are feasible is shown by the running of several well known hospitals/clinics in Tamil Nadu, Karnataka and Maharashtra Instead of providing facilities to greedy private entrepreneurs for opening highly expensive hospitals educational institutions for catering to the needs of the affluent the Left Front government can provide support in various forms to such non profit organisations and thus project new alternatives

Left Front Government s Role

In the changed international and national context and under pressure of various agencies oriented to private market forces the Left Front government need not abdicate its role but needs to function as a catalyst and play an active role in rejuvenating the industrial economy of the state Briefly, such a role involves among other things, the following

(a) Market forces need not be eliminated or even suppressed, but are to be used as well as contained through a mixture of control and regulation provision of positive incentives and spreading of risks The Left Front government can put forward the perspective of developing a synergistic relation between public institutions and private market forces and play a leadership role in the industrial scenario of the state

(b) It is vitally important to identify the thrust areas and industries The chief minister s announcement has identified several such industries for example petrochemicals electronics and software But among several such areas it is necessary to prioritise the identified thrust areas and provide necessary support and facilities That indecision and uncertainty do persist even in relation to thrust areas like tannery, ship-breaking and mini steel plants has already been referred to

(c) As the Haldia petrochemicals project and electronics, two of the several thrust areas are high-tech capital-intensive industries having limited employment potential, no less important is the need to protect and revive traditional highly labour-intensive industries Jute manufacturing is one of these This industry has been ailing for a long time due to several international and domestic factors, one of the most important among the latter being that the mills have been in the future of the industry. The industry was condemned as a sick one Even the much publicised Arthur D Little scheme for industrial revival considers the future of the industry bleak

But the reality is that the industry has good prospects and the United Nations Development Programme in co-operation with several other agencies is working on policies and measures for the revival, modernisation and diversification of the industry However, the chief minister's announcement fails to make any mention of this industry and the Left Front government is yet to work out any worthwhile plan for the industry Similar is the government's position with regard to another major traditional but ailing industry the engineering industry which needs extensive restructuring modernisation and technological upgradation

Given the magnitude of unemployment in the state it is also important to select and promote industries with large employment potential

(d) It is imperative for the government to thwart the entry of predatory interests and greedy operators The jute industry has been plagued by fly-by night operators who not only flout all norms and laws with regard to labour but also act against the long-term interests of production and the industry

Tea plantation in north Bengal is another industry which has drawn interests attracted by the prospect of large and quick gains These have ranged from a large company like Duncan Agro Industries to new operators who are virtually grabbing tribal land, paddy and agricultural land and land under the Teesta command area through persuasion enticement in the form of high prices for the land and promise of jobs in the gardens as well as overt and covert pressures The point is that all this is being done by (i) flouting all existing laws, rules and regulations with regard to transfer of tribal land and conversion of agricultural land to plantation land, and (ii) evading the Plantation Labour Act and other laws relating to provident fund, ESI, etc Local protests have taken place and reports exposing these practices have appeared in newspapers, including the CPI(M) daily *Ganashakti*, but almost nothing has been done till now to prevent them These are areas which call for early government action

Issue of Privatisation

In the current context of increasing penetration of private market forces and undermining of public enterprises the latter can and must continue to have an important place and role However, for that it is necessary to have a differentiated approach

(i) Chronically loss-making non-viable units

need to be gradually phased out with adequate protection to worker interests. (ii) Some units, particularly those in businesses and services like tourism and hotel industry, may be privatised (iii) The remaining state public undertakings should be restructured and run along sound business lines In fact, much of what was said of the restructuring of these enterprises in the 1977 Policy with emphasis on democratic functioning against narrow political interference and bureaucratic control and on professional management and accountability remains relevant even today

That the PSUs are not sacrosanct and that some of them may have to be privatised has been suggested above But a few relevant questions are the following Why privatisation? In which areas? Through what methods?

One example may be of help in this regard Much controversy has arisen on the issue of handing over the ownership and management of Great Eastern Hotel to a French organisation Acre Asia Pacific That the government should not normally be in hotel business is by now accepted in all quarters But there are two points one minor and the another major

The minor one is that till 1991 92 out of 67 state PSUs Great Eastern Hotel was among the eight showing a positive return [4] So why privatise it? But much more important is the method of privatisation Why Acre Asia Pacific and why not Peerless or the ITC-Welcome group or any other organisation? What is the basis of choosing the French organisation? It smacks of a clandestine deal There has not been any competitive bidding or call for tenders The point is that the method of privatisation of PSUs must be transparent both at the central and state levels

Here is another example of the peculiar methods of privatisation With a pledge to reopen and run a closed factory the National Tannery, the state government purchased the unit through the Calcutta High Court But though the government took possession of the factory in November 1992 it has not opened it yet In the meantime the government has moved the high court for (i) permission to sell it to a private promoter and (ii) an order to the effect that it will never be made liable to pay the arrears due to the workers [5]

It is possible to give some more examples Allotment of prime land to real estate dealers on various pretexts is a much discussed one But such methods need to be given up

Foreign Capital and MNCs

(a) There is no question of barring the entry of foreign capital altogether But there should not be any indiscriminate entry which may lead to serious problems Here is one example A few years back R G Brearly, claiming to be a resourceful British entrepreneur, was allowed to take over four jute mills under arrangements never made public and given a red carpet welcome by top persons in the Left Front government But Brearly turned out to be a mere speculator out for just asset-stripping and real estate deals

The government must be cautious in dealing with foreign capital and foreign entrepreneurs Only those foreign concerns which (i) have substantial resources and are willing to make the requisite investment, (ii) are strong in R and D, and (iii) have professional management and the necessary expertise should be allowed entry into carefully selected areas

(b) With regard to MNCs too the government would have to be careful MNCs may be necessary for getting access to foreign markets and for acquisition of new technology But in dealing with MNCs, pressure needs to be put on them so that, among other things (i) the bulk of their products are exported, and (ii) the necessary inputs are mobilised from within the domestic economy whenever they are available Such policies have been pursued by South Korea and Taiwan along with strict enforcement of national laws

Last year completely by-passing the State Planning Board (SPB), the state government authorised the Boston-based management consultancy firm Arthur D Little to draw up a perspective plan for West Bengal s industrial promotion It seems that the status of the PSB, like that of the Planning Commission has been devalued and it has been reduced to the position of a state government department It is difficult to understand this undermining of the PSB If necessary help and advice from foreign consultancy organisations may be sought, but an organisation like the State Planning Board can and must play an effective role

Workers Interests

The issue of workers' interests is a vital one While trade unionism unmindful of workers' duties the productivity issue and wider social responsibilities has to be discouraged, it needs to be stressed that under the Left Front government thousands, if not lakhs, of workers have been rendered jobless due to closures and lock-outs as well as systematic retrenchment and blatant evasion and flouting of labour laws and regulations A number of retrenched workers have been driven to actually commit suicide Further, the wage earning working masses have been under severe attack from the employers and have been pushed to the wall The Left Front government must protect the legitimate interests of the working class and working masses Some non-viable, chronically loss-making units may have to be closed down and with technological upgradation and modernisation some workers may be rendered surplus. But it is necessary to work out schemes for redeployment and retraining of such workers and in doing this the state government has to play a significant role

IV
Concluding Observations

To sum up, though the Left Front government has several achievements, particularly in relation to land reforms and the panchayat system, its industrial policy and practices have been seriously flawed and have not been basically different from those of the central government

It appears that capital, both foreign and indigenous, is engaged in an aggressive drive for imposing its hegemony under the protection of the Left Front government But despite the many constraints within which the state government has to function, there is considerable scope for projecting and pursuing a radically different policy which can turn out to be a counterpoint for popular mobilisation and struggle against the Fund-Bank package, the offensive by international as well as Indian capital and the Rao-Singh economic policy

Notes

[This is an extended version of a presentation made at the AITUC/ILO Workshop on Economic Policies Development and Social Justice' in New Delhi from March 22 to 24, 1994 I have benefited from discussions with Sushil Khanna and Saila K Ghosh and I thank them]

1 For the full text of the chief minister's statement on the Left Front government's Industrial Policy announced in the West Bengal state assembly see *Ganashakti*, September 28, 1994 It is revealing that the statement was made without any prior discussion in the Left Front For text of the Resolution on Industrial Policy adopted at the West Bengal State Conference of the Communist Party of India (Marxist), see *Ganashakti* March 4, 1995

2 *Economic Times*, Calcutta, August 24, 1994 published a report that for the Haldia petrochemical project a tamed labour force had to be created through careful selection and recruitment of workers and installing a pliable trade union in the plant

3 The 1977 Industrial Policy for West Bengal' was published in full in *Social Scientist*, January-February 1978 pp 103 08

4 *ER 1992-93* Statistical Appendix Table 6 26, pp 148-57 The financial results of the hotel for 1991-92 showed a profit of Rs 27 69 lakh and a cumulative profit of Rs 127 58 lakh But, curiously enough, in 1993-94 it incurred a loss of Rs 109 71 lakh and had a cumulative of loss of Rs 1 83 lakh

5 *Nagarik Manchu Paschimbanger Shilpayan Hochheta Ki?* ('Industrialisation in West Bengal What Is Happening?'), Calcutta, 1995 p 23

Industrialising Bihar: The Options

A K Roy

The new guidelines for industrial development of Bihar which the state government is engaged in framing should consider all the available options for achieving industrialisation so that what emerges is a genuine alternative to the dismal policies of the centre and Bihar is able to give a lead to the whole country, something so long vainly expected of West Bengal

THERE is a well entrenched impression outside that Bihar, even after having all the potential to become a leading industrial state, is destined to remain feudal with its backward agriculture and awkward people. However, after the Janata Dal's coming to power for the second time there have been moves to give industrialisation the first priority. An ambitious target of securing investment of Rs 15 000 crore in the state by industrialists has been announced and the chief minister has embarked on a foreign tour to attract capital.

There are two ways of industrialisation and the options should be debated before final decisions, which will have a decisive bearing on subsequent development, are taken. The first option is to invite industrialists to bring capital to invest in the state. This way is now popular and different state governments are competing to extend facilities and announce concessions and exemptions to entice industrialists. Bihar has also taken the initiative in this regard, with the chief minister addressing the Confederation of Indian Industries in Delhi on April 25, an open house meeting in Patna on May 26 and a meeting of the chief minister with leading industrialists of Bombay on June 13. The second option is to involve the working class to harness internal resources for investment. This is the self-reliant indigenous way of development. This process starts from below and then goes upwards. Here it is more important to visit the industrial centres in the state than foreign countries and to address conferences of workers and trade unions than those of owners of capital, to motivate them to play a new creative role. The technical humanpower, including scientists, technologists and engineers, available in the state should be invited through seminars and meetings to take up the challenge.

Those who are connected with production or research know how hollow is the first way, though it is now becoming a craze in our country, thanks to our unproductive politicians. No country in the world has developed by borrowing capital or importing capitalists. What is capital? Skill will and the morale of the people is capital. Can they be brought from outside? A social environment has to be created to release social energy to drive the wheels of industrialisation. This country in general and Bihar in particular has everything. What is needed is a new philosophy. Bihar has industrious humanpower which is found in every corner of India. It has very large mineral resources accounting for 42 per cent of the country's reserves including coal, iron ore, copper, manganese and uranium, among others. The state also hosts prestigious research institutes like the PDIL and MECON and engineering units such as HEC. Here the problem is not lack of capital but non utilisation of the capital. This is true of the whole of the country including West Bengal.

The question is raised, where is the money? The Bihar government has no money. Even without pointing out to the ministers' extravagance and the high pay and perks of legislators, the counter question arises from where do industrialists get money? They get money from the banks or raise it from the capital market. Why can't the government do the same? The credit-deposit ratio of banks in Bihar is only 37.8 per cent compared to 68 per cent in Maharashtra and more than 100 per cent in Delhi. So Bihar has the right to ask banks to give money for investment. The real fear is that the money would not be productively used. That means the government has no faith in itself. Then the government has no right to govern either.

Money has functions four, as all economics undergraduates know, but what actually matters is purchasing power which must not outstrip the supply of goods in the market. But here also the actual situation is the other way round. There are commodities but no purchasing power. Thus there is an accumulation of more than 30 million tonnes of foodgrains in the FCI's godowns and pithead stocks of coal exceed 40 million tonnes. Similarly, textile mills are closed for want of buyers of cotton cloth and so are the cement, vanaspati, paper and asbestos mills of Rohtak Industries in Bihar itself. So even if some extra money or purchasing power goes to the poor workers, how can that adversely affect the market if the holes in the public distribution system causing prices to rise are plugged?

II

Before any step is taken for industrialisation, correct knowledge about the position of industries at present is required. But the Bihar government has no report about the number of industrial units running in the state and those lying sick or closed, the causes of sickness, the amount of capital blocked and the number of persons unemployed as a result. The statement of the industries minister of Bihar in the assembly in this budget session did not throw any light on the matter. According to the union labour ministry, out of the total 256 lakh working people in Bihar in 1991, some 111 lakh were engaged in cultivation, 95 lakh were agricultural labourers and 3.2 lakh, 4.5 lakh and 5.8 lakh respectively worked in mines, household industries and organised industries. According to a recent report, out of 325 big and medium industrial units in Bihar 67 had been referred to the BIFR and of these 17 had been recommended for sale, including HEC of Ranchi. But these 67, apart the condition of the other units is not known. Similarly, out of 1 66 000 small scale including handicraft units, about 49 000 are lying closed. Generally, south Bihar is known for industry and north Bihar for agriculture. But even in north Bihar industrial estates have been established in every district with Muzaffarpur as the headquarter. Thousands of acres of land have been acquired and crores of rupees of loans have been advanced. But these industrial gardens have withered away and the industrial units are lying closed. For prescribing the correct economic and political remedies the condition of the patient must be known. So the government must come out with a white paper on industries in Bihar giving all the relevant information so that proper guidelines can be framed for industrialisation.

For deciding the priorities in the process of industrialisation also there are two approaches. One is to bring new industrialists and start new units in new places. This approach is now popular since it has a vote value. The second is to start with existing units, whether running or closed. In Bihar where it is not that there are not a sufficient number of industrial units but that these are not in good condition, the second approach is definitely to be preferred for various reasons. First, the existing units can be reactivated immediately with relatively small resources as the infrastructure is already there. Second, if the state's house in regard to existing industries is set in order that would itself attract new investors and investment without the government having to run after them. Third, if the disease is not known and cure is not certain, then adding new industries will only mean more potential patients to those already there in the industrial hospital. Laying foundation stones and putting up new sheds without producing anything lead not only to waste but also to the opening up of new channels of corruption in purchasing raw materials like coal, steel etc at concessional rates and then disposing them of in the black market. In Dhanbad district there are so many such fake factories. Opening closed units is itself the biggest source of capital in Bihar.

The industrial units are in three sectors, public, joint and private. Like charity,

[illegible] start at home – with the public sector, taking first the state electricity board which alone incurred a loss of Rs 313 crore in 1993-94 The board produces and distributes electricity, making losses in both activities With an installed capacity of 1,440 MW, actual generation is only around 300 MW, i e 20 per cent compared to the national average of about 55 per cent What is more about 45 per cent of what is generated is pilfered through unauthorised connections Do we need multinationals to deal with these problems? Where theft and negligence are the problems what can high technology do? If West Bengal once famous for load-shedding can become surplus in electricity without calling in any capitalists why not Bihar? If Laloo Yadav has decided to go foreign' following in the footsteps of Jyoti Basu, why does not the electricity minister visit the power generating units following the example of Shankar Sen the West Bengal power minister? Next comes state transport, another white elephant eating up Rs 23 crore in 1993-94 By ending corruption in the depots and repairing roads this loss can be wiped out in six months Money for repairing roads can be collected from the vehicles using the roads as is being done in Madhya Pradesh A study on fuel economy by a group of engineers has shown that simply by repairing the roads transportation costs can be reduced by 30 per cent

There are 59 industrial units in the state public sector with a capital investment of Rs 3 000 crore apart from land and other immovable properties There are also outstanding loans of Rs 1 200 crore to them The losses of these public sector units so far exceed Rs 1 000 crore The sick public sector industrial units include the prestigious Sindri superphosphate factory the electrical equipment factory in Ranchi the scooters projects and the silk mills in Bhagalpur To the list has now been added Rohtas Industries of Dalmianagar producing many things of public utility The government is looking for buyers or, more appropriately, scrap dealers to dispose of these units without exercising its mind over rehabilitating them In the government's Rs 2 500 crore Plan budget there is no mention of any spending on that The extent of the spiralling losses of these units will be clear from one example The Sindri superphosphate factory, the first public sector industrial unit to be set up in Bihar at a cost of Rs 2 crore on 51 acres of land with office, factory and living quarters and with all infrastructural facilities like road and rail communications and supply of water and electricity, was closed in 1989 – after yielding production and profits from the late 1950s – simply for the lack of Rs 20 lakh for repairs Due to dithering the amount soon rose to Rs 50 lakh and now the chemical plant is completely ruined after remaining idle for five years It is being said that its renovation would cost Rs 12 crore in addition to Rs 2.5 crore for payment to the workers for the period the [illegible] remain idle. Every day of delay increases the cost of rehabilitation Three factors are important for rehabilitation availability of raw materials, marketability of the finished products and suitability of the technology Where these conditions are fulfilled the work of rehabilitation should be started immediately When two of the three conditions are satisfied, it may take some time There may be doubts and differences of opinion where only one or none of the conditions is satisfied However, most of the public sector industrial units to be put back on their feet in Bihar fall in the first two categories

III

According to the new economic policy announced in July 1991 the government will not run industries rather industrialists will run the government How industrialists will run the government will be tested in the coming election but the way they have been running industries has already become a matter of concern for all If nationalisation has failed privatisation has proved worse The Tatas and the Birlas are the two top private business houses The Bihar government after taking over one private sector closed unit Kumardhubi Engineering Works in Dhanbad district, handed it over to the management of the Tatas for its running However, the magic of private management failed to click and the factory is now getting closed again The same is the case of an alloy steel unit in Hazaribag district where in the guise of joint sector the Birlas were inducted into the management So this is a class phenomenon The comfort loving creamy layer of the country which produces the top officials and employees has become thoroughly incapable of shouldering responsibilities and taking risks and so has become unfit for both the public sector and the private sector and are fit now only for the scam-prone self'-sector

So now when the private sector is ailing and the public sector is failing what should be the new pattern Bihar should aim for in industrialisation for proper use of capital and labour? The motive behind publicising the failure of nationalisation is not re-privatisation, as is commonly believed, but internationalisation by tying industries to global interests Hence the search for multinationals to take charge To pave the way for smooth transfer of our 'industrial sovereignty' a suitable psychological environment is being created by propagating an alien culture through English-medium education and the CNN-tied electronic media, infecting the growing generation from childhood So there are the GATT agreement and foreign tours in the course of which one chief minister, NTR of Andhra Pradesh, is reported to have even praised British colonial rule in India without evoking much protest at home – something which would have been unthinkable even a decade ago

If re-privatisation is something to be worried about, then internationalisation of industries and the industrial potential of the states, for which the chief ministers are undertaking their tours abroad, is a far worse alternative This country has had sad experiences with multinationals before and after the Bhopal gas disaster which exposed both their ineptness and social callousness Now has come the Enron episode The obnoxious terms brought to light show neither better management nor greater economy and efficiency and the whole project has become unpalatable even to a government which cannot certainly be called anti-industrialist The same spectacle is being enacted in Bihar where for the Piparbar project of Central Coalfields an Australian company has been brought in as the super-management and it has brought even a driver from Australia at ten times the pay of an Indian driver, reminding one of the early days of British raj and making a mockery of our constitutional provision assuring equal pay for equal work Capitalists, to be sure, start industries not for charity but for profit But indigenous industry creates employment and adds to self-confidence, it also generates surplus leading to the setting up of other industries But if industries are brought from outside, they lead to closure of indigenous industries, create unemployment and erode self-respect More capital is drained out as surplus than is brought in Now we have to choose who to follow Dadabhai Naoroji or NTR The problem is compounded by the latter being the chairman of the National' Front, even after causing the biggest affront to national sentiment

So when private sector managements, government officials and multinationals have failed, what option is left and which class is to be depended upon for industrialisation? The only class that can be relied upon is the working class Not only should there be workers participation in management as enjoined in the Constitution but workers must have a share in ownership, either partially in the form of a joint sector or fully through workers' co-operatives In all closed units workers' dues should be converted into equity, making them the owners of the units when they restart In all new units, whether in the public or the private sector, at least one-third of the shares should be reserved for workers with an effective say in the management There is a notion that workers are anti-production, propagated by the elites who are themselves now the most unproductive overheads in society A survey of sick industries in Dhanbad showed that the closure of only 6 out of 110 closed units in the district had any connection with the labour disputes

The new guidelines for industrialisation which are to be framed in Bihar should consider all these options Let there be a new start with an alternative to the dismal industrial policy of the centre and let Bihar give a lead to the whole of country, so long vainly expected of West Bengal

Homage to an Honorary Taoist

Dhruv Raina

Some fundamental issues in Joseph Needham's monumental Science and Civilisation in China, *the manner in which it was to reshape the perceptions of the non-west and the questions of historiography that came up along the way*

> Rembrandt painting Aristotle contemplating the bust of Homer who himself contemplating the bust of Homer It was an authentic Hellenistic imitation of a Hellenic reproduction of a statue for which there had never been an authentic original subject
>
> — Joseph Heller *Picture This*

THE raging polemic on the nature of science and its relationship with social development is not a very recent one And though the 19th century may be characterised as one wherein the notion of the value neutrality of science appeared to have been widely prevalent within the community of scientists and their public, even then voices of dissent were fairly common For example it appears today that the dedicated programme France was to embark upon, having to do with the founding of an innovative scientific and industrial research system dates back to the troisieme republique An era marked by presence of renowned scientists such as Pasteur and Berthelot In this burgeoning age of state sponsored scientism the voice of protest was that of Francois Brunetiere, a protest that was characterised by a romantic rebelliousness and that contested the providence of the New Atlantis In other words the rhetorical promise of science was offset by the aberrations that distinguished the portrait of an emerging technological civilisation

However towards the 1920s and more concretely by the 1930s a very different kind of movement was taking root within the scientific circles of Cambridge - a movement that took congnisance of the problematic nature of a value neutral science of the manner in which science came to be implicated in politics a case in point being that of the science of racial hygiene or the eugenics programme, and in tune with the crisis marking the post first world war years where science for the first time science was caught in the act (to use a later day Oppie ism) of doing 'the Devil s job'

The movement counted amongst its ranks a brilliant bunch of scientists who initiated a serious examination on the social relations of science, in the hope that they would be able to decipher the conditions and structures required to ensure that the benefits of scientific knowledge and technological advance would diffuse equitably among all sections of society, and further that these benefits would be accessible to all As has been well documented in the literature, these scientists included J D Bernal J B S Haldane Hyman Levy, Joseph Needham and Lancelot Hogben The programme drew its inspiration from radical socialist politics and through their writings and active participation in left wing politics they attempted to give substance to their vision of the distinctive place of science in socialist transformation and the idea that science progressed best under a socialist system, for among other things it would not be vulnerable to the commoditisation that threatens it under the capitalist system

Through their popular writing on the sciences they were able to provide a new direction to the then prevalent thinking on science and politics as Europe trotted perilously into the ominous 1930s In what follows I shall not discuss the group as a whole and their role in articulating a critique of eugenics or the activity of the trade union of scientists founded by them (AScW), for this has been dealt with in detail in a now extensive corpus of writing and Werskey s classic (1978) has done the subject adequate justice Joseph Needham's (1900 95) fundamental contribution to altering the perspective of a generation and his canonisation as a very important cultural figure will be the subject of subsequent discussion

Popular recantations of the intellectual biography of Needham trace back the origins of his fascination with the history of science to the textbook he wrote on *Chemical Embryology* in three volumes and that contained a 300 page history of embryology As a bookmark, that surely is an interesting point but the historian of ideas would ask whether it is possible to identify in this transition the seeds of the Needhamian project, in other words was Needham's signature already evident While prowling around for pre-Marxist influences on Needham, it is rather interesting to discover that Needham was fairly impressed by George Sarton s work (1927 48) on *Introduction to the History of Science*, where for the first time he encountered a detailed mention of the contribution of Chinese civilisations But as Thackray and Merton (1972) have pointed out, as far back as 1927, Needham first approached Sarton for advice on the history of embryology

It would be relevant here to say a word about Sarton,* for then in contrast we would be able to appreciate Needham's path a little better George Sarton was the first to give the history of science both its professional and cognitive identity The history of science was for him dominated by a philosophic conception that consisted in demonstrating inductively 'the unity of knowledge and the unity of mankind', [illegible] enframed by the scientism of the end of the 19th century This is one of the reasons why in the post-second world war years with the demise of positivist and Eurocentric conceptions of science, Sarton's conception of the history of science has been shelved

If one were looking for prefigurations of what came to be considered Needham's 'embracing vision', in his early work, then it becomes necessary to forefront the fact that even as a biologist he was looking for non-reductionist ways of researching the biological world, and this recognition of the limits of reductionism was to percolate into his decoding of the science and society relationship As the Japanese historian of science Shigeru Nakayama and the physicist Maurice Goldsmith (1966) have pointed out, in this evolving vision of Needham, contra positivism, the history of science was to be integrated with economic and social history, not in any reductionist or deterministic sense Science was to be considered as part of the fabric of society, and not an "autonomous delving into nature's mysteries"

Between Sarton's inauguration of the professional discipline of the history of science in the 1920s and Needham's formal decision to embark on the history of the sciences of China in 1938, there is a watershed event in the external history of science, and this had to do with the International Congress on the History of Science and Technology held in London in 1931 The meeting proved historic on more than one count On the one hand the papers presented by the Soviet delegation, particularly the one by Boris Hessen on Newton's Principia and its social and economic context, were to open up the discipline afresh historians of science, within the Marxist mould had a new exemplar for approaching the science society relationship And the group of British scientists under discussion were influenced by the approach presented at the Congress Secondly, they were able to maintain ties with their colleagues from the erstwhile Soviet Union, and were subsequently duly impressed by the Soviet efforts in science and planning This programme was to serve as a template for a number of nations freeing themselves of the yoke of imperialism, in the planning of their societies

In the 1930s Needham came to be introduced to the language and culture of China through his Chinese collaborators, such as Lu-Gwei-Djen at Cambridge Over the years he had spent at Beijing he was able to give substance to the project that was later to prove monumental He arrived in China in 1942 and was there till 1946 as Director of the Sino-British Co-operation Office Between 1954 and 1980 five volumes of *Science and Civilisation in China* were published Without going into the details of this gargantuan exercise, I shall briefly touch upon two or three fundamental issues in his work, the questions of historiography that came up along the way, and the manner in which it was to reshape the perceptions of the non-west

Sociological approaches to the history of the sciences have informed us of the manner in which the questions posed by historians of science are themselves determined in the central preoccupations of their own times. In fact, a remarkable illustration of this genre of sociology is Loren Graham's contextualisation (1985) of Hessen's reading of the social frame within which Newton's Principia appeared. (Shades of Heller's Rembrandt painting Aristotle contemplating the bust of Homer.) Such an undertaking in the case of Needham would be an enormous undertaking beyond the scope of this note and the author's abilities. Nevertheless, as far as Needham's times were concerned I shall tentatively venture two hypotheses. Firstly, by the 1920s and certainly by the 1930s the idea that science was a self-validating discourse produced in the west had just about run its course – and despite the Vienna Circle, the shaky foundations of the Kantian arch of knowledge was becoming increasingly apparent. Secondly, for those who reluctantly either went along with the neutrality of science hypothesis, or its instrumental variant, the use-abuse model, or for those in the crisis-ridden 1930s who wished to rediscover in the scientific renaissance a new humanism, the idea that the scientific revolution in Europe was the major landmark in the recent history of civilisations became a central preoccupation. The history of science on the other hand had to reckon with a situation where the internal accounts of science were unable to offer an adequate account of Europe as the privileged site of the scientific revolution.

It was into this space that Needham and other external historians of science moved in. Internalism was unable to address "the intellectual, philosophical, theological and cultural systems of the Asian civilisations". In Needham's own words "the great stumbling block here for the internalist school of historiography of science is the central question of historical causation. Scenting economic determinism under every formulation, they insist that the scientific revolution, as primarily a revolution in scientific ideas, cannot have been derivative from some other social movement ...they do not like to admit that scientists have bodies, eat, drink, and live social lives among their fellowmen". Elaborating the framework of Marxist social history of science, Needham was to point out that gunpowder, paper and the magnetic compass were to play a central role in the transformation of European society, for the arrival of gunpowder marked the end of European feudalism and the magnetic compass in the hands of western explorers launched the modern capitalist age. And yet, these were all discoveries of science in China that emerged from the experiments in alchemy and geomancy undertaken by Taoists. A situation wherein a set of techniques could produce different responses within different cultural systems implied that there were no properties immanent to either science or its methodology, rather the values and culture of the society are imparted to the science, and decide the course of the science and its dissemination within society.

This led Needham to ask two sets of questions. The one was but a logical consequence of a post-positivist conception of science, and had to do with the premiss that different cultures read phenomenon of nature in ways which are decided by how they derive their priorities. In fact, a couple of years ago the journal of the history of science *Isis* did a recapitulation of the historiographic upheaval that followed in the wake of Martin Bernal's recent work. David Pingree in his paper (1992) that appeared in the volume reconfigured a central proposition that Needham was articulating, that while civilisations exchange scientific knowledge, each civilisation subsequently transforms what it receives along entirely new lines. Needham himself put forward this proposition in a specific context, that of a discussion on the Chinse discovery of magnetism: "The Chinese were so much in advance of the western world in this matter that we might almost venture the speculation that if the social conditions had been favourable for the development of modern science, the Chinese might have pushed ahead first in the study of magnetism and electricity, passing to field physics without going through the stage of 'billiard-ball' physics." Needham obviously gives away in a moment of weakness to his predilection for field theoretic approaches in favour of corpuscular physics

The second question betrays a foundational epistemic commitment of modern science as a cultural universal Which is why it is problematic, and there are those who rightly wonder whether it could be asked at all. His close to romantic fascination with China led him to wonder why if in scientific and technological terms China was far advanced over the Europe of 1400 AD, it failed to develop a modern scientific culture similar to that of Europe. The causes for the non-occurrence of an European variant of the scientific revolution Needham traced to the social organisation of knowledge and the social relations of production within Chinese society. Working out of a canonised causal model that purported to explain the conditions responsible for the scientific revolution in Europe, Needham suggested that within traditional Chinese society large-scale hydraulic works were under the control of a centralised bureaucratic state. Technology under such circumstances served the role of securing the power of the emperor against fissiparous forces. Secondly, unlike in Europe the rise of modern science in China was inhibited by the political impotence of the Chinense merchant class, which within traditional Chinese social hierarchy was the least esteemed class, while it was this class in Europe that played a fundamental role in furthering the scientific revolution. In the literature this has come to be referred to as the Needham thesis. As suggested above, this modality of interrogating the past of China was premised on the central assumption that if science was part of culture it was also common to most cultures.

The assumption came under attack from a host of positions, expressing romantic reservations about science as well as what might today be classified under the rubric of ethnosciences, we shall come to these objections a little later. We shall first refer to the concerns of those who drew their inspiration from Needham's cultural universalism. In non-European contexts Needham's oeuvre became a source of inspiration for the reconstruction of the cultural resources of a diversity of cultures and nations. (In India, within certain circles a lament often heard relates to the absence of a Needham equivalent in India. And any number of attempts have sought to redress this void, if so it were.) The central question posed within this framework, in non-Europe was of the following nature: "...to what extent was the appearance of modern science in other areas of the world a consequence of cultural factors, and to what extent was it a concomitant of the non-development of specific socio-economic conditions associated with the privatised profit-motive of capitalism?".

These efforts were possibly the consequence of the alignment of the reconfigurations under way in these non-European societies, that had just broken away from colonial rule. Needhamian ecumenism, or the idea that modern science visualised in historical time was a "product of many civilisations and the common property of all mankind", struck a resonant chord among third world intellectuals of a progressivist persuasion. However, the presentism evident in his ecumenical metaphors has often rendered Needham vulnerable to the charge of temporal solipsism, that he sometimes suspends historical context. A typical passage that endears and simultaneously distances reads: "If one defines science as modern science only, then it is true that it originated only in western Europe in the 16th and 17th centuries in the late Renaissance, the life of Galileo marking the turning point. But that is not the same thing as science as a whole, for in all parts of the world ancient and medieval peoples had been laying the foundations for the great building that was to arise". However, in another passage from *The Grand Titration*, the metaphor of the tributaries and streams of knowledge neutralises some of the ahistoricism evident here. Matthew Gutmann feels that this temporal solipsism is not in tune with the general tenor of Needham's work. This might surely be the case, for the problem resides within the project of the history of science itself – a point made within another tradition of the history and philosophy of science and expiated by Bachelard as well as Canguilhem, of how the past of science would present itself as different from the newer horizons of scientific theory. There is thus a dialectic of tanslation, seen as "the creation of a link that did not exist before and that to some

extent modifies two elements or agents", and the research frontier of science

However, for those outside the ecumenical picture of science the Needhamian thesis carried little weight One way of summing up the argument of Claude Alvares (1979) is to suggest that transcultural evaluations are not possible and that science in each culture is an ethnoscience that western science emerges is the measure of civilisational achievement when a culture sets the domination of nature to be the highest norm This is an argument put forward in a different form by S H Nasr (1976) in drawing a distinction between modern science and the sacred sciences of the past The project of modern science for him commences in a desacralisation of nature, and it is the notion of gnosis in the eastern civilisations that has inhibited aggression and warfare In the foreword to the fifth volume of *Science and Civilisation* Needham responded to this romantic outburst for he saw in it the constituent elements of the romanticism of the 1930s

Responding to radical cultural relativism and it is easy to recognise the ghost of Nazi Germany in the background, Needham was to write There is a danger to be guarded against the danger of falling into the other extreme and of denying the fundamental continuity and universality of all science This could be to resurrect the Spenglerian conception of the natural sciences of the various dead non European civilisations as totally separate immiscible thought patterns more like the distinct works of art than anything else a series of different views of the natural world irreconcilable and unconnected Such a view might be used as the cloak of some historical racist doctrine the sciences of pre modern times and the non European cultures being thought of as wholly conditioned ethnically and rigidly confined to their own sphere, not part of humanity s broad onward march Further besides raising the bogey of radical incommensurability that rejects the possibility of common understanding between cultures and the likelihood of mutual exchange it denied these non European cultures the contribution to the universal body of learning To the argument concerning the desacralisation of nature Needham responded that such a reading overstressed the metaphysical determination of scientific ideas and theories and underplayed the role of social and economic pressures And finally there was no historical evidence to support the fact that the east was any less free of conflict and warfare to be counter posed to the essentialised aggressive west armed with the weapons of modern science

In a piece written under the pseudonym Holorenshaw (1974) about himself Holorenshaw referred to Needham as an 'Honorary Taoist' (or Daoist Here he mentions that he had spent his life s efforts in attempting to bridge three irreconcilable contradictions On the one hand, there was science and its apparent opposite religion then he attempted to show that the religious impulse was not incompatible with his socialist politics, a reconciliation that a number of Needham scholars attempted to grapple with Kovel (1989), for one refers to him as a Christian communist, for he was simultaneously a practising Christian and a devoted communist His Christian piousness, Kovel was to allude to as "pantheistic mystical Christianity' his brand of communism Goldsmith (1976) would call "idiosyncratic Marxism And finally, he worked towards the reconciliation of the east and west, opposing very strongly the broad brushing of the 'Orient under one rubric without respecting the differences between the various cultures and civilisations that it contained

Today scholars are wary of Needham's sometimes uncritical faith in dialectical materialism that it lacked an appreciation of the human subject, of his belief in a dialectics of nature predicated on a philosophy of nature that did not specify where the human order differed from the natural order, of a holism that sometimes ignored the specificity of the parts and yet he is often seen as opposed to the "entire post Cartesian tradition of academic discourse This rather novel manner of situating Needham does not merely come from his rejection of the cumulative model of the growth of scientific ideas of his rejection of value free science and his commitment to an organicism that departed from the idea that science was the primary instrument for the subjugation of the inscrutable forces of nature and reconceived it as the activity that aspired to bring nature and human beings into harmony This post-Cartesian departure in Needham s historical reconceptualisation resides in his dialectical apprehension of science and the newer horizons set by contemporary scientific theory or as Gutmann says the ever contemporary manifestation of science, viz modern science – he is thus able to circumvent static Cartesian categorising

I have not gone into the details of the life of Joseph Needham, that was interesting in its own right nor extensively deliberated on the political side of his personality which was equally enigmatic For in the 1930s he along with Bernal and other members of the Cambridge Left had turned to the erstwhile Soviet Union and Soviet science for it provided a concrete alternative to capitalism Half a century later he was to ruminate about the days when the Soviet Union still had the dew on it and since then it is becoming fairly evident that there are some techniques and practices that socialism could usefully take from capitalism, and there is a general move in China, Hungary Yugoslavia, etc. towards a mixed economy ' As Marxist and internationalist he supported the Maoist revolution in China And it was through his studies on Chinese science that within the domain of western scholarship he was able to institute the importance of investigating ' the regional-traditional sciences" as the very precondition to ecumenisation" The Marxist who believed that a Christian must take Marxism extremely seriously, who spoke through his alter ago Henry Holorenshaw of how he was liberated from the Gnostic and Manichean heresies "which attributed all evil to matter, and took all sex as sin" Having been liberated from this religious opium, he found it necessary to extricate himself from the clutches of the Eurocentrism underlying the positivist conception of science – "scientific hashish" And so Holorenshaw asks 'Without these liberating influences, how could Joseph Needham have found such sympathy for those who felt the numinous quality in the symbolism of Krishna's sport with the Gopis, or above all responded in China to the great Taoist affirmation, I Yin i Yang wei Tao?"

Note

* Politically Sarton was of a Fabian socialist persuasion and was influenced by Shaw and Wells

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Appropriating Environmental Concerns

Suman Sahai

Environmental issues have been included in the agenda of the World Trade Organisation despite the near unanimous opinion among environmental groups that liberalisation of global trade would itself be ecologically damaging. Environmental issues are already being misused to set up protectionist trade regimes that will selectively benefit developing countries.

APART from the obvious problems facing the environment today, an emerging matter of concern is the way in which the environment is being hijacked by trade and commerce bodies like GATT and WTO and how environmental issues are being misused to set up protectionist trade regimes that will selectively benefit the industrialised nations. This trend must be resisted by developing countries and the problems of the environment seen in a genuine context so that sensible efforts can be made to conserve what is left.

The final act of the GATT Uruguay Round had taken definitive steps in linking trade and environmental standards and set up an extra committee to look into this. At Marrakesh where GATT ended and WTO began, the ministerial meeting ratified the inclusion of environmental issues as part of the WTO agenda. This was done despite a unanimous opinion among environmental groups that liberalisation of global trade would be ecologically damaging. It is a matter of great concern that the WTO is including several other issues that have nothing to do with trade in its agenda. The WTO chief Ruggiero himself has made a public commitment to place such non trade factors like environment and social clauses high on the list of the WTO's agenda. This was clearly to benefit the powerful industrial nations and destroy whatever advantages the developing countries might have.

A discussion on environmental matters is not within the purview of WTO. As a matter of fact it is not even equipped to deal with these issues. There are several separate international bodies to discuss the environment, as there are to discuss all the other factors that the GATT/WTO is attempting to appropriate like intellectual property rights and labour standards. There is for example the International Labour Organisation (ILO) to deal with problems of labour and the World Intellectual Property Organisation (WIPO) to sort out the problems of patents, copy rights and other forms of intellectual property protection.

Environmental fora however are the most numerous. Some of the more prominent ones are the UN Commission on Environment and Development (UNCED), the UN Environmental Programme (UNEP), the International Union for the Conservation of Nature (IUCN) World Wide Fund (WWF) for Nature. Apart from these there are several smaller national and international efforts. Given the large number of environmental bodies already in existence, and the competence with which they are handling global environmental questions, it is difficult to justify the dragging of environmental standards onto the WTO platform.

Despite this, if the WTO wants to link environment with trade Gene Campaign believes that it must be with retrospective effect. The damage to the environment inflicted over the last 50 to 100 years by the industrialised nations to bolster their production, enhance their trade and establish their mega economies will have to be taken into account when determining how environmental concerns will relate to trade.

The WTO is aware as is everyone else that 20 per cent of the world's wealthy located in the north consume 80 per cent of the world's natural resources and spew out 80 per cent of its pollution. It is obvious that a trade environment link forged by the WTO should also include conditions like the transfer of environment friendly technologies from the industrialised to the devloping nations so that trade and development in those countries that need it most, does not adversely affect the environment.

By reserving the right to deny the WTO forum to industrialised countries that refuse to share benign technologies the WTO would send a powerful signal that it is serious about protecting the environment. If trade has to be linked with environment then the WTO must also insist that the industrial nations demonstrate significant reductions in methane and carbon dioxide emissions. If they fail to comply then the WTO must impose penalties on them in the trade sector. Anything else would be utter hypocrisy and rightly expose the WTO to charges of bias and manipulation.

Let us reflect on the genesis of the environment-friendly technologies developed in the west which are now to set the standard for environment-friendly industrial production across the world. It was the profits generated from the industries producing on the basis on environment destroying technologies of 50, 100 years ago that enabled the development of technologies that are environmentally more benign.

It was the surplus money that came out of production processes that created the Greenhouse Effect and the Ozone Hole, that was used to develop alternatives for Ozone Destroying Substances and technologies to reduce release of Greenhouse gases. The developing countries must insist on transfer of these new technologies at highly concessional rates if any consensus is to be reached on establishing an industrial ethos that will be less detrimental to the environment.

Instead of a consensual approach what is emerging is a blatant manipulation of environment issues by the industrialised nations. The Montreal Protocol, weak to begin with, has become brazenly inequitable following the recent amendment that places restrictions on the transfer and mobility of new technologies relating to chlorofluorocarbons (CFCs). These latter are used in refrigeration and are thought to destroy the stratospheric ozone layer.

The Montreal Protocol as signed had agreed that developed nations would transfer ozone saving refrigeration technology to developing countries and ask for reductions in the use of CFCs to save the ozone layer. Now amendments to the original treaty say that the technology cannot be exported by the developing countries if they are being funded by developed countries. So, American technology available with Malaysia can be denied to India if the US so desires. This mechanism creates an instrument for turning the screws on a country and makes nonsense of the original purpose of the treaty.

In the context of a trade agenda, the question of impact on the environment is closely linked to the question of the fundamental inequity in the international trading regime. Many poor countries are dependent on commodity exports and sale of raw materials. Developing countries have genuine fear that they may be forced to limit their trade to commodities since environmental concerns will be used to justify unfair trade restrictions against them.

The inclusion and operation of apparent environment measures like the sanitary and phytosanitary clauses of the agricultural agreement in GATT is a case in point. Indian exports of cut flowers which were produced in collaboration with a Dutch company in an Indo Dutch joint venture were refused entry into the markets of Holland. The alleged reason was that the flowers were infested with pests and so failed to satisfy the phytosanitary requirements. The reality was that the European cut flower business was facing a glut due to domestic over production. Indian flowers were rejected on environmental grounds to protect European flower growers.

Developing countries face another structural problem with respect to the environment. Because of declining returns

from exports, growing external debt and the IMF imposed structural adjustment programmes, these countries are resorting more and more to desperate methods of production in which the environment is brutally assaulted The last fish are being fished and the last forests felled for timber and these countries are slipping into increasingly environmentally unsustainable or even environmental destroying modes of production

Forests are very obvious targets of 'green conditionalities Tropical forests are acknowledged to be important carbon sinks for the increasing emissions of carbon dioxide in the atmosphere If the area of tropical forests is reduced by those countries where they are located treating them as an easily exploitable resource, there will be serious global environmental problems The industrial north is very concerned about this but is unwilling to address fundamental problems like the inequity in international trade so that serious solutions to these problems can be found Since the problem of high carbon dioxide emissions is created by the industries of the north a sustainable and equitable solution can only be the transfer of technologies that will help to save the forest and a fairer share in global trade that will not force the people of developing countries to seek quick and easy money from the few resources they can still exploit

Developing countries have been faced with another aspect of the growing environmental concern in the west. This is the growing consumer resistance in these countries on environmental issues related to food. In Germany a growing movement against pesticide residues is beginning to function as a non-trade barrier against the import of Indian tea The German government is exploiting the prevailing sentiment fully since under its expanded aid programme it is committed to buying tea from non-traditional producers in Africa It is using the consumer resistance to cut down its tea imports from India

A famous example of environmental concern functioning as a non trade barrier is the case of the ban imposed by the US on tuna fish exports from Mexico Mexico's waters are rich in tuna fish and this constitutes a major portion of the country's exports particularly to the US and Japan Growing displeasure on the part of American tuna fishing companies led the US to resort to an environmental excuse to ban Mexican tuna import into the US The real reason was protecting American tuna fishers the reason given was environmental concern due to the destruction of dolphins during tuna fishing

The Americans suddenly claimed that the Mexican procedure for catching tuna fish also caught a number of dolphins This was unacceptable the Americans said since the dolphin was a protected animal Any number of defences offered by the Mexicans that they released the dolphin that were caught, back into the sea fell on deaf ears and the loss of revenue to Mexico and loss of livelihood to several thousand Mexican fishermen

And now a final word on the utter hypocrisy of concerns about the environment and the trade-environment linkage Despite the verbal hysteria on saving the environment and saving the planet, the rich in developed countries have consistently refused to take any cut backs in their opulent and wasteful lifestyles which place the bulk of the burden on the global environment

Japan is the largest consumer of tropical hard woods which are the most difficult timber to replace They are very slow growing and they come from rain forest over which there is such a hue and cry at every seminar on the environment The wastage of energy the production of consumer goods containing chemicals that destroy the environment these all happen in western countries which are screaming the loudest about environmental protection

A commitment to saving the environment will have to be seen in actions, not empty words It is only when the industrialised countries that are the principal polluters offer a genuine and equitable clean up package that any global agenda is likely to emerge on saving the planet Judging from recent reactions it appears that developing countries are determined not to play ball unless developed countries come forward in a spirit of co operation Till this happens, the environment will continue to take a beating

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KERALA

Panchayat Raj Act

Without Substance

K R Sastry

The Kerala Panchayat Raj Act negates the very concept of decentralisation by providing for interference from above

THE Kerala Panchayat Raj Act (KPRA), was passed by the state Legislature on May 22, 1994 as a sequel to the 73rd constitutional amendment, incorporating numerous amendments, but rejecting much of what was suggested by the members in the assembly In the process it deviated drastically from the original version of the bill that was introduced in the assembly on March 16 1994

The people of Kerala witnessed a series of acrimonious debates all round protest and even an unprecedented public dharna by intellectuals like K N Raj I S Gulati etc staged in front of the secretariat on some vital issues concerning the bill while the bill was being discussed in the assembly A former speaker and now a sitting member of the assembly well versed in various aspects of the bill had a 90 minute deposition before the 27 member select committee of the bill and explained how the bill was strategically tailored to concentrate power in the hands of government and officials under the pretext of decentralisation of power Social activists like V R Krishna Iyer, M P Narayanan Nambiar, and others, organised a People s Assembly (Janakiya Sabha) at about the same time to reflect the mood of the common man on Kerala Panchayat Raj Bill and to create public awareness on the government's move to include certain undesirable provisions in the act In spite of all the protests KPRA as passed by the legislature is an instrument aimed at maintaining centralised powers with the state government All the same, it can be said that the framework provided by the 73rd amendment was fully retained

Constitutional Provisions in KPRA

The KPRA broadly incorporates almost all the essential features envisaged by the Constitution It provides for a three tier system with the village block and district panchayats as institutions of local self-governance The formation of grama sabha – comprising all the voters in each constituency of grama panchayat (GP) – has been made the lowest rung in the ladder entrusted with the responsibility to supervise and accelerate local planning and development The grama sabha will have to meet twice a year at a venue decided by the GP, on being convened by the member of that panchayat constituency and the meeting would be presided over by the president/vice president of the GP The grama sabha is empowered to suggest plan or help developmental activities to discuss administrative affairs, to approve the accounts of the past year, etc, among other things The president of grama sabha will have to explain the reason for non compliance of any decision taken by it earlier The KPRA has delineated the role of grama sabha in clear cut terms

The act also provides for constitution of a ward committee comprised of members of GP and villagers for suggesting developmental activities of that village, besides encouraging public participation in local governance The rationale behind the creation of a smaller grama sabha comprising approximately 1 000 members belonging to each constituency rather than the whole grama panchayat is reflective of practical reasons to conduct the meeting conveniently and effectively considering the Kerala situation rightly The detailed provision regarding grama sabha contained in the act is a welcome step but the functioning of it will have to be carried forward further to make it a basic unit of grass roots level governance

The head of the panchayat is designed as the president and the executive officer the 'secretary irrespective of the tier to which he belongs The presidents at all levels are elected indirectly If the state legislature had exercised its discretion in favour of direct election from among the people in the case of a GP, it would have got a president deriving authority from the people rather than from the political parties although it may possibly lead to friction, in case where he belongs to a particular faction in the GP

The block panchayat (BP) at the intermediate level is a new democratic body in the scheme of PR in Kerala Most of the non-officials and officials at the panchayat and district levels opine that the BP is an undesirable tier thrust upon the people by the constitutional amendment This new tier can be entrusted more with the task of planning rather than planning That said, one cannot underestimate its importance in the planning phase for those schemes which are of trans-village in character It may be surmised that due to dense population, the geographical area coming under the district panchayat (DP) is not so vast, and, thus it could be easily managed without the middle tier It remains to be seen whether the new tier, i e, the BP can emerge as a fulcrum of activity and consequently dilute the importance of upper and lower tiers

The inclusion of MLAs and MPs in the BPs and DPs has not been received favourably since this may lead to over-centralisation in the democratic decision making process It is apprehended that such an incursion into PR theatre would be detrimental to the emergence of a vibrant local leadership The debate though inconclusive, over the nature and desirability of involvement of MPs in the local bodies takes a new turn with the allotment of rupees one crore for each MP to take up development activities in his constituency It may not cause any surprise if MLAs demand a similar largesse from the state In such an eventuality, the exclusion of these elected representatives is not a feasible proposition How this elite-elite conflict could be avoided is a moot question and the KPRA is more or less silent on this aspect Thus, one may get a feeling that the act is not a sincere exercise of decentralisation and at the most may be construed as a step toward 'deconcentration'

Similarly, presidents of all GPs and BPs have been included as ex officio members at the respective upper tier of the panchayat and this is intended for establishing an organic link between various levels The presidents, thus included in the upper tier panchayat have all rights of a member, including voting power except for electing/removing the office bearers

Administrative and Financial Centralisation

The KPRA ensures reservation in proportion of their population in the case of SCs/STs and one third for women at all levels Even in the reserved seats earmarked for SCs/STs, one-third are reserved for women In case, the population of SCs/STs is insufficient for reserving one seat, the act ensures that one seat is reserved to the category of SCs/STs, whichever is more in population in that given area Under the act, the state government, or an officer authorised by it, can exercise power to fix the number of reserved seats and determine the constituencies which are reserved for each category without resorting to any predetermined norm It is feared that this provision is liable to be misused for political gains

The act, in accordance with the stipulation of the 11th Schedule of the Constitution, provides powers and functions enlisted in Schedules III, IV and V to GP, BP and DP, respectively. There are 32 obligatory functions of GP, eight for BP and 21 for DP under the act. But the government can meddle with the elected bodies by formulating rules and procedures, in accordance with this act which allows it to formulate rules & procedures in about 140 instances. The act as well provides for the transfer of all grants pertaining to the mandatory items to the panchayats. The act also approves of transfer of all buildings, institutions etc. to the grama panchayats as soon as possible.

The act does not make any earnest effort for ensuring adequate financial resources to panchayat raj institutions (PRIs) to perform self-governing functions effectively. The devolution of resources other than the above mentioned grants pertaining to mandatory functions is conditioned by the words 'subject to availability' and this provision is liable to be misused to make PRIs run short of funds. In the present set up, the government can dilute the process of decentralisation of power by avoiding adequate devolution of financial resources and by not extending technical support to the PRIs.

The act provides for constitution of a three man State Finance Commission (SFC) with one member experienced in economics/financial matters and other two with experience in public/local administration. However the government soon after enacting the law, constituted the commission with all the three members coming from the bureaucratic stream. Similarly the act provides for having a State Election Commission (SEC) to conduct regular elections quinquennially. But the commission is not endowed with adequate autonomy and power to decide on all matters pertaining to elections without relying on the state government. The de limitation of wards, determination of reserved seats etc. are not entrusted to SEC and this raises doubt in the public on the intention of the state government. Even though the constitutional provision for creating an independent SEC notwithstanding the KPRA has made the SEC dependent on the state government for getting many things done before setting the election process on.

Further the act does not contain any clear provision that ensures the availability of existing technical manpower through re-deployment from the state government departments for carrying out and co ordinating developmental activities at the panchayat level. It would have been better if the power to pool the sectoral officers at each level by the PRIs had been incorporated in the act itself. This is a major task ahead for all panchayats to accomplish.

The act contains many provisions that allow the state government's interference in the form of inspection and supervision on the working of panchayats. This power, retained by the government, will pose a threat to the autonomy and freedom of the panchayats and the whole scheme of panchayati raj will deteriorate to a subordinate position *vis-a vis* the state. What is more, the provision for dissolution of panchayats by government on the ground of abuse of powers can be a perpetual threat. The authority of the state government to remove a member/president/vice-president/standing committee chairman and to debar them for misuse of power, dereliction of duties, etc. is liable to be misused for political gains particularly, because the terms 'misuse of power', 'dereliction of duty' etc. are not clearly defined in the act. The act empowers the government to exercise control, discipline, etc. on the staff including the secretary. The GP is empowered to have only nominal control on the staff and this can be construed as a tilt towards the officialdom in the scheme of local governance.

In order to enhance people's participation in local development, the act provides for constitution of ward committees, working committees and sub committees consisting of members of panchayat and citizens for speedier execution of developmental activities. These provisions can be used as an effective means to bring power to the people and for involving them in local affairs. The act provides for constitution of standing committees at all levels consisting of members of panchayat. It would have been better if the provision for inclusion of experts at times from outside is provided for in the formation of standing committees for discussing and dealing with specialised subjects in depth.

The KPRA does not uphold the cardinal principle that what can be done at a given level should be entrusted to that level itself and not to the higher level for distributing powers and functions at each level. While formulating the Kerala Panchayat Raj Bill it seems that no serious effort was made to delineate various functions that can effectively be performed at each level of panchayat in the context of Kerala. If true democratic decentralisation is the real goal it is imperative that the centralised powers so far held by central and state governments be decentralised from the centre down to the panchayats. For effective decentralisation three types of shifts in power become imperative in the panchayat raj context – viz. vertical, horizontal and diagonal. The 'vertical' implies power shift from the central to the state, from the state to the district level and from the district level further downward, the 'horizontal' connotes a shift in power from appointed (officials) to elected people (non-officials); whereas, the 'diagonal' implies power shift from the MLAs and MPs to the panchayati raj functionaries. Unless such power shifts are effected, creation of a decentralised polity remains a utopia.

The act allows the state government to interfere in the working of the panchayats by invalidating the action or resolution passed by the panchayat or any of its committees. Thus, it negates the very concept of decentralisation by interference from above.

In short, the purpose of the ruling UDF government in enacting the KPRA is more to meet the constitutional requirement rather than to implement panchayat raj in letter and spirit. If one takes a dispassionate look at the legislative process behind the enactment of KPRA and the follow up action so far taken by the state government, it would be clear that it does not like to have a meaningful decentralised system of governance in the state.

The 73rd constitutional amendment contains many discretionary provisions allowing the state government to enact a meaningful panchayat raj legislation that brings power to the people. However the Kerala state government seemed more interested in extending the bureaucratic control over the elected panchayat raj bodies. But in the final analysis it was forced to compromise on many provisions in the bill due to the ever vigilant public protest and have enacted the law which can be better described as a caricature of Gandhian idea of grama swaraj or Rajiv Gandhi's dream of delegation of powers to the grass roots. The KPRA should have taken care to incorporate the wisdom of various committees, reviews and evaluation studies on panchayat raj whose main thrust has consistently been how to make the grass roots institutions more effective.

It can however be considered a blessing that we have a panchayat raj act in Kerala at last having constitutional buttress to start with. Basing on the recent pronouncements the elections to PRIs may be delayed till April 1995. This is due to the fact that the 73rd Constitutional Amendment was silent on the minimum period by which state governments should conduct elections after giving statutory recognition to PRIs. It must be added that the KPRA appears to be skeleton legislation as it bestows maximum discretion and initiative in the hands of the state government through subordinate legislation. It is left to the politically articulate elite groups in Kerala to carry forward the idea of democratic decentralisation by invoking the positive provisions to strengthen PRIs and thereby discouraging the centralising forces which have a debilitating effect on the growth and development of the panchayat raj.

India and South-East Asia

Search for a Role

M G G Pillai

If India wants a role in south east Asia – in economics trade and politics – she must immerse herself in it Her worries about China are understandable, but ASEAN and south-east Asia would not warm up to her if that is her only focus If Narasimha Rao's visit to Malaysia is a precursor to a change of attitudes, then there is still hope

INDIA S post independence view of south e ist Asia within a prism of the cold war and her political and territorial confront itions with China and Pakistan now come to haunt her Her initial view of the Association of South E ist Asian N itions (ASE AN) as a probable we stern Troj in horse did not help When she did focus her attention at the region after the Vietnam war it was as a sideshow to China s perceived threat So when her economic reforms and politic il develop ments demanded a link few in ASE AN supported her bid Th it is New Delhi s dilemma as the prime minister P V N ir simh a R ao prepares to visit M alays i in Aug ust

The Indi in cultural heritage so impressed in ASE AN should have provided the bridge but w is not built upon This is often not admitted but is centr il to understanding the region only Sing apore the Philippines and soon Vietnam have different norms But south e ist Asia also came within China s sphere of influence Her emissaries and diplom its had involved themselves in the affair of the region since the 14th century perhaps earlier Western colonial policy in the 20th century had had to accommod ate Chin s point of view as Brit in did in Hong Kong China after 1949 intruded into the post war independent countries first as the linchpin of the communist insurgency that afflicted every one of them and now as a power intent on re establishing her influence

The Bandung Conference in 1955 soured India s relationship with south east Asia The Chinese prime minister Zhou Enlai s masterful performance there left Indi s Jawaharlal Nehru fuming The 1962 Sino Indian war affirmed it, with only Malaysia openly supportive of New Delhi Post world war alignments, and the cold war placed India squarely with the Soviet Union and south east Asia apart from Indonesia in the western camp Apprehensions of a regional tilt towards Pakistan immured relations further

Besides, India prefers bilateral ties with a region culturally conditioned to consensus and co operation Neither Indian prime minister nor foreign minister has called on all their ASEAN colleagues though they have come on bilateral visits ASEAN, when formed in Bangkok in 1967, wanted India s friendship and first expressions of support The portentous almost superc ilious Indian response received after much prodding set the tone of what followed When M alaysia twice in 1975 and 1980 – invited New Delhi as a full dialogue partner she was disinterested now she wants in and ASE AN more formalised is uninterested

New Delhi s sectoral dialogue with ASE AN puts her in a straitjacket Her point of reference is the secretary general She takes no p irt in the nnual post conference dialogues A s ctor il dialogue once a prelude to full dialogue is not any more South Kore a m ached to full dialogue after a stint in sectoral dialogue ASE AN prefers dialogue with the S uth Asian Association for R egional Coop r tion (SAARC) India as Pakistan for s milar reasons would not for fear that her r l tion with ASE AN would diminish

Malaysia still w nts India in a prominent role in south east Asi e though less so now After the Sino Indian war Malaysia requested unsuccessfully for India s neutra lity in her territori l dh pute (confrontation) with Indones i the following ye r In 1965 Mal aysia backed India in her war with Pakist n and Islam b d broke off diplomatic relations in ret li tion New Delhi rejected Malaysia s reques for small arms in 1969 aft r her racial riots In 1980 she requested Indi to delay recogn sing the Heng S amrin government in C mbodia until after the dialogue Indi went ahead and Rao then foreign minister st yed away

The die is cast When the Soviet Union gave up the ghost and broke up in 1989 India counted for little in regional affairs Malaysia in 1991 attempted once again but India rebuffed her over the then East Asian Economic Group, now a Caucus EAEC involves China, Japan North and South Korea and ASE AN, on the principle that countries engaged in economic activities and political co operation are less likely to go to war with each other, and to provide a forum for a common position before meetings of the Asia Pacific Economic Co operation (APEC) and, possibly other bodies India in it would have been a weighty counterpoise to China, which even Japan could not provide

ASEAN disinterest in India appears complete, her potentially huge markets an insufficient lure India wanted Singapore to sponsor her into the APEC, the Indian deputy foreign minister Salman Khursheed, now appeals to Australia to accept her brief But Vietnam as the new ASEAN member would be next followed by Russia and the Pacific South American countries A five-year delay of India s chances is overly optimistic, but the momentum would be lost by then Why she had not lobbied ASEAN during the sectoral dialogue or with individual ASEAN members is unclear Or did she and was rebuffed?

Unfortunately miscues and mistrust by both complicate the problem Besides, ASEAN s arrogance rising in tandem with economic success matches India s The tendency to look at India in the same light ASEAN looks at its Indian population almost all of whom are labourers or in the lower segment of society does not help But ASEAN and India also need each other A denouement is inevitable, India and ASEAN must look beyond short term policy considerations or market factors

The post independence generation in ASEAN and India with their differing priorities to the present are poised to leadership and that could change perceptions Countries and organisations re generate every generation for effectiveness neither Sri Lanka nor the United Nations did, and face life threatening choices But if India wants a role in the region – in economics, trade politics – she must immerse herself in it Her worries of China are understandable, but ASE AN and south east Asia would not warm up to her if that is her only *raison d etre* If Rao s visit is a precursor to redress the balance and doubts and change attitudes, then there is still hope

Otherwise when Asia Pacific trade takes off with or without APEC New Delhi could be left on the shelf Her attempts at an Indian Ocean APEC with South Africa and Australia run into flak she eschews SAARC in the equation as Australia her South Pacific Forum members If the worldwide scramble for markets succeed the winners could well be regional trading blocks ASEAN then could not possibly ignore India but India could find herself left out of that new equation

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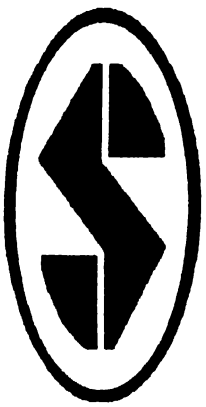
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Rise and Fall of US Imperialism
Chronis Polychroniou

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Rise and Fall of US Imperialism

Chronis Polychroniou

The article focuses on the role of the US imperial state in the process of worldwide capitalist development and capital accumulation and its efforts to establish global hegemony. It argues that US imperialism has reached a critical stage in its evolution: the over-extension of the empire is causing the downfall of the domestic economy and society. Domestic economic reconstruction has been sacrificed for global corporate and financial expansion as the interests of the capitalist ruling class lie in foreign investments and global markets.

THE cold war is over but the neoliberal global order spearheaded by the US since the late 1980s is already crumbling under the weight of its own contradictions. Instead of democracy, freedom and security, as the empire builders promised, the new wave of globalisation has unleashed the political forces of authoritarianism and oligarchy, ethnic hatred and civil war and has ignited a new spark of military rearmament. The neoliberal theology – let the market have its way [*The Economist* June 29, 1991] – has not produced 'economic miracles' but, on the contrary, worldwide declining living standards, massive unemployment, environmental despoliation, suffering and polarisation. Indeed, an 'Empire of Chaos'[1] is an apt characterisation of the post cold war world order.

Unlike the New World Order established in 1945, the post cold war world order lacks hegemony to sustain the economic, political, and social arrangements that constitute the 'new imperialist order'. In spite of the wishes of American policy-makers to erect a new Pax Americana in light of the opportunity presented to them by the elimination of the former socialist bloc, the fact of the matter is that the US is in an irreversible course of decline and, unlike in 1945, no longer capable of reinforcing the nexus of international relationships upon which the newly created neoliberal global order depends. The dialectics of America's status and its position in the world today is that while the US can intervene abroad without having to worry about a Soviet response, its economic power has eroded to the point that military interventions depend increasingly upon the willingness of its allies/competitors (Germany and Japan in particular) to support such operations, both politically and economically.

The US economy has been in a state of deep, structural crisis for over two decades now and its problems are mounting: plant closings, industrial decay, astronomical deficits, stagnated incomes, crumbling infrastructure, decaying cities, moribund banking, disintegrated education, health care, and social security threaten to reduce the US economy to a third world status while crime, drugs, economic alienation and racism are tearing the social fabric apart and thereby presenting the US ruling class with greater opportunities to extend the police operations of the US imperial state to the domestic realm as well – as increasing the size of the police force and building more prisons are the only remedies the capitalist class is capable of prescribing to the structural crisis of the US economy. Since the 1960s the US has been falling behind its major competitors in rate of growth in every single significant category in economic life" [Laxer 1989: 9].[2] With some $ 3 trillion in total government debt, the US is the largest debtor nation in the world. Calculations based on the Luxembourg Income Study reveal that "the US has the highest poverty level and most unequal distribution of income in the Northern Hemisphere" [Solomon 1994: 16]. As recently as 1992, the top fifth of American families got 51.3 per cent of US income versus 6.5 per cent for the bottom fifth [*Business Week*, August 15, 1994]. Over 34 million Americans live below the poverty line [Cuomo Commission 1992: 150]. Some 35 million people have no health insurance at all [Health Insurance Association 1990: 13]. Among the leading western industrialised countries, the US has the highest rate of poverty for children [Arnott 1994: 166] and ranks 20th in infant mortality rates [Shuman 1994: 1]. The US also has the highest rate of incarceration in the entire world.

The only clear superiority the US maintains is in the area of military weapons and technology, which in the post cold war era has indeed become the cornerstone of the nation's foreign policy. It is upon the basis of the US military superiority that a collective will has been temporarily formed among the major capitalist powers, as evidenced by the way the US was able to gain support for its barbaric and cowardly war against Iraq.[3] Nevertheless, military predominance alone is hardly sufficient to provide stable, long-term hegemony within the ranks of the imperialist powers. Economic and political interests will gradually create cleavages and tensions and conflicts will erupt, as they already have, for example, in the area of the US-Japanese trade relations.

It is a conceptual error to believe that globalisation has made obsolete distinct blocs of capital and the nation-state.[4] One of the main paradoxes of the new wave of globalisation, which is certainly real, is that the world economy is splitting into regional economic blocs headed by the dominant state in the region – Germany in Europe, Japan in the Pacific, and the US in the Americas. Globalism and regionalism operate simultaneously in today's world economy, a phenomenon which is part of the process of the dialectical contradiction of a leaderless world capitalist system. In today's world economy, hegemony is to be found not at the global but rather at the regional level. Thus, the world imperialist system is fraught with contradictions at all levels: contradictions between members of a bloc, between the different blocs, and between the blocs and other countries.

Essentially the newly created neoliberal global order reflects the end of the transition from superimperialism (which was based on US supremacy in the world economy from 1945 to 1973) to the renewal of interimperial rivalries. The resurgence of interimperial rivalries and conflicts has become once again the essential means through which capital reorganises itself and creates in turn the objective basis for the fundamental contradictions and crises in the unfolding of imperialist accumulation. The process of the internationalisation of capital and connected with this, the decline of the US has given rise to new centres of accumulation within the imperialist chain and in an extended manner to new imperial powers. In the absence of a single hegemonic power, the operations of the neoliberal global economy are prone to intensified crises and greater instability.[5] In this context, the objective and analytical primacy of the decline of the American empire is essential and must inform Marxist analysis of the developing international situation. It is also necessary for the politics of radical social change in the US as well as abroad.

Let us be very clear about it. Given the current world economic and political situation, the declining position of the US is fraught with both dangers and opportunities. The empire will not go down without a fight. If history is of any true guidance, empires become more bellicose when they reach that crucial stage in their evolution where power is beginning to slip away from their control. To be sure, trends toward greater militarism abroad and the rise of authoritarianism at home have already appeared loud and clear on the US imperialist

camp since the early 1980s And no-one should be deceived by now by the presence of a democrat president in the White House It is plainly clear that the policies of the Clinton administration are in many essential regards even more conservative than those of the Reagan and Bush administrations [Petras and Vieux 1994 25 30] Whether it is in foreign policy (NAFTA Cuba, Bosnia), or on domestic issues (welfare, crime), Clinton is catering to the needs and demands of his business supporters and is obediently staying the course in promoting the interests of a global empire at the expense of domestic reconstruction However there are also real opportunities opening up now with the decline of the American empire for structural reforms of the economy As immiseration and polarisation continue to rise in the US popular struggles for social change especially amongst the huge reservoir of economically politically socially racially and culturally oppressed groups of people in large inner cities may reappear on the stage with dramatic effects In this context the organisation and mobilisation of working class people along the lines of an independent class based democratic movement must become the explicit goal of the American Left Efforts for change from within the establishment of the Democratic party are doomed efforts and a sure way in fact of keeping the system functioning like business as usual Saul Landau has it right when he says that the Democratic party is not really a party but a money laundering operation [Booth 1994 262] Either way however

what is absolutely certain is that whether the pendulum in this country swings either toward greater authoritarianism and anti working class politics or substantial democratic reforms depends ultimately on popular expectations and responses

Below we look at the political economy of US imperialism from its origins to the present Attention is focused on the role of the US imperial state in the process of worldwide capitalist development and capital accumulation and its efforts to establish global hegemony From a Marxist standpoint of view, the rise and the decline of the American empire can only be understood within the context of the dynamic and contradictory processes of capital accumulation, interimperialist rivalries, and class antagonisms The contention here is that US imperialism has reached a critical stage in its evolution the over-extension of the empire is causing the downfall of the domestic economy and society Domestic economic reconstruction has been sacrificed for global corporate and financial expansion as the interests of the capitalist ruling class today lie in foreign investments and global markets

The article is divided into three sections Section one looks at the rise of US imperialism and the emergence of the US as a major world power from the 1890s up to the period leading to the second world war Section two highlights the phase of US global hegemony from 1945 up to the early 1970s Section three ponders on the crisis of US imperialism and the decline of the American empire from 1973 to the present Finally, in the conclusion we raise questions about the future of US imperialism and the consequences of the continued diversion of domestic resources to projecting power in the post cold war era

I
Rise of US Imperialism

America has a long history of the use of force oppression and outright terror From the Indian massacres by the early colonists to the gruesome slaughtering of over 2 50 000 Iraqis during the 1991 Gulf war and to the insidious policy of embargo on Cuba American power has functioned as an instrument of imperial rule and subjugation and violence has been the norm rather than the exception The reasons are deeply rooted in the American culture American consciousness has been shaped by the principles of Protestant denominationalism [Augelli and Murphy 1988] in which religion, politics, and racism intermingled to define America's role in the world and ultimately justify expansion conquest, and enslavement Indeed from its origins America and American expansionism marched to the tunes of fundamentalist overtures – exceptionalism racial superiority, divine mission' and the like A crusading spirit to extinguish, govern or control 'savage' senile' and barbarous' people runs like a red thread throughout American foreign policy and diplomacy – from Washington's belief in the extinction of the Indian right of occupancy, by whatever means necessary, to the acquisition of California by conquest from Mexico in 1848 and from the military interventions and occupations in the Caribbean during the late 1890s, and early 1900s to Ronald Reagan's 'evil empire' mentality and George Bush's Saddam Hussein 'syndrome

No less influential factor in the conditioning of the American political culture has been 'possessive individualism' – a philosophy of radical individualism that glorifies private property, competition, and self-aggrandisement and regards 'might is right' as something natural Throughout the 19th century the build up of colossal fortunes by few was defended as actions reinforcing both the laws of nature and of God Thus, as John D Rockefeller declared, "The growth of a large business is merely a survival of the fittest The American beauty rose can be produced in the splendour and fragrance which brings cheers to its beholder only by sacrificing the early buds which grow up around it This is not an evil tendency in business It is merely the working-out of a law of nature and a law of God" [Farhang 1981 91] These sentiments also apply to the business of imperial policies The orgy of US imperial conquest during the late 19th century was routinely defended on claims that spoke of the dynamism of the Anglo-Saxon race leading inevitably to territorial expansion" [Farhang 1981 80] The expansion of the American empire was the natural order' of things and God was always on America's side

However, while cultural factors played a significant role in America's quest toward imperial growth and expansion the rise of the US into an imperialist power and history's most powerful and destructive empire was due to specific economic and social developments at a particular stage in the development of capitalism as a social system

the monopoly and imperialist stage

During the last two decades of the 19th century innovations in science and technology led to substantial changes in the productive forces of capitalism High-speed machinery and new sources of power created large size productive processes in all segments of the economy (manufacturing, agriculture energy, transportation, steel and petroleum) and hastened the concentration and centralisation of capital through the expropriation of smaller capitalists by larger ones Giant corporations emerged that begun to dominate economic life on a national scale and to increasingly intrude into the economic environment of other countries [Bunting 1986] The free market was displaced by capitalist monopoly Cartels, syndicates and trusts, intertwined with banks determined now the structure of the economy

With the transition of capitalism to the monopoly stage, capital export attained increased importance International investments, which played a very minor role in international affairs during the early part of the 19th century [Kenwood and Lougheed 1992 36], begun to characterise more and more international economic relations The scramble for colonies also intensified during this period as the major capitalist power were desperate for raw materials, new markets, and spheres of capital investment Whole continents – Africa, Asia, as well as Latin America – were annexed and subjected to either colonial or semicolonial rule [Stavrianos 1981 281] As L S Stavrianos writes, "whereas an average of 83,000 square miles of colonial lands had been acquired each year between 1800 and 1875, the figure jumped to 2,40,000 square miles for the period between 1875 and 1914" [Stavrianos 1981 263-64] Wars among the major imperialist countries defined the politics of imperialism during its early period

The US arrived on the imperialist stage with the war against Spain in 1898, after having already demonstrated its willingness to play the role of a world power in the crisis that erupted over the boundary line separating Venezuela and British Guiana in 1895. By that time the US had already become the leading industrial power in the world and concentration (first through the trust movement between 1879 and 1890 and then through the consolidation movement between 1897 and 1903) had reached great heights [Link 1967: 48]. Giant corporations like Standard Oil (controlling over 85 per cent of the refinement and production of crude and illuminating oil respectively) and the American Sugar Company had been formed and cartels already represented a central component of capitalist economic life. By the turn of the century the top 4 per cent of corporations 'produced 57 per cent of the total industrial output by value' [Weinstein 1981: 63]. Concentration of banking also experienced the same process with finance capital becoming the dominant bloc of capital having combined their resources. J P Morgan and Company, the First National Bank and the National City Bank was represented by 341 directors in 112 corporations having aggregate resources exceeding $ 22 000 000 000 [Barck Jr and Blake 1947: 45]. In the light of the new developments in the basic operating framework of the U S economy imperialist expansion became a necessity for the very survival of the system of monopoly capitalism. The US monopoly capitalist economy was threatened by its own industrial growth. New markets had to be sought to buy the goods and products of the American economy, new areas to be found for raw materials to sustain the growth of industry and new sites for investment. The same violent, self assertive attitudes that the colonists had expressed some 200 years ago resurfaced now and with even greater clarity. Calls for war were heard everywhere as capitalists sensed that war is prosperity [Schirmer 1972: 45]. The ruling class began to mobilise the state and its apparatuses in leading the way to war, the goal of which was economic expansion and enlarging the US empire although humanitarian concerns over the treatment of Cubans by the Spaniards were cited quite naturally, as the reason for going to war. The interests of corporate and finance capital were thoroughly and permanently incorporated into US policy. And so monopoly capitalism was converted into state monopoly capitalism. By the same token, the state became an imperial state. That is, its activities were no longer confined to the domestic arena but extended to the international system as well. In this context military force became the chief means through which the imperial state promoted and secured the process of capital accumulation on a world scale. But this should not be surprising. As Michael Parenti has put it, empires "are built upon the sword, the whip, and the gun' [Parenti 1989: 38].

Unlike earlier expansion, imperialism is no longer an attitude or question of desire and choice. The system of monopoly capitalism requires an imperialist course in its quest for greater profits. Thus imperialism is not a policy but a system driven by economic necessity and it underlines the monopolisation of capitalist economic life and the internationalisation of capital.

With the defeat of Spain, the US gained control of the Caribbean dominion and rapidly spread into the Western Pacific and the Far East with the proclamation of the open door policy in 1899 – the first imperialist announcement of the intentions of the US to wrestle power away from Japan and the Europeans in the Pacific and to have access to China's trade. The march of the US toward becoming a world empire had begun. Indeed between 1900 and its entry into first world war in 1917 the US secured an interoceanic canal with territories and bases stretching throughout the Caribbean and the Pacific. In the years 1899-1990 Puerto Rico was converted into a colony, Cuba into a protectorate, the Philippines were annexed after first U S troops brutally suppressed the national liberation movement of Emilio Aguinaldo by killing over 20 000 Filipinos and Hawaii, Guam and Samoa were occupied. In 1903 the US established a protectorate over Panama and realised its long interest in a canal by securing the Panama Canal Zone and between 1898-1917 it made a series of military interventions in Cuba, Haiti, Nicaragua and the Dominican Republic. Indeed with a free hand in the Caribbean the US imposed military dictatorships throughout the region and monopolised the various economies thus setting a pattern of imperialist influence and control that has continued right down to this day [Fernandez 1994].

The foreign economic activities of the US during the period between 1900 and first world war also increased geometrically to the expansion of the empire. US foreign investments grew from $ 500 million in 1900 to $ 2 5 billion in 1914 [Woodruff 1982: 150-51]. In the Caribbean area alone US investments rose by $ 400 million between 1900 to 1902 and by 1912 they reached $ 1 5 billion [Gardner 1976: 52-53]. As might be expected, there was also a dramatic increase in US foreign trade. Between 1890 and 1914 American exports witnessed a three-fold increase, with 63 per cent of the manufactured goods going to Europe while imports increased more than two-fold [Barck Jr and Blake 1947: 10]. Here it is interesting to note that the flow of the US goods and products in Europe at the turn of the century was indeed so st and overwhelming that the phrase 'the Americanisation of the world' was coined to alert European leaders to the dangerous ramifications of the economic dominance of the US [Kennedy 1992: 245].

Yet, the economic prosperity that the American empire was enjoying during this period did not translate into gains for the majority of the American working class people. Unemployment had dropped from 18 per cent in 1894 to less than 4 per cent in 1902 [Dubofl 1989: 71]. Nevertheless poverty was quite widespread with as much as half of the industrial workers living below the line of poverty while working conditions were so hazardous that surveys conducted in 1907 and 1913 found that thousands of American workers annually were killed on the job and more than half a million were either crippled or seriously injured [Link et al 1987: 10]. The big winners were the industrialists and the bankers. The workers created all the wealth but the capitalists reaped all the benefits. And the state in fusion with big business made sure that this remained the case. The famous Sherman Act of 1890 for example from an alleged piece of legislation designed to be used against illegal monopoly formations became in the 1900s an era of growing radicalism in the US a weapon that the government used to smash workers' strikes and boycotts [Link et al 1987].

First world war was a major blessing for the US in its march toward a global empire. First it provided a tremendous boost to the US economy as America became the main supplier of food, military weapons, and raw materials to the Allies. Between 1914 and 1916 American trade with the Allies grew from $ 825 million to an astonishing $ 3 2 billion [Link 1987: 119]. Second, the war caused a dramatic shift in the balance of the imperialist forces. The contradictions of inter imperialist rivalries on the European continent (exasperated by the emergence of powerful Germany eager to challenge the imperialist status quo) that led to the first imperialist world war left in the end the old European power system in ruins and saw in turn the rise of new imperial powers in the world, Japan and the US [Kennedy 1992: 327]. But the US emerged from the war as by far the most powerful nation. Indeed, the changes in America's international position were profound. Up to the period leading to first world war the US had been a capital-importing nation. By the end of the war however, the US "became the world's greatest financial and creditor nation in addition to its already being the largest producer of manufactures and foodstuffs' and "had by far the largest stock of gold' [Kennedy 1992: 327]. While in 1914 foreign assets in the US exceeded by over 50 per cent private American assets abroad, by 1919 the situation

had been practically reversed [Williamson 1951:543]. After the end of first world war both the British and the French owed several billions of dollars each to the US and, more important, saw their international investment position decline rapidly in the coming years *vis-a-vis* that of the US. US foreign investment grew from a mere 6.3 per cent in 1914 to over 35 per cent in 1930, while foreign investment for Germany, France, and Britain experienced a marked decline [Lotta and Shannon 1984: 192]. Furthermore, by the early 1930s the pound-sterling was no longer serving as the key standard for the international monetary system and was replaced instead by gold – a shift which, as Charles Kindleberger has pointed out, reflected the changed status of the US in the international economy from a debtor to the European powers before the war to a creditor nation [Kindleberger 1966:207].

There can be no doubting that the US had become after the end of first world war the leading economic force in the world capitalist economy. What is often ignored or downplayed, however, is the political position the US gained in the postwar era. At the Versailles conference, Woodrow Wilson clearly dictated the terms of peace, and even though Britain, France, Belgium, and Holland did not agree with his insistence on a system of collective security rather than the traditional balance of power, America was permanently entangled in world affairs[9] – as the decision to intervene in Russia in 1919 in hope of overthrowing the Bolshevik leadership, the signing of the Washington Treaties in 1922, and the renewed intervention in Latin America in the 1920s clearly demonstrate.

Yet, while globally the US gained tremendous ground both economically and politically as a result of first world war, on the domestic front the scenario for the working class hardly changed at all. The capitalist class continued, in fact intensified, its assault against labour. The years following first world war were by far the more radical in the history of the American labour movement. Unionisation reached an all-time high, the socialist parties had hundreds of thousands of members and supporters, and socialist administrations were in power in several areas, including Berkeley, California, and Milwaukee, Wisconsin [Link et al 1987:13-18]. Over 2,660 strikes were reported in 1919, involving millions of workers from one end of the country to the other who were unwilling to accept capital's assault on their income wages [Link et al 1987:154]. That same year the country was also rocked by the 'Red Summer'[10] events – the race riots that first erupted in July in Chicago and then spread into over 25 other cities – as blacks were resisting the economic and racist assault of white capitalist America. Between 1919 and 1920, the first 'Red Scare' took place and the state engaged in an all massive effort to smash the radicalism of the American working class by arresting and deporting many thousands of labour union and socialist activists as well as organising violent attacks on strikers throughout the country [Link et al 1987: 156-58]. The working class was standing on the way of the fortune amassment of corporate and finance capital and, simply put, had to be crashed and brought to its feet.

US monopoly capitalism continued to prosper throughout the 1920s as new industrial management methods and technology were introduced that raised production to new levels. The production of automobiles experienced 255 per cent increase from 1919 to 1929, and chemical products, rubber, iron, and steel increased by an average of more than 83 per cent [Link et al 1987:168]. Accordingly, from 1923 to 1929, profits and dividends of US corporations got a boost of 62 and 65 per cent increase respectively [Link et al 1987:168]. Yet, all was not well on the US capitalist front. Agriculture entered a depression as early as the summer of 1920, a monetary recession occurred in 1921, and several thousands of banks were closed [Link et al 1987:178]. There was also a new wave of consolidation that monopolised wealth even further; thus, by 1930, the top 5 per cent of corporations were receiving 85 per cent of the entire corporation income [Link et al 1987:176]. Indeed, all throughout the 1920s, while the rich were getting richer, the overwhelming majority of Americans lived in dismal conditions. Some historians have estimated that approximately 71 per cent of American families were earning wages that were below the line of a 'decent living standard' [Link et al 1987:168].

The collapse of the stock market in October 1929, though it took capitalists by surprise, was actually forthcoming. According to Kindleberger, "business was in trouble before the crash... March was ... the peak of automobile production, which fell from 6,22,000 in that month to 416,000 in September, at the height of the stock market. The industrial production index fell after June, and the decline in industrial production, prices and personal income from August to October was at annual rates of 20, 7½ and 5 per cent" [Kindleberger 1973:117]. The agricultural sector, still quite significant in its impact on the US economy, had been in a state of depression since 1920 and "farm incomes ceased to rise after 1925..." [Kenwood and Lougheed 1992:224]. Residential and non-residential construction had been in a state of slump since the early 1920s and begun to decline after 1925 as well [Kenwood and Lugheed 1992:224]. Throughout the 1920s income inequality was growing at a tremendously rapid pace. Between 1920 and 1929 the top 5 per cent of the population increased its share of the national income from 24 to 34 per cent [Duboff 1989:87]. The failure of thousands of banks before the crash pointed to the severe weakness of the American banking and financial system. But the ruling class is always the last to grasp the contradictions of the anarchic profit-driven system of capitalism.

In view of all the above, and given the dominant role of the US in the international economy, the causes for the Great Depression of the 1930s that followed immediately after the Wall Street collapse had, in all likelihood, much more to do with the state of the US economy than the nature of the international economy. The Depression nearly forced capitalists to close shop for good as the contradictions of production and consumption in the capitalist system exploded at once and with the biggest bang in the economic history of capitalism. Industrial production fell by over 50 per cent in 1932; salaries decreased by 40 per cent; manufacturing wages declined by 60 per cent, over 2,000 banks closed involving several billion dollars, and one-fourth of the labour force was unemployed [Link et al 1987:228-30]. Between 1929 and 1933 there was a 54 per cent drop in the total national income [Chandler 1970.25]. Gross private domestic investment declined by 89 per cent [Chandler 1970:20]. During the period between 1930 and 1941 "actual GNP was nearly 25 per cent below the economy's potential [Chandler 1970:4]. Farmers suffered the most extensive damage due to the Depression as gross farm income dropped from $ 11.9 billion in 1929 to $ 5.3 billion in 1933 [Chandler 1970.229]. International trade and commerce also collapsed and political upheavals throughout Latin America in the 1930s threatened US hegemony in the region. Furthermore, the policies of the New Deal implemented by Roosevelt in 1934 (the National Recovery Act and the Agricultural Adjustment Act in particular), provided very little substantive relief to the economic suffering of the American masses at the time and the economy did not begin to show any signs of recovery until 1939, when the GNP regained its 1929 levels [Duboff 1989:91]. Unemployment, which peaked over 24 per cent between 1932 and 1933 [Chandler 1970:5], never fell below 19 per cent before late 1940 [Chandler 1970:91]. Thus, as at least one American historian has written, the New Deal "never demonstrated that it could achieve prosperity in peacetime" [Leuchtenburg 1963:346].

What brought the US economy out of the Depression, and what in essence saved capitalism, was the second imperialist world war. The mobilisation of the economy through military spending provided the impetus to economic growth and expansion which otherwise was missing from the

structures and mechanisms either of free market or welfare capitalism Indeed as Richard Barnet put it second world war turned out to be the greatest single American success of the century Beyond the much needed economic stimulation it provided, the war fulfilled an important psychological need by giving a common purpose to what in 1940 was still a country threatened with serious economic unrest [Barnet 1973 45 46]

II
Era of Global Hegemony

Two global wars in the 20th century have been terribly beneficial to the US While first world war turned the US into a major power in world affairs second world war elevated the US to an absolute dominance of the world capitalist order Only the US emerged from the second world war stronger than it went into the war It was the only capitalist imperialist power with the ability to reconstruct and maintain world capitalism The European imperialist powers including Japan had suffered enormous destruction and their economies lay in ruins The situation in the Soviet Union as the systemic adversary to international imperialism did not fare any better In fact the Soviet Union had borne the major cost of the war with some 30 million dead scores of large cities levelled and thousands of towns and villages smashed A US intelligence report in 1945 surveyed the military capacity of the Soviet Union and concluded that its deficiencies were so severe that it would not be able to fight another major war for at least 15 years [Fleteher 1985 27 28] George Kennan in his long telegram in 1946 also reported that gauged against the western world as a whole Soviets are still by far the weaker force [Paterson 1984 297] Yet such reports did not stop the US from designing and implementing a grand strategy of power projection in the name of Soviet containment The alleged Soviet threat provided the pretext for the outburst of US imperialist aggression and domination in the post war era which was responsible for almost 50 years of hot and cold wars the death of millions of people and eventually culminated in the supremacy of western capitalism and the overthrow of socialism

The reason the US emerged from the war as the dominant global power was aptly summarised by Gabriel Kolko 'no major power sacrificed less of its blood and material wealth during second world war than the US [Kolko 1968 618] War time production and a new long wave of technological innovation had pulled the US economy out of the depression to become the world's industrial giant by the end of the war During the war years the US GNP grew by over 50 per cent, while that "of Europe as a whole had fallen by about 25 per cent [Kennedy 1992 368]. From 1940 to 1944, US industrial production grew at an average rate of 15 per cent per year, which was faster than any period before or since' [Kennedy 1992 358] From 1939 to 1945 manufacturing production increased 96 per cent agricultural production 22 per cent and transportation services 109 per cent [Link et al 1987 340] The US global share in manufacturing (as well as in mining) jumped from 42 per cent before the war to 62 per cent in 1946 [Itoh 1990 29] By the end of the war the US concentrated almost two thirds of the world's gold reserves [Kennedy 1992 358] Indeed, as Paul Kennedy observes regarding America's economic status in the aftermath of the war the world was its oyster [Kennedy 1992 358]

The end of the war also found the US with historically unparalleled military power Its arsenal included among others 1 200 major warships 2 000 heavy bombers 1 000 B 29s 12 5 million service personnel [Kennedy 1992 368] and an atomic monopoly that lasted until 1949

Armed with the mightiest military power and driven by the needs of corporate and financial capital and with anti communism as its banner the US imperial state proceeded to construct a global order on the principles of liberal internationalism under US hegemony The immediate project of the new emperors was to open the world to US goods and finances and rebuild those parts of the world where access to markets and investment sites could be assured In 1944 at the Bretton Woods Conference the US established the International Bank for Reconstruction and Development (World Bank) and the International Monetary Fund (IMF) The purpose of these two so called international institutions essentially instruments of power in US foreign policy was to provide loans to war torn European nations and promote private foreign investment (World Bank) and to secure access to global markets by reducing foreign exchange restrictions (IMF) The overarching goal of the World Bank and the IMF was to integrate nations into the system of world capitalism and thus counter the threat of socialist development [1] Essentially the Bretton Woods system rested on four pillars (a) an adjustable peg regime (b) a formula of subscriptions and quotas that would ensure an adequate volume of monetary reserves (c) a code of action' on currency convertibility and (d) an institutional forum for co operation on monetary issues [2] The US also organised the General Agreement on Trade and Tariffs to encourage free trade on US terms

In addition the US introduced a massive economic aid programme, the Marshall Plan, to prevent another depression and the collapse of capitalist Europe The dilemma faced by the US after second world war was that the purchase goods for the reconstruction of their economies This problem was referred to as the 'dollar shortage' and reflected the vast gap between US export and import values since 1945 The Marshall Plan was a way of providing dollars to the Europeans so they could buy US goods and open up their economies to US investors The Marshall Plan served above all the interests of corporate America which is why all the chief executive officers of US leading corporations - General Electric General Motors Merrill Lynch J P Morgan and Chase Bank supported the programme [Barnet 1973 152]

Similar aid programmes were implemented later to the countries and regions of the third world Between 1946 and 1979 the US disbursed $ 235 billion in aid $ 134 billion for economic purposes and $ 101 billion for military purposes Loans constituted 33 per cent of the economic aid and 15 per cent of the military aid Over the years the preponderance of aid and loans went to countries that were particularly relevant to the cold war struggle with the Soviet Union After the first decade when aid went primarily to Europe countries in Asia such as South Vietnam Taiwan and South Korea were targeted for aid as were Middle East and Persian Gulf countries such as Israel Iran and Pakistan [US Department of Commerce 1980 867 70] Foreign aid was (and remains) a way for the US to increase its power over other nations as well as to serve the interests of the business world by making countries dependent on American companies Aid represents a structural relationship between the advanced capitalist world and the third world and is an integral part of imperialist exploitation [3] Foreign aid is a strategy pursued by the imperialist powers because it causes structural dependence of the state on processes of private accumulation which encourages a form of integration into the capitalist world economy that prepares a way for penetration by international capital [Wood 1980 6 1986]

The combined effects of US foreign assistance programme and the pressures of the IMF and the World Bank translated into big gains for multinational corporations and banks The value of US exports rose from $ 10 billion in 1950 [US Department of Commerce 1951 817] to $ 143 in 1978 [US Department of Commerce 1979] Also US direct foreign investment grew from $ 13 billion in 1950 [US Department of Commerce 1952 827] to $ 220 billion in 1980 [US Department of Commerce 1983 823] The percentage of corporate investment in foreign operations doubled by the late 1970s over such investments in the 1950s because rates of profit were typically much higher for foreign over domestic investments [Weisskopf 1972 430]

Having prepared the ground for smooth international economic exchanges, commerce and trade, the US imperial state took immediate steps to protect its control over the world economy by embarking on a policy of militarisation and nuclearisation structured around an entangling alliance of western nations the North Atlantic Treaty Organisation (NATO), and creating a world-wide network of military bases diplomatic ties, intelligence operations, and propaganda activities The commending guide behind the militarisation of the global struggle of the US for hegemony was the Truman Doctrine Invoked in 1947 in reaction to developments in Greece in particular where communist forces were engaged in a civil war against fascists and the monarchy the Truman Doctrine declared that the US had the right to intervene in order to protect free peoples from communist subversion That the side the US chose to intervene in the Greek civil war on behalf of was collaborating during the war with the Germans, or that the com munist movement in Greece had broad based popular support among the people th oughout the country the Truman administration chose conveniently to suppress from the American public as it sought to gain support for its global militarist agenda

The Truman Doctrine had dramatic effects both on America and the world It created a police state generated in anticommunist hysteria that led to McCarthyism [11] was applied to Korea and produced countless of covert military operations and counter revolutionary strategies throughout the third world as well as in eastern Europe In the 1950s it led to more military alliances and brought about sharp increases in defence expenditures the US defence budget increased from some $ 13 billion in 1950 to over $ 48 billion by late 1951 a total increase of 257 per cent [Gaddis 1982 113] Under the Eisenhower administration the US supported Korea s army at a cost of $ 1 billion per year and was financing 80 per cent of the costs of France s war in Vietnam [Graebner 1984 182] When the US decided in the early 1960s to become militarily involved in Vietnam the only war the US ever lost and which costed the American economy between 1965 and 1971 an excess of $ 120 billion [15] the policies were still framed in the context of the logic behind the Truman Doctrine

Between 1945 to the end of the 1960s the US ruled the capitalist world virtually uncontested Its military capacity, economic dominance, and worldwide network of clandestine intelligence operations left the US as the only power with the ability to dictate policies on its own terms The US took it upon itself not only to single-handedly rebuild both Europe and Japan but also to challenge any threats to capitalism – the Soviet Union, communist movements, nationalist regimes and national liberation movements Superimperialism is the term to describe the political and economic configuration of the world capitalist system in the years following the end of the second world war as no other capitalist imperialist power could contest US global economic, political, and military supremacy

Domestically the period between 1950 and 1972 represented the 'Golden Age in the evolution of US capitalism With a world trying to recover from the devastation of the war, and with the discovery of the Keynesian doctrine of peacetime monetary management the U S economy experienced unprecedented levels of prosperity Between 1947 and 1972 the GNP grew at an average of 3 7 per cent per year [Duboff 1989 111] and there was an 80 per cent increase in per capita real disposable income [Duboff 1989 93] By 1959 agricultural output was 25 per cent higher than what it was in 1949 [US Government 1960 27] Throughout this period the US was the leading country in per capita gross domestic product [Bowles et al 1990 463] Nevertheless, what is most remarkable about this period is that in spite of the overwhelming edge the US had in the world economy its economy was never free from economic recessions and unemploy ment The first post war recession between 1948 49 saw unemployment rise from a low 3 4 per cent in 1948 to over 6 0 per cent early in 1950 The unemployment rate did not fall to its 1948 level until 1953 after a few years of sharp increases in defence spending Yet unemployment rose again to 5 8 per cent between 1953 54 due to an econo mic recession that lasted for 13 months In 1958 after three years of economic expan-sion unemployment climbed back up again to a high 7 5 per cent and industrial production drops 13 per cent between mid 1957 58 [16]

The recessions of the 1950s proved that capitalism is incapable of maintaining sustained economic growth for a prolonged period of time and that no matter how advantageous the economic circumstances are unemployment is a problem that it can never resolve Massive military spending was the primary stimulus to the economic growth of the 1950s and the 1960s Between 1947 and 1970 some $ 1 100 billions were expended for military purposes [Melman 1971 3] Numerous studies indicated, furthermore, that once the war stimulus ended, the economy reverted to slow growth' [Duboff 1989 99] [17]

Finally the period of US hegemony between 1945 and 1973 did not mean that the world had subjected itself totally to the order of Pax Americana The Chinese Revolution in 1949 was a severe blow to the interests of global capitalism and opened up a new era in the history of international socialism The consolidation of the socialist bloc in eastern Europe by the early 1950s was yet another major setback in the struggle of US imperialism toward complete global expansion and conquest During the 1960s the world saw a growing opposition to US imperialism and revolutionary ferment was spreading rapidly around the third world, with the Cuban Revolution in 1959 serving as a model for many Latin American anti-imperialist movements in particular Further, while the US involvement in Vietnam deepened, political instability at home and opposition to the war also threatened US hegemony The civil rights movement, the anti-war movement, and growing tensions in capital-labour relations were putting extra pressure on capitalist accumulation [Gordon et al 1987 43-57] Indeed, by the late 1960s it was becoming apparent that the US economy was entering a crisis and that the base of its global hegemony was being eroded Because of the high cost of the Vietnam war signs of movement toward economic stagnation surfaced, including higher inflation and unemployment rates Capitalist competitors were also now gaining ground on US manufacturers as West Germany Japan and France had rebuilt their economies and were becoming actively involved in the struggle for international markets Finally after the Tet offensive in 1968, the Vietnam war had clearly become a military sinkhole' [Ferrell 1988 358] and the obstinance resistance of the Vietnamese people showed the world that US imperialism was not indefeatable The anti-imperialist struggle of the Vietnamese people and of all the millions of people throughout the world resisting US hegemony proved that the struggle for justice and self determination can defeat even history's most powerful empire

III
Crisis of US Imperialism

Since 1973 the US economy has entered a major economic crisis (along with the rest of the world) of the magnitude that beset the economy from 1870 to 1890 and from 1929 to 1941 The contemporary crisis is associated with the collapse of the social structure of accumulation that was institutionalised the years following first world war [Bowles et al 1983, 1990] [18] and, while the instability caused by it will not in itself bring about the collapse of the capitalist system, it has led nonetheless to the breakdown in US hegemony The framework of the accumulation of capital after the second world war was based on the following conditions (1) the absence of inter-imperial rivalry, (2) a long wave of industrial technological development, (3) a cheap supply of primary products (especially oil) from the third world and the Middle East, and (d) labour accommodation [Itoh 1990 27-45] The collapse of the social structure of accumulation was brought about

by significant changes in economic conditions the resurgence of intercapitalist competition, new technologies the shift from industrial capital to the ascendancy of financial capital and capital-labour conflict in the late 1960s and early 1970s

The economic decline of the US can be easily established as early as 1970 This was largely due to the emergence of the Europeans (Germany and France in particular) and the Japanese as economic competitors Since the early 1960s the other major capitalist nations had been registering rates of productivity growth much higher than the US While the rate of productivity growth in the U S was 1 9 per cent per year between 1963 to 1973 it was 8 7 per cent for Japan 4 6 per cent for Germany 4 6 per cent for France 5 4 per cent for Italy and 3 0 per cent for Britain [US Government 1980 85] The facts about the economic decline of the US are revealing In 1950 the U S produced 51 per cent of the world s crude petroleum by 1970 it produced only 21 per cent In 1950 the U S produced 46 per cent of the world s steel in 1970 only 20 per cent In 1950 the US produced 35 per cent of the world s coal in 1970 26 per cent Even the production of wheat declined from 17 per cent to 12 per cent The U S share of the world exports also declined during the same period from 17 per cent to 12 per cent [Perrucci et al 1988 15 16] In addition in 1950 the GDP of the U S was 40 per cent more than that of France West Germany Italy, Japan and England combined [Szymanski 1975 66] In 1972 the combined GDPs of these five capitalist nations had risen to the point that it was now almost equal to that of the U S [Szymanski 1975 66] In 1949 the US had in its possession $23 4 billion in gold by 1971 it held only $10 1 billion in gold [Marmelstein 1975 13]

With the decline in the US share of world exports which was simultaneously accompanied by a sharp rise in imports the US balance of payments reached a record deficit of $30 billion in 1971 [U S Government 1972 113] In 1972 the US imported $ 4½ billion more in goods and services than it exported [US Government 19 3 115]

Reflecting changes in the world economy which produced a disequilibrium in world payments the US announced on August 15 1971 the suspension of the convertibility of the dollar into gold held by foreign monetary institutions and thereby bringing to an end the post war international monetary arrangements established at the Bretton Woods conference in 1944 The suspension of the convertibility of the dollar into gold was announced by the US without consulting with its allies a clear testimony to the fact that Nixon and the US foreign policy elite in general still regarded the US as the power upon which the rules of the international system depended

The 1970s were characterised by instability, inflation, unemployment, and stagnation Sharp declines in productivity growth were experienced by all the advanced capitalist countries Between 1973 and 1979 the rate of productivity in the U S was 0 1 per cent per year [US Government 1980 85] During this period the rate of productivity in the leading European countries and in Japan fell on the average by half yet it still remained higher than the U S rate of productivity growth for the period 1963 to 1973 Thus the rate of productivity of America s economic competitors was higher than that of the U S both during the 10 year period between 1963 and 1973 as well as during the first six years since the eruption of the 1973 crisis

Growth of real GNP in the OECD countries fell to zero in 1974 [U S Government 1975 187] This was partly due to the oil crisis that erupted in October 1973 and January 1974 when the Organisation of Petroleum Exporting Countries (OPEC) raised five fold the price of crude oil over September 1973 which caused huge current account deficits in all oil importing countries but also due to the general slow down in economic activity that emerged in the late 1960s [U S Government 1975 188] Immediately following the oil crisis the capitalist economies fell under the grip of stagflation an economic phenomenon that combines high levels of inflation and unemployment at the same time Unemployment in the U S reached 7 2 per cent in late 1974 and the consumer price index rose 11 per cent [U S Government 1975 86 130]

While the oil crisis affected severely the entire capitalist world it was the third world that suffered the most as most of those countries were forced to increase their borrowing from international financial institutions and private banks in order to maintain their own economic development projects and hence going even deeper into debt OPEC assistance to the third world was minimal The overwhelming share of OPEC profits reflowed into the credit markets and the banks of the advanced capitalist world In 1974 $ 11 billion out of a $ 60 billion OPEC surplus in oil profits found themselves in the US [U S Government 1975 195] Indeed one of the most profound developments in the world economy in the 1970s was a dramatic increase in private international banking activities with US banks playing the leading role In 1960 there were 8 US banks with 131 branches and $3 5 billion in assets overseas By 1974, there were 129 U S banks with 737 branches and $ 155 billion in assets abroad James Hawley reported that the total assets of all US commercial banks in 1960 were $ 255 7 billion in 1967 they were $ 448 9 billion and in 1974 $ 872 billion Furthermore he estimated that while domestic assets grew by 3½ times during this period, foreign assets increased by 42 times [Hawley 1978 130]

US capital was becoming more internationalised during the 1970s than any other time since 1945 From this point on, and because of the entry of new global competitors, the US imperial state looked increasingly more toward the organisation of capital markets and the facilitation of global financial operations in general rather than industrial development around the world The burden for this new economic global activism was to fall on the domestic economy

As the 1970s were coming to a close the U S economy was ever tighter under the grip of stagflation as oil prices had more than doubled in 1979 In 1980 the unemployment rate was still 7 5 per cent the inflation rate was 9 per cent and growth in real GNP registered 0 6 per cent [US Government 1980 160] The problem of capital flight already a decade old was getting worse and factories were closing down throughout the country The US was rapidly deindustrialising [Bluestone and Harrison 1982] and converting itself in the process into a service oriented economy with the non productive and financial sector of the economy gaining the upper hand over industrial capital Concomitantly US investments overseas continued their upward trajectory In 1965 total U S direct foreign investment (DFI) was less than $50 billion but in 1975 US DFI rose to $124 billion and in 1980 to $213 billion [Harrison and Bluestone 1988 26]

Rates of profit from DFI grew from $ 5 2 billion in 1965 to more than $ 424 billion in 1980 [Harrison and Bluestone 1988 26]

In the era of the internationalisation of capital a process of capital disinvestment in the domestic economy and capital flights to areas of the globe where the rate of profit was greater had become the operating framework of US capitalism The outcome was huge profits for the multinationals and the banks and long-term unemployment declining living standards and growing poverty for the working class

During the 1970s US imperialism was faced with many critical challenges Vietnam, Laos, revolutionary ferment in the third world, including the call for a New International Economic Order, the seeming vibrancy of the socialist countries, and declining economic power were forcing the world's most powerful empire into the defensive In such a climate, the US imperial state embarked on new strategies to enhance the capacity of the US to maintain control of the global political economy The new strategy worked out in Washington in 1972 was detente a policy designed to gain co operation from the Soviet Union on issues

time, but it is stated that if later on private finance is prepared to take over these industries, state ownership may be replaced by private ownership. However, it is essential in the public interest that the state should retain effective control over them. Moreover, in sharp contrast to current positions on the plan and the market the document states clearly that the distinction between 'capitalism' and 'socialism' is overdone and that no economic organisation can function effectively or possess lasting qualities unless it accepts as its basis a judicious combination of the principles associated with each school of thought [Baru 1995].

Although the state set out to create the basis for an independent capitalist economy, in practice it was forced to accommodate foreign capital to a greater extent than was envisaged in the initial plans. In contrast to Africa and Latin America, foreign capital and investment has been less prominent in India However, the Indian state had to compromise by accommodating foreign capital, in the early 1960s, under the Third Plan, primarily because of resource constraints [Singer and Roy 1993:134]. This was exemplified by industries like chemical fertilisers, where the terms and conditions including gaining access to foreign financial support, technology and know-how, and the conditions for the participation of multinationals, had to be relaxed [Dhar 1985; Roy 1990:85-99; 106-14].

The capacity of the state to carry out investment is of critical importance in realising its plans. Until the mid-1960s the Indian state was able to use a combination of taxation, domestic borrowing (at low and often negative real interest rates) and external aid based on concessional loans, to implement industrial growth. Thus, the growth rate of industrial production fell from 7 per cent between 1951-65 to 3.3 per cent between 1965-70; over 1970-77 it increased to 4.8 per cent, but again declined by 1.4 per cent between 1979-80 [Patnaik 1979:13; Harris 1983:16]. Since the mid-1960s the rate of growth of some industries has been negative. The sharp deceleration in industrial production was accompanied by unutilised capacity in a number of industries, stagnation of investment, shortage of foreign exchange and imports of foodgrains [Government of India, Fourth Five-Year Plan (1969-74):3].

A combination of explanations, rooted in India's political economy, contributed to the Indian state's inability to combat industrial stagnation. This throws light on the constraints which confront attempts through collective action to change state policies.

The first explanation places blame squarely on state intervention in the economy and calls upon market forces to govern economic activity. The 'neo-liberal' school of thought has been a major influence in moulding this approach. Comparisons between India and the 'market paradise' within which east and south-east Asian economies are said to function, show India in an unfavourable light. The public sector in India has been attacked for being 'flabby' with 'labyrinthine' controls on private industry [Roy 1984:56].

The second explanation centres on the nature of public investment and the structure of demand. A decline in public investment, a skewed distribution of demand and insufficiency of agricultural growth have been major contributory factors. In the first case, the fall in state investment, brought about by a shortfall in external resources, coupled with inability to tap domestic resources, have been of key importance [Roy 1995]. Backlogs in power generation, constraining transportation and fuel, have emerged [Rubin 1985:945]. Secondly, the pattern of income distribution and its consequences for consumption and saving, have slowed down and limited the scope of stimulating production of industrial goods. Lack of adequate agricultural growth has also inhibited the role of this sector in stimulating demand for industrial goods. These problems require exploring the relationship between economic policies and the underlying political structures [Roy 1990:88-91].

The explanations need to be seen in the context of the state, property relations and development policies. One major analysis suggests that the Indian state comprises a coalition of interests of three proprietary classes, the capitalist class, the agricultural rich and the professionals, including the white collar workers. The third class, which is not usually included among the proprietary classes, is also a part of this coalition. Intra-coalition conflicts are put forward as the explanation, in spite of a trend towards a higher savings rate, for current expenditures ending up consuming the bulk of resources and the inadequacy of public investment even in sectors as crucial as railways, power and irrigation. The diverse interests of the dominant coalition of the proprietary classes pull in different directions, and when none of them can dominate, the allocation of resources leads to a proliferation of subsidies and grants to placate all of them. This reduces available surplus for public capital formation [Bardhan 1984; Varshney 1984:1516]. Indian political economy emerges as an elaborate network of patronage and subsidies, contributing not only to the decline in public investment but also bringing about chaos with the management of the Indian public sector [ibid]. The nature of the relationship between Indian democracy and the factors which have given rise to such a coalition demand further investigation [Roy 1995]. This needs to be considered by leading exponents of the market based explanation, such as Lal, who allege that 'the dirigistic dogma,' based on the belief that the price system should be supplanted and not just supplemented has plagued the Indian economy [Lal 1988:24]. Despite the unsophisticated nature of Lal's arguments in an age avid for simple political messages, the power of such ideas should not be underrated [Toye 1985:2]. Of course, some of Lal's criticisms centring on the efficiency of government controls in developing countries, need to be explored. For instance, the state could adopt a less cumbersome and costly way of achieving its objectives, as has been supported by recent research on the Indian system of industrial licensing [Toye 1985:3-4]. Management of state activities, including the public enterprises, should not be ignored. However, the attack on the public sector has often been misplaced. There has been a failure to grasp that a large number of private units have had to be taken over by the state because of endemic sickness, exemplified by jute mills, mini steel plants, pharmaceutical and engineering units, and a large part of the textile industry. Yet, the private sector has been considered to be efficient [Bagchi et al 1985:12].

A number of fundamental weaknesses have emerged in the capacity of the state to raise adequate resources and act in the interest of the masses. Basically, the state was unable, as in the previous periods, to tap sources for public investment. This stemmed from a slowing down of industrial investment and led to disincentives for private investment given a direct relationship between public investment and private corporate investment [Rangarajan 1982:601; Harris 1983:9; Roy 1995]. The state had relied on a combination of foreign aid and deficit financing to implement public investment. Foreign aid as a percentage of GDP fell from its peak of 3 per cent in 1966-67 to a low of 0.5 per cent in 1972-73 and 0.6 per cent in the late 1970s [Ahluwalia 1985:104]. Increasing direct taxation of the propertied urban and rural classes could have compensated for the shortfall in resources. A combination of state inertia to raise taxes and the mechanisms for preventing the execution of such policies have seriously handicapped the use of fiscal instruments in encouraging growth and social justice. In this respect, agriculture which has contributed about a third of national income, has been virtually free from direct taxation. Direct tax on agriculture formed less than 1 per cent of total agricultural income, while land revenue was a flat rate levy and regressive. This has led to considerable pessimism such that "in the field of direct taxes the possibilities of raising additional resources through income taxes, corporation taxes

of arms, economics and international security To attain co-operation from the Soviets, the US begun to pay more attention to the Chinese In light of the split of the Sino-Soviet bloc at the end of the 1950s and the growing hostilities that had developed between the two socialist giants, an American-Chinese rapprochement was certain to gain the attention of the Soviets Indeed, at the 1972 Moscow summit Nixon and Brezhnev signed the Declaration of Principles, which pledged greater co-operation among the two superpowers on several key areas including 'rules of mutual non-intervention in the other power's sphere of influence and in third-area conflicts" [Brown 1983 332] However the policy of detente did not curb Soviet or Chinese influence in the third world, did not lead to a North Vietnamese withdrawal from South Vietnam (a central objective behind US openings to China), and did not stave off the pattern of the declining political economic and military power of US imperialism As a matter of fact US global strategic interests suffered additional blows in 1979 with the fall of the Shah in Iran a hitherto impregnable ally of the US and a watchman over the vital oil resources in the Persian Gulf with the coming into power of a revolutionary movement in Grenada in March and with the success of the Sandinista movement in Nicaragua in overthrowing in July Anastasio Somoza, yet another US-backed dictator and a longtime defender of US corporate interests in Nicaragua

In view of these defeats the US imperial circles decided to put an end in the late 1970s to the policy of detente and renewed the cold war Using the Soviet commitment of troops in December 1979 to save a beleaguered allied regime in Afghanistan from the reactionary forces of Islamic fundamentalism, the Carter administration increased dramatically defence expenditures, created a rapid deployment force in the Persian Gulf, established a Caribbean military headquarters, increased military assistance to countries from Pakistan to El Salvador, and ended the SALT process with the Soviet Union

The coming to power of the Reagan administration in January 1981 only heightened the intensity of the cold war Reagan militarised the US economy in a way that would have made proud the architects of NSC-68 back in 1950, a policy paper that called for commitment of 20 per cent of the GNP to defence spending in order to maintain US globalism and contain Soviet communism Demonising the Soviet Union by labelling it 'the evil empire', and proclaiming that the empire had 'surrogates' around the world that engaged in terrorism (Libya, Cuba, Nicaragua, and the Palestine Liberation Movement), Reagan and his henchmen engaged in an all out war against socialist and progressive governments and movements Through military support of counter-revolutionary movements such as the Contras in Nicaragua, Unita in Angola, and the Islamic fundamentalists in Afghanistan, US imperialism was able to inflict catastrophic damage to socialist economies in the third world and directly assist in the killings of millions of people Through clandestine operations and financial assistance to pro-western capitalist elements, US imperialism was also able in the 1980s to destabilise eastern European socialist economies and assist in their collapse

US imperialism in the 1980s marked the return of outright militarism pathological anti-communism and fervent Americanism combined with massive assaults on the working class and its institutions on behalf of corporate and finance capital Internationally the 1980s represented US imperialism's desperate but determined struggles to refashion a global empire invasions in Lebanon Grenada, Panama and the bombings of Libya were the highlights of the brutality of US imperialism Domestically, the 1980s were a decade of financial speculation corporate mergers and takeovers record breaking defence spending and huge deficits economic displacement poverty and polarisation

Given the need to respond militarily to challenges to US imperialism throughout the world and to stimulate the battered US economy U S defence outlays more than doubled during the 1980s 'from $134 billion in 1980 to almost $ 300 billion in 1988 [Hanson 1993 158] This represented the biggest increase in defence spending since the second world war with the total for the period approaching $ 2 trillion [Centre for Defence Information 1987b 1-3] Nuclear fighting alone accounted for 22 per cent of military spending between 1981 and 1987 [Centre for Defence Infomarmation 1987a 2] Nuclear weapons research rose from $ 3 2 billion to $ 10 billion [Centre for Defence Information 1987a 3] Military aid also experienced dramatic increases during the 1980s it "more than doubled each year, from $ 2 1 billion to $ 4 8 billion [Hanson 1993 126]

In light of the declining influence of US imperialism, economic aid went through a radical shift from loans to grants Jim Hanson reported that while in 1970 US economic aid was $ 1 4 billion in loans and $ 2 3 billion in grants, by 1989 economic aid considered of only $ 694 million in loans and $ 9 2 billion in grants" [Hanson 1993 135] He correctly observed that "the shift to outright grants to the less developed countries indicated the increasing imperial concern over the economic and political stability of American dominions and peripheries" [Hanson 1993 135]

Reaganism left a haunted legacy behind it and it proved that unregulated capitalism 'free markets' is even more bankrupt than Keynesianism in dealing with the problems of contemporary US economy In the course of only four years Reagan's policies converted the US from being the world's largest creditor nation to the world's largest debtor nation The last time the US was a debtor nation was back in 1914 The deficit in US merchandise trade balance went up from $ 25 billion in 1980 to $ 160 billion in 1987 [Husted 1991 205] From a surplus in his technology products of $ 25 5 billion in 1983, negative numbers were recorded less than a year later [Merrill 1985 45], and by 1986 the US ran a $ 2 6 billion deficit for the first time in high technology trade [US Government 1989 236] As further indication of the decline in the competitiveness of the US economy under the Reagan administration, the US share of US-issued patents dropped from 73 per cent in 1970 to 52 per cent in 1987 as Japanese inventors increased their share of patents received five-fold [US Government 1989 229]

What went 'right' for the US economy during the 1980s were foreign investments By the end of the 1980s US foreign assets more than doubled the amount of assets owned at the beginning of the 1980s [Hanson 1993 145] Nevertheless, foreign investments in the US exceeded US investments overseas by $ 2 trillion [Hanson 1993 145] This development in the international financial relations of the US also represents a reversal to the conditions in 1914, causing many to decry the selling off America" [Omestad 1995 191-202]

Reagan's policies mortgaged the economic future of the American people for a long time to come While the federal debt in 1980 was $ 908 billion, by the end of Reagan's second term it had risen to $ 2 8 trillion Debt skyrocketed during the 1980s at all levels of American society as another method of Reaganomics to gain recovery of the economy was through consumption spending In this respect the 'net national saving rate in 1989 was less than 2 per cent, the lowest since the 1930s" [Wilber and Jameson 1990 107]

The attack of the Reagan administration's spite on the working class was massive and unprecedented in post-war America Real wages in the US, which had become stagnated since the early 1970s, fell in absolute terms throughout the 1980s [Cohen 1993 120] as labour was forced (under trade union leadership that had long ago become junior partners to capital and big business) to accept the logic of 'restructuring' and threatened with lay-offs if cuts in salaries, pensions, and benefits were not forthcoming Cuts in social programmes took place across the board and ketchup was classified as a vegetable in public schools [Collins 1995] With deindustrialisation in full swing and capital flight running rampant in pursuit of higher rates of profit overseas, traditional high-

paying blue collar jobs were rapidly disappearing and replaced in turn with low-wage/no benefits service oriented jobs [Loveman and Tilly 1988 46 65] Some 60 per cent of all new jobs that were created between the late 1970s and the mid-1980s paid less than $ 7,000 a year [Laxer 1989 5] Moreover, the rather paradoxical situation of fewer jobs and longer working hours became a standard feature of the US economy in the 1980s as capital was seeking to extract as much surplus out of existing labour power as possible since new hiring meant extra costs in benefits and pensions Not surprisingly poverty and crime reached a new pleateu in the 1980s and the number of homeless people in 1987 was estimated to have swollen to three million [Wilber and Jameson 1990 113] Finally under Reagan s economic policies the middle class dwindled but the total wages of all millionaires shot up 243 per cent a year [Barlett and Steele 1992 4]

The 1980s were the best of times for corporate and finance capital even though the 1990s under Clinton are shaping up to be even more prosperous Through vicious assaults on salaried workers and middle class wage earners huge tax breaks for the rich and the corporations and outright theft owners of US corporations were able to realise between 1982 and 1986 an increase of 92 per cent in profits *before taxes* and an ever greater rate of profit of 118 per cent after taxes [Harrison and Bluestone 1988 110] Indicative of the accumulation of wealth into fewer hands mergers increased by a wobbly 80 per cent between 1980 and 1986 with megamergers (those over $ 1 billion in value) being the rule rather than the exception [Leveson 1991 29 Kavier 1993] Deregulation which was supported with even greater fervour than Ronald Reagan himself by liberal democrats such as senator Edward Kennedy from Massachusetts, offered tremendous gains to monopoly capital as competition simply caused the evaporation of small business (in the trucking industry for example) and allowed capitalist predators to rip the public from billions of dollars Deregulation caused the largest ripoff in the history of US banking with the collapse of the Savings and Loans industry which is estimated to cost US taxpayers something between $ 500 billion and $ 1 trillion [Long 1993]

The Reagan policies as well as those of George Bush and Bill Clinton in the early and mid 1990s respectively can only be understood in the context of the specific economic trends and class developments taking place in the US and the global economy since at least the late 1970s The essence of the new economic framework revolves around the non productive speculative, and financial component of capital by the end of 1988 the net capital stock of financial real estate, and insurance firms was larger than that of all manufacturing industries combined [*Monthly Review*, June 1990] Indeed, by 1988 speculator capitalists replaced industrial and petroleum capitalists as the most dominant faction in the US ruling class [Petras and Davenport 1990 36] The base of operations of this class are the stock markets the international currency markets investments and pension funds The global market is their home field In this context the Gulf war of 1991 was just as much part of an effort on the part of the US imperial state to maintain the status quo as it was over oil production and concerns with disruptions of international capital markets

The financial economy' is the top priority of US policy makers in the current stage of the internationalisation or trans nationalisation of capital The expansion of US global power is driven by the aim to promote and protect financial markets The domestic economy has become a means of extracting the necessary resources to finance the global operations of capital The elimination of high-paying industrial jobs cuts in wages social programmes and benefits provide the resources through which the US imperial state supports the operations of finance capital overseas The US economy is thus shaping up as a two tiered economy a wealthy elite and derives its gains and benefits from the global economy and a labouring population that work at the minimum wage to support the international drive of capital In today s economic environment the difference in the American political system between democrats and republicans is over which side can best accommodate the interests of corporate and financial capital The ease with which Clinton backed away from his electoral promises to cut defence spending invest $ 20 billion a year over four years for rebuilding America and spend money on programmes that would directly create jobs speaks directly to whose interests he represents Clinton was backed in the 1992 elections by the largest US corporations over George Bush As president he is now repaying his debts to the masters of capital

IV
Conclusion

It has become very common in the last few years with all the talk about globalisation to treat imperialism as a movement built around international co-operation and unity and therefore to detach from it the contradictions, problems and sharp antagonisms built into the system as a whole or the effects associated with the political economy of imperialism in general [Steven 1994 271 96] The current status of US imperialism however goes entirely against such a mode of discourse as its decay as well as its continuing efforts for global supremacy is a direct expression of the economic rivalry among the major imperial powers for overseas expansion The new global economic framework that has come into the world stage constitutes a break with the past only insofar as there has been relatively little opposition to it than it has been the case in the past There are no indications of a global state' [Glyn and Sutcliffe 1992 93] (the UN has in fact been converted into an arm of US foreign policy) but only the reality of global exploitation In the context, therefore, of an ever present anarchic state system driven by different organisational units, and where the logic of capital accumulation reigns supreme competitive struggles among transnational capital, and conflict and discord among imperial states will always prevail over systematic co-operation

In the mid-1990s US global influence is of course still quite pervasive and will continue to be so for some time to come US imperialism holds preponderant military power and dictates economic life in many regions of the third world and has expanded power recently in eastern Europe It has also temporarily neutralised the ideological and political influence of socialism forced a retreat on third world nationalism and has strengthened its cultural grip on the world in a variety of disturbing ways Cultural hegemony can go a long way toward paralysing political and social change When the images of Hollywood or the sounds of hard rock and rap and hip hop music serve as the cultural stimulation of the youth around the world the force of US imperialism is alive and kicking

At the heart of these developments, I believe are the disintegration of the USSR the retrenchment of the Left the weakening of trade unions depoliticisation at the grass roots level and a sense of disempowerment owing largely to the structural changes in the workplace and a whole series of other seemingly amorphous and impersonal economic trends put out by the new wave of globalisation It is these transformation that define the new stage of the global political economy and enhance the position of US imperialism In failing to recognise this that political and social action (or the lack of it) is the determinant agent in recent economic developments we fail to recognise the possibilities for revolutionary action There is a huge gap today between the military and political power of the US and its capacity to support those forms of power economically The US economy has grown more and more impoverished over the last 20 years or so as its domestic resources are being plundered to finance global expansion To maintain the empire today costs $ 1 trillion annually And all this while the US society collapses under the oppressive weight of long-term unemployment declining living standards

sharpened economic polarisation, poverty, racism, deteriorating infrastructure, pathetic educational systems and so on. While US imperialism flexes its military muscle abroad and expands the interests of corporate and finance capital, 20 per cent of children and 45 per cent of black children in America live in poverty [US Government 1992: 150], the nation ranks almost dead last in maths and science skills among 15 industrialised countries [*Business Week*, August 15 1994] and Japanese investors are financing one third of the US government budget deficit [Hanson 1993: 145].

In many ways the US is beginning to resemble what the former Soviet Union had become by the late 1970s – a paper tiger. The current state of the political economy of US imperialism is such that there is a geometric correlation between Gulf war military campaigns and Los Angeles type of riots. It may very well be the case that the duped eastern Europeans believe still that the US will come to the rescue of their economies. But it is for the first time perhaps in modern US history that the new generation of Americans is identifying the US not by its successes but rather by its failures. The challenges now for the Left is to turn that disenchantment into political action.

Notes

1 This is the title of a recent book by Samir Amin, *Empire of Chaos* (1992).

2 Charts comparing US productivity growth with the other G-7 nations can be found in Cohen (1993).

3 The new imperialist order, which may be labelled as multinational imperialism, requires that the different imperialisms work together at times to support the whole structure of the world imperialist system and to enforce discipline among the peripheral nations, especially on those seeking to upset in any form or shape the extant framework of order. However, the different imperialisms are first and foremost competing against each other to dominate and monopolise ever larger portions of the world market. Thus, discord and conflict rather than co-operation are certain to characterise in the end future state and regional relations.

4 Advocates of this mode of reasoning and analysis are, among others, Gill and Law (1989), Kees van der Pijl (1984) and John Willoughby (1991).

5 While rather various in the way they interpret the implications of a borderless world economy, Glyn and Sutcliffe (1992) also reach the same conclusion.

6 The concept of the imperial state was originally introduced by Petras and Morley (1980, 1989) in the effort to understand not only the economic but also the political dimensions of imperialism. A good discussion pertaining to the formation of the capitalist state and its international connection can also be found in Piccotto (1990).

7 The classic Marxist work on imperialism is that of V I Lenin. First published in 1917, this work provided a composite picture of the world capitalist system in its international relationship at the beginning of the 20th century – on the eve of the first world imperialist war' (1975:3).

8 The connection between business and political elites in the so called 'progressive' era is spelled out in a rather controversial analysis about the economic developments in the US during the first 15 years of the 20th century by Kolko (1963).

9 This point is well noted in Graebner (1984), an otherwise typical bourgeois analysis of US foreign policy where capitalism and imperialism receive not even a single entry in the index.

10 This is a title used by James Weldon Johnson, a black poet and leader, to describe the 1919 race riots and is quoted in the work of Franklin and Moss, Jr (1994).

11 For outstanding treatments of the role of the IMF and the World Bank, see the works of Payer (1974, 1982). Also see Danaher (1994).

12 For a brief discussion of the origins and goals of the Bretton Woods system, see Cohen (1995).

13 One of the best analyses of aid as a means of imperialist exploitation remains that of Pierre Jalee (1968).

14 For an excellent account on McCarthyism and its effects on American society and the world, Griffith (1988).

15 For analyses of the total cost of the Vietnam war on the American economy, see McCarthy (1971) and Clayton (1971).

16 Data for unemployment rates during the economic recessions of the 1950s are derived from the economic chronology found in Mermelstein (1975).

17 Duboff's own analysis establishes a clear connection between military spending and economic growth (pp 95-101). Another study showing the same correlation and cited by Duboff is that of Vatter (1963).

18 For a recent survey and critique of the theory of the social structure of accumulation, see Kotz (1990). Within the Marxist tradition there are contending theories of capitalist crises. Ernest Mandel's (1975) was the first work to provide a detailed insight into the contemporary rise of capitalism through a revised version of the long cycles theory and remains still a powerful explanatory analysis in what I believe was when first published a work ahead of its time.

19 I do not mean to portray anti-communism as a form of pan-moral anti-communism is a political weapon that works on people's fears. See, for example, the studies in Joel and Erickson (1987).

20 A collection of essays covering the multiplicity of issues and interests involved around the Gulf war is gathered in Peters (1992).

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New Institutional Economics, State and Development

Some Conceptual and Empirical Issues

Sumit Roy

Resource allocation through the state or the market or through both has occupied major interest in economic theory and policy. Hence the role of the state and the market, the former symbolised by various forms of intervention and the latter by neoclassical economics and pricing, has preoccupied analysts. Debates have raged over 'state failure' and 'market failure' with the search for new theoretical approaches. In this context New Institutional Economics (NIE) focuses on analysing the conduct of rational individuals under various forms of market failure. Basically a social dilemma emerges when radical individualism becomes inconsistent with social welfare such that the choices made by rational individuals yield outcomes that are socially undesirable [i.e. not Pareto optimality] with market failures yielding social dilemmas. NIE professes that institutions provide the mechanisms to enable individuals to escape the tension between individual and social rationality created by the perverse incentives that produce the failure of markets. While NIE sets out to build on, modify and extend neoclassical theory, it functions firmly in the realm of scarcity and competition. An analysis of NIE for development demands a fuller understanding of the interaction between the state and development policies. This paper aims to highlight some of the key conceptual and empirical issues which impinge on NIE.

I
New Institutional Economics and Development

RESOURCE allocation through the market or the state or through some combination of both has been the focus of interest in economic theory and policy making. Hence the use of either the market based on neoclassical economics and underpinned by pricing or the state symbolised by government intervention is of major importance in understanding the process of growth and development. However both allocative mechanisms may deviate from their norms. Thus the necessary and sufficient conditions for fulfilling pareto optimum through the pricing mechanism may not be met because of imperfect markets, externalities, inability to supply particular goods and services and information deficiencies. Similarly state or government interventions may lead to allocative distortions with inefficiencies in production and consumption. Underpinning the role of the state and/or the market is the access of different classes to state power which is the cornerstone of decision-making over policies.

In this context new institutional economics focuses on the study of the conduct of rational individuals under various forms of market failure. A social dilemma emerges when radical individualism becomes inconsistent with social welfare such that the choices made by rational individuals yield outcomes that are socially undesirable [i.e. not pareto optimality], with market failures yielding social dilemmas. The core argument of NIE is that institutions provide the mechanisms to enable individuals to escape the tension between individual and social rationality created by the perverse incentives that produce the failure of markets. It builds on and modifies neoclassical economics in order to resolve the problems of market failures through allocative mechanisms such as property arrangements, private contracts, communal/community arrangements and collective provision.

Analysis of NIE can be divided into two broad approaches: first, efficiency improving institutional change through a reduction in transaction and information costs and second, the theory of collective action [Nabli and Nugent 1989]. Moreover the emphasis on the effect of an institutional change on control of surplus by a particular class also suggests that the question of efficiency improving institutional change cannot really be separated from that of redistributive institutional change. This is particularly the case when issues of collective action, bargaining power, class capacity, mobilisation and struggle in the historical process are important [Bardhan 1989]. Given that the role of the state [often referred to in the NIE literature as the 'government'] is emphasised in both the transaction costs and collective action components of NIE, both approaches have to be interrelated and complementary [Nabli and Nugent 1989].

Neoclassical institutional economists have concentrated on efficiency improving institutional change. While NIE sets out to correct market deficiencies, in an attempt to bridge differences between individual and societal motivations, it functions firmly in the realm of scarcity and competition [North 1993, Bates 1993].

Basically the assumption of Walrasian neoclassical economics that equity and efficiency are separable breaks down when transaction costs and imperfect information are important. The terms and conditions of contracts in various transactions which directly affect the efficiency of resource allocation now depend crucially on ownership structure and property relations. Institutions which can lower transaction costs are the key to performance of economies. Costs of information, negotiation, monitoring, co-ordination and enforcement of contracts [Bardhan 1989]. If institutions are defined as those rules, norms and customs and their enforcement characteristics which define rights and responsibilities in economic transactions, no one can dispute that it is important to analyse how differences in economic organisation are shaped by political, social, cultural, religious and legal conditions, i.e. by factors commonly referred to under the rubric of 'institutions' [North 1993, Bates 1993].

The interaction between institutions and organisations lies at the core of NIE. Institutions focus on rights and obligations in economic transactions while organisations [economic, social, political] which integrate the interests of different groups, shape and are in turn shaped by institutions. A change in relative prices under neoclassical institutional economics makes relative price changes the driving force behind institutional change in history.

The creation of property rights embodies a major response to the problems of external effects, making it in the private interests of maximising individuals to make socially appropriate production decisions.

NIE professes to offer a radically different development policy than those of either traditional development economists or orthodox neoclassical development economists. Neoclassical economists have assumed implicitly that institutions do not matter and that 'getting prices right' should guide policy. However "getting prices right" only has the desired consequences when you already have in place a set of property rights and conferment that will then produce the competitive market conditions [North 1993].

As a result of the creation of property rights the producers incur financial costs or reap financial benefits. The overlaying of market relationships on top of the physical relationships provides economic incentives for the agents to take into account the external or social impact of their production decisions. Public goods also constitute a source of market failure. In this case interdependence exists not between the production functions of firms but rather between the utility functions of individuals, if its consumption by one individual does not diminish the utility derived from its consumption by another the consumption of the good is non rivalrous and its provision non excludable. People basically fail to finance as much as they truly desire.

The theory of collective action is shaped by individual motivation with the self interested individuals undertaking action which can benefit them collectively. Collective action poses critical questions on the relationship between interest groups and the state. The state may be playing a mediating role positively responding to interest group pressures and in turn the need to evaluate the relative influence of different groups. But frequently the state and its agents are not neutral and passive bystanders in the process of group interaction giving rise to a positive theory of rent seeking. Interest groups may use different means to accomplish their aims. Thus interest groups can use the state to fulfil their sectional demands by influencing voting patterns, legislation and regulating agencies, administrative budgets, rules and judicial decisions. Moreover the theory of rent seeking has been developed and applied to developed countries within an institutional framework of responsible government but developing countries have been characterised by autocratic governments and bureaucracies. This implies that the theory and its predictions can be transferred to developing countries [Nabli and Nugent 1989].

The actions of the state can affect transaction and information costs and hence choice of organisational forms and types of controls. Different groups or agents have the incentive to organise themselves in such a way as to influence those state decisions in the protection of their interests.

Individuals or groups who may find existing institutional alternatives or macro rules or other institutions inefficient or inequitable or both can engage in collective action to bring about an improvement in the situation.

The critiques of NIE have posed questions on its relevance and its application. This includes issues such as its role at the micro and the macro level, in the short and the long term, and the need to grasp more fully the ways in which the state can thwart or advance the process of socio economic change. It has been claimed that NIE can have a wide and varied range of application to the micro or sectoral development problems, but it is limited in terms of its usefulness as a grand theory of the development process in its optimising only for the present or the short term, and even at micro or sectoral level it may abstract from requirements of future development [Toye 1993: 17-18].

It may be realistic to argue that NIE provides a framework for enhancing the efficiency of markets while the state plays a supporting role by regulating, mediating and intervening to reform institutions not subject to market pressures [Toye 1993: 16]. But an understanding of real life economies demands bringing institutions and power relations into formal models [Basu 1986]. Moreover, while the state can create a favourable environment in which markets can function, this captures only one dimension of the role of the state which encompasses a wide range of interventions to shape the development process. In this respect, there are major doubts about the extent to which Public Choice Theory has contributed in a decisive way to an increased understanding of the role of the state and of institutions in the economy. The theory offers no solution to the critical question of how to incorporate the state in a theory of economic development, repeating an old and familiar story that government intervention is a brake on the efficiency of the market and hence should be kept to a minimum. The empirical evidence of this dogma is weak. In order to trace the causes and origins of this intervention in the economic sphere an analytical framework which goes beyond the boundaries of those theories has to be developed [Gunnarsson 1993]. NIE claims to extend economic theory by incorporating ideas and ideologies into the analysis, modelling the political process as a critical factor in the performance of economies as the source of the diverse performance of economies and as the explanation for inefficient markets [North 1993]. Thus to grasp more fully the relevance of NIE in resolving problems of development it is essential to confront the nature of the interaction between the state and development policies.

II
State and Development: Indian Experience

Section I emphasised that the analysis of NIE cannot be divorced from the role of the state in development. This demands confronting the socio economic forces which inhibit or advance state policies. In this context this section using India highlights first state intervention in the agricultural sector in the context of various forms of exchange relationships and second ways in which property relationships impinge on state policies under industrialisation and liberalisation.

Recent studies on neo-liberal policies rooted in neoclassical economics, at the global and the domestic level express doubts about such policies creating a firm basis for sustainable growth. The virtues of the neo liberal approach cannot be divorced from analysing more closely the quality of state actions which is intertwined with questions on access to and use of, state power. Current debates on understanding more fully the interaction between the state and the market must be conducted in this frame [Singer and Roy 1993: 164-65]; this can also be extended to the study of NIE which tries to resolve the problems of market failure.

Many studies unfold the domination of the Indian state by the major propertied classes. In this context debates have raged over class in itself, class for itself and class action embracing the division of society on the basis of control over productive forces and its implications for organising action to maintain and further class interests [Byres 1988 (a) (b)].

This has emerged against a background of changing relationship between the centre and the states with far reaching economic and political implications [Sathyamurthy 1989]. Some have considered interest rather than class as the basic motivating and organising principle of political economy attaching more significance to caste, tribe, status group, religion and linguistic factors. The notion of interest groups is composed of organised interests and demand groups. Interest groups embrace a voluntary association of individuals who band together to move public policy in a particular general or specific direction. The Indian state is seen as operating independently of the interaction of class forces and is a 'state in itself' [Rudolph 1988]. This thrust has been severely criticised for being divorced from the relations of production and property rights [Byres 1988(b)]. Of course at the level of political organisation, factors such as caste or religion may block or frustrate class action, and may necessitate the use of supporting mechanisms to challenge economic, social or political injustices.

NIE has been posed in the context of contractual choice within the agricultural sector embracing contracts between different owners of inputs used in production [Bardhan 1989] The forms of contracts have covered fixed rent contracts wage contracts and share contracts These have been paralleled by contractual relationships over exchange of outputs The nature of property relations within the agricultural sector does clearly have implications for the terms and conditions of exchange and ways in which the contractual arrangements can be changed The state can also play a major role in moulding this process

In this context property relations have influenced, and been influenced by state policies to accelerate agricultural productivity through attempts to revamp agrarian relations through land reforms (and spreading irrigation) in the period immediately after independence and subsequently (from the mid-1960s) through green revolution technological strategies with minimal disruption to the prevalent land relations This experience has important implications for attempts to either change rural property relations or use collective action to improve the conditions of the poor

The Indian state set out to create new property rights through land reforms, to displace specific groups who had acquired property rights in the colonial period, by new groups who could increase agricultural productivity Thus following independence the reforms focused on eliminating the intermediaries between the state and the peasants, the zamindars who were seen as the principal culprits in bringing about agricultural stagnation from the close of the 19th century onwards The large semi feudal landlords (the zamindars and the jagirdars) and the absentee, non-cultivating landlords were exposed to the reforms However the main beneficiaries of the land reforms were the rich peasants, who reinforced their status as independent proprietors and emerged as the new dominant class in the agrarian structure [Roy 1990 49-50, Byres 1981 420-21] The 1950s witnessed a mass eviction of tenants because of the fear of future land reforms Efforts were made to secure as much land as possible for personal cultivation Tenanted land also passed from the poor to the rich peasants Traditional sharecroppers continued to exist on an extensive scale The conditions of the landless labourers may have actually worsened in some areas [Byres 1981 424] The reforms made modifications at only the upper end of the agrarian structure, such that land tenure remained highly inegalitarian, with implications for power relations While, the large feudal landlords [zamindars and jagirdars] and absentee, non-cultivating landlords suffered a blow as a result of the reforms a small group emerged who were 'ripe for transformation into capitalist farmers [Byres 1981 423]

The land reforms set the frame within which the adoption of modern technology took place in the mid-1960s, and gave rise to critical questions on competition between industrialists and rural landlords for state power Inadequate growth of food production and the need to depend increasingly on food imports were major pressures behind the need to adopt technology to boost output per acre This was underpinned by the limits of land reforms and inability to extend land for cultivation External agencies such as the Ford Foundation, which had a major role in advising the government of India's food strategy in the late 1950s emphasised that land reform was not to discourage the development of a progressive group of cultivators with middle sized holdings Modern technology was based on key biological and mechanical inputs including new seeds chemical fertilisers and irrigation through tube-wells Specific strategies started emerging in the early 1960s through the Integrated Agricultural Area's Programme (IAAP) and the Integrated Agricultural District's Programme (IADP) in specific regions of the country with given pre-conditions [Roy 1990 56-58] The culmination of the technological thrust was the 'green revolution' in 1965 This concentrated on regions such as Punjab west Uttar Pradesh, Haryana and Tamil Nadu and was based on high yielding variety of seeds for wheat and rice chemical fertilisers and controlled irrigation through tube wells The 'green revolution aroused economic and socio political anxieties in the context of an agrarian structure characterised by sharp inequality [Roy 1990 58 59]

The experience of this strategy reveals the ways in which the state, coupled with the market, can create the infrastructure and supporting institutions, to ensure that technology to increase farm productivity can be adopted and used profitably The state set up institutions which enabled agricultural research on technology-based farming and made provision of technology and credit, and price support for output The technologies carried critical implications for scale and divisibility of technology and agrarian relations Biological technologies such as seeds and chemical fertilisers were divisible. This was not the case with mechanical technologies like tube-wells but their using time was divisible Hence, in theory, the technologies could be adopted by any peasant irrespective of his farm size In practice, the large peasants tended to acquire technology both through the state institutions and the markets on more favourable terms than small peasants This enabled them to reinforce their dominance over marketed surplus and hence their power at the village level The evidence after the adoption of modern technology suggests very strongly that the small peasants were unable to retain their former advantage (in terms of having a higher productivity per acre than large peasants) with a breakdown and even a reversal of the pre-technology inverse farm size-productivity relationship Technology did not exist in a social and political vacuum but was appropriated by specific classes and used to intensify their class interests [Byres 1981 416] The 'green revolution gave rise to questions of inter-regional and inter-class equity [Roy 1990 59 121-24, Byres 1981 408-19]

The functioning of the state institutions and the markets for technology and inputs throws light on the role of formal and informal exchange relationships Case studies in western Uttar Pradesh show that allocation of credit and technology (e g, fertilisers) through state parastatals, and in particular co operatives, was governed by formal rules, regulations and procedures which were agreed by all the members In practice, however, three key findings emerged in the relationship between the state institutions and the peasants First, self-exclusion by some of the peasants arising from risk aversion led to the denial of institutional benefits Second, the formal stipulations demanded the fulfilment of security requirements, extending support to those who were in a strong economic position in the villages Third, the power relationship in the villages was mirrored in the capacity of the peasants to enforce their legitimate rights over their share of institutional credit and technology In consequence, the small peasants were unable to bargain as forcefully as the larger peasants [Roy 1990 152 57]

Peasants turned to the markets and engaged in informal forms of exchange to compensate or complement their requirements for technology and credit Allocation of scarce resources in perfect market conditions is based on the operation of demand and supply which establishes an equilibrium price But imperfections in the market can give rise to deviations from this principle, with non price factors influencing exchange Formal markets can be conceived as those which are sanctioned by the state, although it can try to intervene in the transactions Informal exchange took place over land, labour services, credit and technology These were interlocked and interdependent While such forms of exchange are not sanctioned by the state, but are a product of decisions made by individuals, the state can choose to intervene and redress the terms of exchange [Roy 1990 167]

Case studies reveal that the roots of some of these forms of exchange can be traced to colonial policies, emanating from pressures on the peasants to meet subsistence needs and rent revenue and tax demands of the colonial state Thus transactions emerged between peasants and suppliers of credit and technology (moneylenders traders) Peasants also entered into transactions among themselves The relative bargaining power of the different participants in the markets was mirrored in the terms and conditions of exchange over rates of interest quality and timing of credit and technology supplies Exchange relationships emerged over production credit and irrigation Colonial policies had given a sharp stimulus to such markets which enabled peasants to acquire finance to meet consumption needs The rent and revenue demands of the colonial state intensified dependency on such markets from the mid 19th century onwards The peasants had to meet their subsistence needs and fulfil colonial demands This brought about a rapid increase in indebtedness during the colonial era It was compounded by the withdrawal of taccavi or government credit which had been available previously Technology brought about an extension of exchange over credit there was a demand for production credit and cash was required to purchase irrigation fertilisers and labour services This was specially important for small peasants who were unable to take advantage of the credit institutions The state recognised the inability of small peasants of bargaining on equal terms under such forms of exchange but it was severely limited in redressing the terms of exchange if it did not simultaneously increase the supply of institutional credit Informal exchange over irrigation embraced relationships among the peasants themselves between those who owned tube wells and could therefore sell water and those did not own tube wells and had to purchase water from the owners when supplies from the canals, managed by the state failed to supply adequate water on time [Roy 1990 169] The pattern of tube well ownership was skewed towards the middle and large peasants and hence a significant proportion of small peasants were dependent on the latter for water Markets for fertilisers functioned alongside although the state intervened through selective controls (over price and quality of supplies) [Roy 1990 167 68] But there was often a breakdown of such markets because of the inability to ensure that the transactions conformed to state stipulations Peasants were often forced to pay prices above the controlled prices and to accept fertilisers which were adulterated

In both the state institutions the formal markets and the informal exchange relationships, the poor bargaining position of the small peasants stemmed primarily from their relatively vulnerable position in the village hierarchy Such processes had critical implications for strengthening the position of the middle and large peasants, who started competing for state power following the 'green revolution' under the political leadership of Charan Singh who hailed from Meerut Uttar Pradesh and whose rhetorics voiced the demands of all peasants with a call for greater provision of cheaper inputs credit, subsidies and price support The middle and large peasants started pressurising the state to tilt policies from the urban to the rural sector and demanded more favourable agricultural policies [Byres 1988(a) Roy 1990 179] In this context the virtues of collective action through pressure groups such as the Bharatiya Kisan Union which profess to further the interests of all farmers' need to be carefully assessed Analysis of protests by such unions for instance against low procurement prices may conceal class differences within farmers [Rudolph 1988]

Industrialisation and Liberalisation

The scope of NIE in the form for instance of collective pressures to challenge industrial and liberalisation policies has to be placed in the context of struggles between the major agricultural and industrial propertied classes over access to and use of state power and state policies

An analysis of industrialisation embraces interaction between the public and the private sector (state market interaction) and various forms of state intervention including regulating and mediating and creating the desired conditions under which markets can function Industrialisation occupied major interest for planners particularly from the Second Plan onwards It was closely tied to self reliance while imports of capital goods were to be reduced within a limited time span through domestic production which demanded access to natural resources India was well endowed with iron ore coal and other natural resources, and so could pursue industrial self reliance Import substitution industrialisation the main vehicle to bring about growth and self-reliance, was motivated by both economic and political factors The focus was inwards, inhibiting India s capacity to take advantage of the positive global conditions in the 1950s and 1960s, but the thrust was on building a strong and efficient industrial sector, with a capital goods base [Singer and Roy 1993 162] There has also been little appreciation of the impact of public works in agriculture infrastructure, education and finance and banking, on industrial development and policy [Baru 1995]

The Indian experience unfolds that while industrialisation progressed steadily up to the mid 1960s subsequently a falling rate of industrial growth set in from the mid-1960s onwards This was rooted in India's political economy

A number of groups during the 1930s and 1940s were concerned about industrial development and the role the state could play in it This included Indian businessmen economists and political leaders across the ideological spectrum Several factors contributed to this general interest in industrial policy with the role of the state ranging from the then perceived success of Soviet industrialisation to the lessons drawn from the Great Depression and the Keynesian anti slump interventionist policies [Baru 1995]

The foundation for industrialisation was laid by the Industrial Policy Statement (April 6 1948) This delineated the functions of the state and private enterprises including private foreign capital in Indian industrial development State control was divided into three broad categories First a division was made between sectors which were to be exclusive monopolies of the state Second new industries were to be under state ownership Third industries which were to be open to the private sector were identified Foreign capital was perceived as filling any deficiencies in indigenous industrial capacity As mentioned earlier the basic principles of initial industrial planning were embodied in the Industrial Policy Resolution (1956) Seventeen industries were listed (including public utilities) under exclusive state control i e Schedule A Twelve industries were to be progressively taken over by the state and were to be supported by the private sector i e Schedule B The rest was to be left to the private sector [Government of India Second Five-Year Plan (1956/57 1960/61) 125, Roy 1990 86-87, Chaudhury S 1984 10]

Pro interventionist and anti interventionist positions on Indian development have often tended to be ahistorical, leading to the view that the interests of the public and private sectors are always in opposition The 'crowding out' literature on public and private investment has been informed by such a conception On the contrary, at the time of independence and throughout the 1950s, public investment was seen as complementing or even fostering private investment and not restraining or 'crowding it out' [Baru 1995] In this respect, little attention has been given to the 'Bombay Plan', and in particular to Part 2, published in December 1944, which comprises a fascinating chapter titled 'The State and Economic Organisation' While rejecting state ownership or management on a wide basis, the document does not rule out state ownership altogether It accepts that in certain industries which are considered to be important for public welfare or security state ownership may be necessary for a long

and wealth taxes are somewhat limited" [Government of India, Sixth Five-Year Plan 27] Hence, the fiscal policies of the state have been intrinsically linked to Indian political economy and its ability to initiate and sustain growth [Roy 1995] The nature of the demand structure has also been a critical factor behind deceleration of industrialisation while the constraints upon agricultural growth have blocked the expansion of the home market for industrial goods [Rangarajan 1982 590 Patnaik 1985 8 Roy 1995]

LIBERALISATION

Liberalisation has unfolded the emergence of a new stronger contractual relationship which can be incorporated under the concept of NIE in the form of agreements and responsibilities between external agencies and the indigenous state [Tove 1993] In the Indian case this has taken the form of contracts between the state and the IMF Thus India's changing relationship with the IMF underpinned by the conditionalities laid down by the latter is expected to have a major influence in shaping free market policies For instance India's loan of $1 8 billion loan from the IMF led to uncertainty about the implications of such a transaction India's attempts to obtain a second loan unfolded the ways loans can be made conditional in relation to adopting domestic policies These have included deregulation of industry more encouragement to foreign investment liberalisation of foreign trade regimes major reform of public sector enterprises (including privatisation) and sweeping reforms of the financial sector [Roy 1995] The extent to which such policies will be accommodated is closely linked to the interests of the different industrial groups [1]

The thinking behind liberalisation the support and opposition it has given rise to among diverse interest groups and its impact on growth and development pose critical questions on some of the major concerns related to NIE In essence the shift to liberalisation has led to a re assessment of development goals and strategies This provides the context within which collective action through pressure groups to challenge any adverse effects of liberalisation, such as aggravation of poverty, can be assessed

The thrust on planning and state intervention dominated India's development strategies but since the early 1980s and especially the early 1990s neo liberalism has challenged this approach [Singer and Roy 1993 127] This cannot be divorced from the global context in which neo liberalism emerged and its critiques [Singer and Roy 1993 43 46]

Basically, liberalisation policies need to be placed in the context of competition for state resources among the propertied classes Thus competition between different types of industrialists has implications for supporting or opposing liberalisation opening up the economy and collaboration with foreign capital This is likely to manifest itself in various forms of political pressures on the state

Developments since liberalisation can be seen as product of the contradictions in the pursuit of growth along a capitalist path The use of deficit financing as a mechanism for implementing public investment has brought about a redistribution of income in favour of the propertied classes through inflation and transferring to these sections an incremental surplus in excess of the deficit This also carries implication for consumption demand and in turn investment Moreover the inability to transform agriculture has intensified the problems of falling growth Limits of the domestic market and the disproportionately high investible resources in the hands of the big industrialists have made the latter demand greater freedom within and outside the country The expansion of monopoly capital inside the country has been claimed to proceed at the expense of other capitalists and the state sector But in terms of the external sector it is likely to operate through collaboration with foreign capital [Patnaik 1985 8 13]

In the debate on liberalisation at one extreme some advocated that the only solution for India is complete globalisation of her economy making Indian industry confront world competition and attracting foreign capital to utilise her cheap labour for exports (*The Economist*, May 4 1991) Alas this overlooks the complexity of India's post colonial history discussed earlier and the socio political constraints inhibiting development

More sober critiques of Indian development have argued that liberalisation emerged because industrial development and diversification were not accompanied by a reduction in costs increase in productive efficiency or technological modernisation The thrust of the attack centred on controls over private enterprise which enabled bureaucratic officers and their political masters to have considerable discretionary powers leading to bribery and corruption inhibiting technological modernisation and increases in productive efficiency This had adverse consequences for the competitiveness of Indian industry within an international context, with limited export promotion [Rao 1988 4-5]

The political manifestations of liberalisation have taken various forms Business groups have tended to be major supporters particularly under Rajiv Gandhi's government But uncertainties have surfaced over the extent to which the economy should be opened up There have been differences in the interests of various groups within business such that those in import substitution industries have been less enthusiastic about liberalising imports compared with those producing for external markets Those from the more traditional business houses have feared competition from the newly established industries with new technology who may wish to compete internationally [Kohli 1989 316 17]

Established monopoly capitalists could favour selective liberalisation while opposing blanket proposals and in particular import liberalisation Import liberalisation for local production for the domestic market by multinational dominated firms may be acceptible to entrenched manufacturers provided it is at the expense of public sector units or small capitalists But any liberalisation which could threaten its own position would be opposed by them [Patnaik 1985 13] New houses may desire to break the monopoly position in the domestic market with the help of foreign capital and welcome the opening up of the economy in contrast to the traditional monopolist industrial classes with strong vested interests in protecting their domestic markets [Patnaik 1985 13]

As far as small scale industrialists are concerned the emphasis on export promotion has helped them They are emerging as the main exporters in India in comparison with the traditional big business groups to gain access to imported technology Such groups have become major supporters of liberalisation enabling the persistence of what has been coined a consumer goods led upper income groups oriented industrial growth strategy [Basu 1995] However the focus on export led growth needs to be related to changes in the global economy Doubts have been expressed about such policies specially under worsening global market conditions benefiting a limited number of products of a few individual manufacturers but the overall rate of growth is unlikely to be significant [Chakravarty 1987 73]

Moreover other groups such as members of the professions and the civil service have been treated favourably under liberalisation [Kohli 1989 318] These have emerged as being significant in terms of forming the section of the domestic market which formed the plank on which domestic demand was to be built The urban proprietary classes have been treated favourably They have been allowed to keep more income and to operate their business more favourably, compensating for the withdrawal of subsidies and protection [Kohli 1989 318, Rubin 1985 955]

Opposition to liberalisation policies has come primarily from sections of urban and

rural based classes, including the intelligentsia, industrial labour and rural and urban poor. Organisation of such groups against liberalisation could be one strategy to modify state policies. The rank and file of the Congress have expressed reservations about liberalisation. It has affected adversely support for Congress among the middle peasants and the rural poor of the scheduled castes. However, in the context of India's centre-state relationship it may be very difficult for those without a strong political base, including the semi-skilled and unskilled, to challenge the new policies.

In this respect, 'poverty alleviation' a major thrust of past development policies, has been absent from the rhetoric of liberalisation. Indeed, the emphasis of the policy on production and import of durable consumer goods and other goods aimed at the rich and upper middle classes is inegalitarian. While taxation has been eased for such classes in order to boost demand, the rural sector has been virtually ignored [Rao 1988: 8-10]. Reorganisation of industries carries critical implications for making workers redundant against a background of mounting secessionist and religious frictions. The state is having to cope with protests against liberalisation. Thousands of workers for instance were arrested in pre-emptive moves all over the country before their June 16 (1992) strike against liberalisation policies. Peaceful demonstrations against the latter organised by grass roots organisations have also been dealt with firmly [Kothari and Kothari 1993: 76]. Protests have also emerged in rural areas: thousands of workers were arrested in Uttar Pradesh following the withdrawal of fertiliser subsidies [*The Ecologist* November/December 1992]. Many ministers have become aware of the political costs they may be called upon to pay for any suffering emanating from the liberalisation programmes [*Economic and Political Weekly* 1992]. The policies also impinge on the capacity of the Indian state to cope with the increasing environmental problems which have short- and long-term implications for growth and poverty alleviation.

In essence, the Indian post colonial experience suggests that the role of policies such as NIE, including efficiency improving institutional change and collective action, cannot be divorced from the harsh economic, political and historical realities.

III
NIE and Development Process

A social dilemma emerges when radical individualism becomes inconsistent with social welfare such that the choices of rational individuals yield outcomes that are socially undesirable. NIE professes to resolve this problem by focusing on various types of allocative mechanisms ranging from property arrangements, private contracts, and communal action, to collective provision. NIE aims to bring about efficiency improving institutional change but collective decision-making is also emerging as a major school under NIE. Under efficiency improving institutional change reduction of transaction costs is critically important: contracts in transactions are related to ownership structures and property relations and 'getting prices right' only has the desired consequences when a set of property rights is in place to produce competitive markets. Under the collective action theory self interested individuals undertake action which benefits them collectively. This makes the relationship between interests groups and the state of paramount importance. Under both the role of the state has been acknowledged to be of key importance. This demands locating the analysis of NIE in the context of the relationship between the socio economic structure, the state and development.

The evidence of the role of the state in the development process in India highlights some key issues which need to be confronted in evaluating the relevance of NIE. The Indian experience exposes the myth of the neutral state and the prevalence of a highly differentiated socio economic structure at the micro (local) level. The two are interrelated in that in the post colonial period there has been a struggle between the major propertied classes over state power and state policies in agriculture, industry and liberalisation. This has major implications for the shaping and execution of development policies. Transactions at the rural level and state interventions in the rural sector illustrate the ways in which the existing property relations shaped by colonial and post colonial policies inhibited fulfilment of development goals. Hence improving the terms and conditions of transactions at the rural level such as over outputs and outputs demands uncovering the socio economic forces which may block set goals, and the scope of creating feasible organisations to overcome any obstacles. The theory of collective action to change any sectoral policies through interest based pressure groups has to recognise the presence of sharp socio-economic differences at the local level and the composition of the state in terms of the ways in which the dominant propertied classes may block any moves to bring about change in policies. Recognition of such concerns can help to further the analysis of NIE.

The Indian experience illustrates the urgency of examining the ways in which existing property rights may advance or inhibit the operation of formal or informal exchange relationships, and the role of institutions, which profess to cater for all interests. In the rural sector where non-market forms of exchange prevail, the transaction costs in relation to exchange over productive inputs, including land, labour and credit, may work against poor farmers, while state created institutions may favour the large farmers, markets, in spite of intervention by the state, may fail to conform to stipulations in relation to price and quality, both are likely to stem from the nature of the rural hierarchy and power relations, such that irrespective of provision of technology and credit through state institutions and informal forms of exchange, or markets, there may be bias against the small farmers, in the absence of a change in property relations in the rural sector.

The scope of collective action, under NIE, has to embrace the ways in which political organisation and the bargaining power of the rural and the urban poor can be strengthened through political parties, trade unions, grass roots organisations, and other forms of pressure groups. Such thrusts may support attempts to tilt economic policies towards the poor and ensure that 'safety nets' are created for the most deprived socio-economic classes under policies such as liberalisation. The Indian experience, however, suggests that evaluation of NIE in the development process has to confront the political economy of the state. In this respect the scope of the propertied classes of applying pressure on the state has critical implications for bringing about balanced development. Indeed the interests of the dominant proprietary classes including the industrialists, rich farmers and bureaucrats may constitute stumbling blocks in realising policy goals of balanced development and equitable distribution. For instance, competition between industrialists and large peasants may have major ramifications for access to state power and moulding state policies through farmers lobbies which may profess to cater for all farmers but in practice serve mainly the interests of the middle and rich rural classes.

In summary, to grasp more fully the relevance of NIE in the development process it is essential to critically evaluate the historical and political economy context within which it is being applied. Neoclassical institutional economists have emphasised efficiency improving institutional change through the reduction of transaction costs, placing much faith in the pricing mechanism being the driving force in resource allocation provided property rights are properly established. But there is a need to develop more fully the scope of the theory of collective action which has the potential to incorporate factors such as the sharply differing bargaining power of different socio-economic classes. Under both approaches the focus should

be on the extent to which the prevalence of a highly unequal socio-economic structure and a state dominated by the propertied classes, impinge on the capacity of temporary, or specific voluntary groups, to resolve short- or long-term developmental problems.

Notes

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1 For a detailed discussion on the political economy of India's liberalisation policies see Roy (1995).

2 In this respect, the rise of non governmental organisations(NGOs), which claim to empower people to exercise control over livelihoods, may play a creative role by complementing, reforming or opposing the state. However, the NGOs reside within a system of unequal distribution of wealth and power See Thomas (1992) for a discussion of NGOs and empowerment.

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Economic Reforms as Ideology

Romesh Diwan

This paper contends that the ongoing economic reforms' are a political ideology to shore up support for the use of power *of the ruling resident non Indians (RNI) To understand an ideology one has to understand the* power *behind it The existing power base is shifting from industrial to financial capital As* finance defines the power base, *it promotes the ideology that makes financial capital respectable and desirable The ruling RNI government knows well that these economic reforms define an ideology Since they always had control of government only minimal changes in the economy were needed Hence real functioning of the economy has not changed while its performance has become more depressing A positive change will need a paradigm shift of ideas Its underlying principle has to be integrative and not divisiveness*

THERE is a story in *Ramayan* Sita has been kidnapped by Ravana Rama and his followers are searching for her One of the search parties is made up of the soldiers in Sugriv's army They are talking about it One says that it is Dussreth's fault why did he make a promise to Kaikyi? Another says it is Rama's fault why did he go after the golden deer? Third says it is Laxman's fault why did he leave at Sita's request? Fourth says, it is Sita's own fault why did she leave the kutya? It goes on The interesting part of the story is that these soldiers find fault with every one except Ravan and none questions the act and immorality of his kidnapping! One finds similarities in the current debate about economic reforms in India

In the past four years whichever newspaper one picks up and whosoever one talks to one is confronted with the proposition that India has embarked on a desired path of economic reforms and liberalisation There is a virtual agreement that the government is doing the right thing and therefore deserves full support In the general media and among the average educated persons defined in terms of possession of university certificates there is little questioning about the reform and its direction Even the loyal opposition made of intellectuals of the left and Marxist persuasion has accepted the two paradigms One the past direction and policies of 40 years of economic activity in India was wrong if not wrong had at least serious problems Two the current priorities and policies under the rubric of economic reforms and liberalisation are in the right direction at least mostly The debate therefore is about technical issues such as the rates of deficit savings investment poverty reduction etc! This is not to say that there is no opposition whatsoever There are many economists experts and scholars who have questioned it but they have been mostly ignored!

Yet there are a number of questions inviting to be asked Why these reforms? Why at this time? Why the euphoria about them? What is new in them? Are they needed? Who gains from them? Who is behind these reforms? These are important questions and have not been dealt with Yet these are the real ones that help us to go to the heart of the issue Before we can get to these questions let us look at the present day India and its society The Indian society may be divided into two groups the elite that forms around 1 to 5 per cent of the population and the rest (the poor) The elite society has a virtual control of all the political and economic power and is distinguished from the other group by its standard of living based on a large number of consumer durables access to political and educational facilities and language mostly English [Diwan 1993a] Given this Indian society our contention in this paper is that these economic reforms are neither economic' nor reforms' but instead a political ideology to shore up support for the use of power of the governing section of the ruling class of resident non Indians (RNI), the minuscule RNI minority in power I have expounded on the concept of RNI elsewhere basically RNI are defined in terms of acceptance of the superiority of the western rational thought and inferiority of the Indian culture! To maintain its privilege and power the RNI need an ideology Ideology it may be remembered is an important instrument of the use of power as well as for its maintenance One of the most important strategies to create and maintain power is to divide and rule Ideologies perform this function efficiently The question arises can economic reform be considered an ideology? if so what is an ideology?

On Ideology

Neoclassical or mainstream economics has become increasingly sterile by consistently rooting out reality It asserts that other schools of economic thought such as Marxian economics are an ideology It defines itself as scientific In fact it is not so Thurow puts it aptly "The equilibrium price auction view of the world is a traditional view with a history as old as that of economics itself the individual is asserted to be a maximising consumer or producer within free supply demand markets that establish an equilibrium price for any kind of goods and services This is an economics blessed with an intellectual consistency and one having implications that extend far beyond the realm of economic theory It is in short, also a political philosophy often becoming something approaching a religion" [Thurow 1983 (Vintage edition) xviii] Neoclassical economics is also not separate from politics either and is instead a camouflage for power as suggested by Galbraith "The separation of economics from politics and political motivation is a sterile thing It is also a cover for the reality of economic power and motivation And it is a prime source of misjudgment and error in economic policy [Galbraith 1987 299] If one looks at the concept of ideology one recognises how erroneous this view is

Webster's Ninth New Collegiate Dictionary defines an ideology as The integrated assertions theories, and aims that constitute a socio-political programme It needs to be noticed that the words chosen are assertions, theories and aims there is no reference to facts or realities What is implied here is that ideology requires some assertions The question is who can make assertions? Obviously those people who have the power to do so The underlying phenomena is power There is a group of people who have the power to appropriate a particular term, give it a meaning and assert its relevance, importance and even necessity Having done so this group can then devise socio political programmes that furthers its interests and ends For an ideology to exist and be effective, there are a number of necessary conditions

(1) A group has the requisite power, an understanding of its interests and a willingness to make assertion

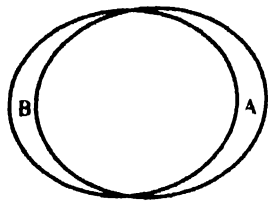
(2) This group has the power and capacity, to wrap its interest into that of the larger group whom it is influencing even when its interests are inimical to that of the larger group It does so by concealing its interests and taking a high moral ground for the wrap It is a common practice in America and other European countries to exaggerate business interests into national interests" Other interests mostly of those of the majority, made up of labour, women, minorities etc, are regularly called as special interests

(3) It has the power and capacity, to develop and use images via rhetoric Rhetoric is rhetoric, pure and simple It is different from reality and sheer though concealed, propaganda Falsehoods are presented as truth and facts These days one is well conversant with commercials and the theory of advertising

(4) It has control of institutions and has the means, to ensure that opposition can be

FIGURE 1: INDIAN ECONOMY – BEFORE AND AFTER LIBERALISATION

A Before Liberalisation
B After Liberalisation



trivialised If necessary it has the wherewithal to overpower any opposition

Some example will help to clarify these ideas Let us pick up some extreme cases, they explain the principles During Hitler's regime in Germany, the fascist ideas were fully accepted and acted on Intellectuals, writers journalists, newspaper editors, columnists etc articulated these ideas on a daily basis No one in the public questioned it, much less opposed it Part of the reason was that there were little mechanisms available for such questioning Owners and their henchmen editors of mass media would have found questioning unacceptable so that they would not provide the use of their space In case some questioning led to an opposition with some serious threat the power of the government was available to suppress it The fascist ideology therefore flourished It is common today to call Hitler a mad man yet such an idea would have been unheared of in those days It seems reasonable to assume that within the framework of that thought he, and his fellow Nazi colleagues believed that they were doing the right thing Similarly during the Marxist regimes in Soviet Union and Eastern Europe the power was in the hands of those who accepted Marxist ideology and developed socio-political programmes to promote it There was no questioning in the public media and no opposition The situation regarding the ideology was the same as in Nazi Germany though a little less extreme In 1990s the communists lost its power Its ideas are now pronounced as irrational by groups who think that their own ideas are rational

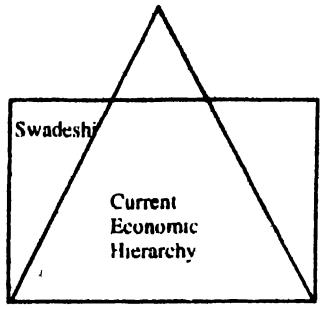
There are similarities in capitalist ideology It is known for centuries now that the object of capitalism is power and resulting privilege This power translates into profits prestige and personal pleasure greater the power larger the profits higher levels of perks and prestige, and more capacity for personal pleasures at the physical level The objective of the capitalist ideology is to promote profit making It involves exploiting and destroying communities by dividing them in order to cheapen the wages of labour In the words of Tawney, 75 years ago "Those to whom a leisure class is part of [illegible] without which civilisation is inconceivable, dare not admit even to themselves, that the world is poorer not richer, because of its existence So when as now it is important that productive energy should be fully used, they stamp and cry and write to the *Times* about the necessity for increased production, though all the time they themselves, their way of life and expenditures and their very existence as a leisure class, are among the causes why production is not increased In *all their economic plans they make one reservation, that however necessitous the world may be it shall support them* [Tawney 1920 136 emphasis added] More recently Galbraith makes the same argument "The ruling classes the privileged always look inward with approval upon themselves not outward in concern upon those whose anger and passion they may be arousing or could in the future arouse And this was so here Malthus and Ricardo were spokesmen for the new ruling class in a new economic order As would generations of economists to come, they spoke to and for their constituency They did not speak to those who, then or later might be encouraged to revolt [Galbraith 1987 87]

It is generally true that one's own ideology sounds rational while that of the opposition a propaganda There are also various shades of ideology some extreme and others less so yet these are ideologies all the same and have the same effect Though it is not generally accepted much less discussed there is in the US a prevalent ideology of capitalism a special brand of American capitalism with such buzz words as competition democracy and freedom A simple look at the US society reveals that most of the companies that brag about competition try every possible means to avoid and crush it The number of people voting for political offices has been continuously declining so that it is virtually half or less of the voting population "The argument shifts in terms of the existence of a two party system which in fact are two parties in rhetoric only" Similarly freedom exists only if one has the resources in terms of money Even though there is no real competition democracy and freedom in the US the ideology has given these words strong emotive appeal As a result these words have acquired moral tones and are fully accepted by the public to the point that many Americans will be willing to fight over these There is no questioning about it in the media and no opposition is possible It is not accidental that there is only one socialist congressman in the US This socialist congressman is there not because of his socialist ideology but in spite of it he happens to be a competent and a likeable representative

The capitalist ideology suits the US ruling elite superbly Of course, some may question the very existence of the ruling class in society even though its evidence is visible everywhere, in any corporation, office, media story In fact, this is a part of the ideology; deny the very existence of the group with its well-defined interests and entrenched power The ruling class and elite society in the US is well represented in its capital city Washington DC "To most Americans, the capital now seems oblivious to their life It has become like a fortress, more and more bloated and inefficient at a time when the rest of America has cut back and toiled to rebuild itself The capital supports a growing, well to-do elite of lobbyists, lawyers and other influence peddlers While America's middle class has suffered stagnant incomes and shrinking opportunity In an ominous number of ways in fact Washington has come to resemble the parasitic capital of a declining empire, following the imperial path of cities like Rome, Madrid and London If the past is any guide, the emergence of a rich and privileged capital city in America is part of a broader transition towards social and economic stratification towards walled-in communities and hardening class structure" [Phillips 1994 49] This ruling elite has defined its privileges through the business interests into national interest and has full control on the government and media to promote its privilege and ideology [11]

GROWING POWER OF FINANCE

To understand an ideology one has to understand the power behind it since in the last analysis ideology is an instrument both in the exercise of power and its furtherance There are two schools of thought about the source of ultimate power in western societies The first school is represented by Toffler who believes that the ultimate source of power particularly in the world of new techno-economic order [12] is knowledge and knowledge based technologies [13] In this view the source of power is shifting from muscle to money to mind This is however an analysis of the future shift in power and does not explain the present realities The second school has a lot of adherents who observe that the existing power base is shifting from industrial to financial capital There are adherents of this school from both the political left exemplified by Sweezy [Magdoff and Sweezy 1987] and from the right represented by Phillips who states "By the mid 1990s the bond market and the overall financial sector – had become a powerful usurper of control over economic policy previously exercised by Washington The new role of spectronic finance ranks with Washington interest-group power in helping to explain why politics cannot respond to people and why the nation's government and policies are so often ineffective financiers more often control politicians than vice versa" [Phillips 1954 52 53]



This is supported by the phenomenal size of, and growth in, the financial assets "From 1980 to 1992, the rate of growth of financial assets among the OECD countries outpaced the rate of growth of their real economies by better than two-to-one. McKinsey Global estimates. Daily bloodletting in the foreign exchange arena now exceeds trade in goods and services by an astounding fifty-to-one In nominal terms (correcting for volatile fluctuations in market prices), the total stock of the world's financial assets reached $ 35 trillion in 1992, and could reach $ 83 trillion by the end of this decade ($ 53 trillion in constant 1992 dollars) roughly three-times the projected GDPs of OECD countries for the year 2000" (*Z Magazine*, Vol 8, No 1, Jauary 1995.8). In view of the size and growth in financial assets, minor changes in interest rates have major impacts on the budgets of people and governments [14]

As finance defines the power base, it promotes the ideology that makes financial capital respectable and is considered most desirable. Accordingly, one hears more and more about the desirability and necessity of finance The telltales are everywhere The deficits of all types, such as budget, trade, revenue, etc, already fix limits to policy as well as their direction and desirability. Thus deficit reduction automatically becomes more desirable and important than helping people's education or providing food for the hungry The chairman of the Board of Governors of the Federal Reserve System is considered one of the most important jobs in the US even though there is no election for this position The companies that deal with securities and finance are gaining prestige and leadership status. The salaries offered by these companies are far above those in any other industry, in fact this is called 'the honey pot'. The US government bailed out a large number of financial companies, the notorious S and L, from bankruptcies; to the tune of half a trillion dollars and more. It is being argued that the difference between new and old democrat may be explained in terms of the shift away from people to money and finance.[15] Recently, a slight improvement in the economy, the stock market reacted negatively and many commentators argued in favour of the stability of the stock market. Inflation which affects stock markets most negatively is considered a far more serious problem than unemployment where only people suffer from long lines at soup kitchens There are news channels devoted specifically to finance; the stock market and all that goes with it The news about people's declining economic status, and hunger, is mentioned only around Christmas and Thanksgiving as a footnote to the glorification of millionaires [16]

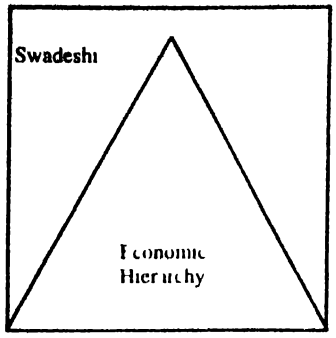
Once one accepts the idea that the ruling supremacy in the US specially, and the western world generally is of finance capital, it is not difficult to recognise that institutions that take their cues from it will sing praises of finance capital. In the international economic scene, the two most relevant institutions are World Bank and International Monetary Fund (IMF); Bank and Fund for short Both these institutions believe in, operate on and promote this ideology All their policies are defined in terms of promoting the supremacy of finance capital Their lending to needy, and dependent, governments are based on 'conditionality' the basic purpose of which is to open the economy to finance capital

To practise the ideology, the Fund, according to one of the insiders, follows all sorts of shenanigans. The staff is required to operate so as to ensure that economic policies of third world countries satisfy a 'means test': namely, policies must meet the key criterion of improving economic conditions in western market economies. In general parlance, these policies must promote exploitation of the poor by the rich; both of countries and people Pax Atlantica demands that everything done by the Fund in the developing world be reduced to a common denominator of maintaining and increasing financial health in the first world; all else is incidental. To do so, IMF reduces all economic theory to Reaganomics and Chicago School monetarism A key indicator used extensively by the IMF is the index of relative unit of labour cost. It serves a key role in determining Fund conditionality. Fund is known to have 'manufactured' statistical indices that prove its point of view and allow it to push such desired policies. The Bank obliges and supports such fraudulent use of manufactured statistics. Furthermore, there is a clear, and identifiable, conflict of interest in the hiring practices of the Fund from the staff of the executive board; this is a form of insidious corruption. On top of it, the Fund-Bank staff suffers from a "sheer technical incompetence". These facts are documented by Budhoo, a long-term staff member of IMF who found the practices of IMF cost, from his high paid office. His resignation letter states, "I resigned from the staff of the International Monetary Fund after 12 years and after 1,000 days of official Fund work in the field, hawking your medicine and your bag of tricks to governments and to peoples in Latin America and the Caribbean and Africa. To me resignation is a priceless liberation, for with it I have taken the first big step to that place where I may hope to wash my hands of what in my mind is blood of millions of poor and starving people. Mr Camdessus, the blood is so much, you know it runs into rivers . sometime I feel there is not enough soap in the whole world to cleanse me from the things I did in your name and in the name of your predecessors and your official seal.. the charges I make are not light charges - they are charges that touch the very heart of western society and western morality and post-war inter-governmental institutionalism" [Budhoo 1990].

All elements and conditions of ideology are present here. There is a group of people in power who have a well-defined interest and idea which they have wrapped up in the form of a benefit to the needy and/or dependent governments. Thus the rhetoric is that these policies help the recipient countries. The facts are the opposite. For example, these policies have been responsible for low growth rates and a movement of financial capital from the poor receiving to the rich lending countries According to Taylor, "Growth rates of less developed countries are low because of scarce hard currency. developing countries sent $ 30 billion to $ 50 billion a year to developed ones for most of the last decade. A reversal of this poor-to-rich transfer is needed to restore per capita income growth. The Brady Plan is a bagatelle in this regard. Unless it is massively supplemented, the World Bank's optimism will be as misplaced in the 1990s as it was in Chile and Mexico in the 1980s" [Taylor 1991]. Bello and Cunningham (1994.67) suggest an astounding net transfer of financial resources from the third world to the commercial banks that amounted to $ 178 billion between 1984 and 1990."

Again these policies are not accepted or appreciated by the people in the recipient countries in whose name the policies are justified.[17] This is so because it has led to the impoverishment of the country and the people generally. A "global survey of the impact of adjustment over a 15-year period by the IMF reported the uncomfortable finding that "the growth rate is significantly reduced in programme countries relative to the change in non-programme countries" [Bello and Cunningham 1994:67]. As a result, "the number of people living in poverty [in Latin America] rose from 130 million in 1980 to 180 million at the beginning of the

FIGURE 3: SWADESHI AND ECONOMIC HIERARCHY



1990s' [ibid 68] Furthermore the debt has not reduced even though all these policies are supposed to reduce debt On the contrary the debt has actually increased Thus third world's debt burden rose from $ 785 billion at the beginning of the debt crisis [1982] to nearly $ 1 5 trillion in 1993 [ibid 67] In spite of such contrary facts, the idelogical propaganda continues They have the necessary means to promote it through a movement to what Budhoo calls Pax Honey Pot for its staff [18]

Positive Forms Normative Prescriptions

An ethical framework is not independent of the conceptual framework In fact for every conceptual framework there is particular and consistent ethical framework If one changes the conceptual framework it also implies a change in the ethical framework The scientific rational conceptual framework is a justification for the use of power and involves the domination of women and nature In fact that is why, and how the scientific rationalist framework emerged in the 17th century Market system and its related neoclassical involve economic exploitation and necessitate corruption and lack of character or personal integrity in an essential way In fact, corruption and lack of personal integrity are essential for making profits which in turn are the corner stone of a market system Economists and social scientists cover up this relationship between corruption and market system by creating an artificial distinction between normative and 'positive' statements Such distinction is neither logical nor factual Description and norms are not opposed to each other by linguistic separation into is and ought to statements but are contained within each other Language contains a culture within itself and its normative meanings become explicit only when alternatives or contradictions are presented A conceptual framework is consistent only with particular norms and values and not with others [19]

In a letter to his friend K S Krishnaswamy Ashok Mitra expresses a concern that the most staggering development is the corruption of our society, its values and their supplanting by moral and decency codes transmitted by the satellite television channels (Between Friends A Conversation *EPW*, October 22, 1994 2784) misses the relationship that conceptual framework of market ideology requires in an essential way in ethical framework of corruption, lack of integrity and of character The link between market ideology and corruption follows logically Market ideology imparts desirability to profits Profits follow from exploitation based on the use of power Power corrupts Those who can influence relevant legislation or regulation that helps them use their power make legal profits Mafioso types lacking the legalisation openly use their raw power directly Thus corporations raise prices by creating a monopoly through advertisements exempted from taxes 'pay lower wages to workers by encouraging governments to maintain high unemployment and transferring costs to any other groups they can by externalising Getting government officials political and bureaucratic to follow such policies for a small payment is a normal business expense and practice The evidence of such corruption is everywhere Italy Japan Mexico Nigeria the US How can India be different? Without corruption the market system even under the watchful eye of a Planning Commission will not function much less survive Need there be a surprise when Mitra in his second letter makes the statement I still remember the ecstatic praise the Fund-Bank pundits would shower on black marketeers throughout the 1950s and 1960s' (Between Friends *EPW* October 22 1994 2786) After all is not black market a market? What if the market is black? What is important is that it is a market Its blackness can be changed to whiteness by 'reforms' Non white Asian Indians have been changed to behave like whites in dress, language, table manners prejudices, etc Changing markets should be a comparatively easy task Are not the Bank Fund consistent in promoting these economic reforms? Is not the major objective of these 'economic reforms to whitewash?

Most economists of the right or the left have mistakenly accepted the fallacious idea that the ethical framework is independent of the conceptual framework Similarly they have accepted another equally fallacious idea that economy and society are independent of each other Textbooks in economics rarely talk about social problems such as poverty, arms race polluted environment, breakdown of the family, violence in streets and homes It is fashionable, for example, to find explanations of social problems everywhere else but in economic policy and institutions In fact, and interrelated so that most of the social problems emanate from, and get aggravated by the economic structure, ideas and policies that a country promotes Economic policies implied in the market ideology conceptual framework are destructive of all the sustainable functions in the society because economic policies justify and promote the use of power Such power affects all sorts of behaviour in the civil society [1]

Controlling imagery is highly important for mainstream economist's hidden objectives of transferring wealth from the poor to the rich because imagery plays a normative role and is related directly to changes in human attitudes and behaviour Images operate as ethical restraints or as ethical sanctions as subtle oughts and ought nots [Merchant 1980 4] Descriptive statements can and do presuppose the normative and thus are loaded with ethical contentions It is not accidental that neoclassical economics is full of hidden ideological and ought to arguments For example market economy produces goods not bads like pollution and crime competitive prices are efficient not exploitative even when soup kitchens and bread lines proliferate private business leads to progress and economic growth not unemployment and poverty development improves not degrades One can multiply these examples

It is worth examining the images and conceptual framework with its hidden but compelling and compulsive norms, the Bank-Fund have selected to promote its interests The terms they have picked up are structural adjustment programmes Saps for short' stabilisation liberalisation and economic and institutional reforms' The interesting thing about all these terms is that these are defined not because of any scientific merit or to convey an economic idea, but instead for their normative images and emotive appeal to desirability and general goodness Take the term, 'reform' According to *Webster's Ninth New Collegiate Dictionary*, it means, '1a to amend or improve by change of form or removal of faults or abuses, b to put or change into an improved form or condition, 2 to put an end to (an evil) by enforcing or introducing a better method or course of action" These are obviously desirable qualities, who in one's colonial, even rational, mind would go against reform Similarly, liberalisation connotes the goodness and desirability in 'liberating' implicitly from something constricting Similarly stabilisation conjures the image of stability from previous instability, a desirable action no doubt The weakest of these rhetoric terms is 'structural adjustment' Even this implies some sort of a desired activity since it leads to a needed adjustment Once these terms are added together, their collective form becomes a potent propaganda

suggesting something very desirable. Judged from their hidden agenda of transferring wealth from the developing to developed countries Bank-Fund policies are successful indeed.[23] On the other hand when one looks from their proclaimed objectives, there is strong evidence from many scholarly studies and even internal studies of World Bank itself that the Bank-Fund policies have not achieved publicly promised goals. On the contrary these policies have worsened the situation in the receiving country.[24]

Given this divergence, even contradiction, between formal and hidden objectives, the need for ideology and propaganda becomes all the more important. Therefore, the assertion, an important ingredient of ideology, goes further. Not only are these actions and policies desirable, it is further asserted that these are the only panacea for all economic ills. These are the only policies, for whatever economic problem. There are no alternatives. When alternatives are presented, these are summarily dismissed by various subterfuges. The propaganda has continued that these policies are necessary to resolve the economic problems of the dependent countries seeking their advice and help. This is consistent with Gobbles principle of propaganda; a lie told a hundred times becomes the truth. The business world employs this propaganda principle in the form of commercial advertisements.[25] In fact, this is the true test of an ideology; to assert it even when the evidence is contrary. After all reality and evidence are irrelevant to an ideology.

The media, both print and electronic, is the instrument through which such propaganda is carried on and ideology promoted. It does so by placing spins on partial fact to make falsehoods look like truth. In the US two magazines point out such spins. *LOOT* (*Lies of Our Times*) documents the way the *New York Times* slants the facts to promote the interests of the ruling class; selecting some stories and not printing others, adding uncalled for adjectives, missing some facts and emphasising others, selecting its sources for quotes and not speaking to people with other and inconvenient points of view, etc. *FAIR* (*Fairness and Accuracy in Reporting*) performs a similar function for the whole media; both print and electronic. It points both to biases and inaccuracies. The problem is that media is an integral part of the information industry and a business whose interests are well aligned with those of other businesses; providing honest information is least of its concerns.[26] It promotes the interests of those in power. If this involves falsifying facts, so be it. These are known as 'fake news'. The classical case is the atrocities, on Kuwaiti babies by Iraqi soldiers, literally manufactured in Hollywood type studio in California, made into headline news stories in the so-called objective US influential newspapers.[27] How did so many experienced, objective and highly paid journalists fall for such a falsehood and carry it further to promote the gulf war that resulted in a mass murder of so many people?

The Bank and Fund combined together have large financial resources so that they can easily influence the information industry to make their propaganda look respectable. Thus, "We may notice, in passing, some of the features of contemporary Newspeak. 'Economic efficiency' means profits for the few, crucially the foreign few, whatever the effect on the many. The concept 'economic health' is a technical notion designed to measure profitability for investors, while excluding the health of the economy as far as the population is concerned. Thus the economy can be wonderfully healthy while the people are starving."[28]

Economic Reform in India: An Ideology

The economic reform ideology arrived in India with the election of the Narasimha Rao government in 1991. Rao, himself, was a member of the Rajiv government and understood well the mechanisms for consolidating power. His minority government needed and recognised the usefulness of ideology to maintain and further its hold. To do so, it needed support from other quarters. Being interested in power at any cost. He had no difficulty in looking for it outside the country; particularly if it involved cheapening labour price[29] and selling it abroad. Support from outside was available at a price; opening up the country for exploitation so that wealth can be transferred to the developed countries. Willing as he was to pay any price, he had no difficulty in accepting IMF 'conditionality' in exchange. He appointed a finance minister from its erstwhile bureaucracy who could make necessary deals with the IMF-Fund for its support.[30] With foreign support thus ensured, it needed the help of some business houses which was not difficult to get in view of the largesse that a government, even one, specially one, that talks of privatisation, can deliver. The core of the power group was formed. Given the nature of the support from outside and within, there was another price to be paid; a steep rise in corruption and corrupt practices. This was, however, least of Rao's concern. All that remained to be done was to wrap up the interest of this core in the name of the welfare of the country for rhetoric purposes. *Viola*, the necessary ingredients for the ideology were all in place and the ideology of economic reforms was launched with proper fanfare.

The first element in the strategy to devise an ideology of economic reforms was to assert an artificial break between the time this government started in 1991 and the rest of the period since India's independence in 1947. The argument was made that all those 43 years were a wasteland of economic policy. It never occurred to the rulers and the idea was never questioned by 'the bought priesthood' of respectable columnists, journalists and other so-called intellectuals that both the prime minister and finance minister – and others – have been full participants in the formulation and implementation of the now denounced policy. In fact the prime minister belonged to the cabinet that formulated and implemented that policy. It is interesting that these people do not realise that assertion of such an artificial break implies denouncing not only their own past involvement but more so their own leaders; leaders whom they need, and show in life-size posters, during elections. In an ideology such questions are not asked since these deal with both rationality and reality. The subservient media and columnists obliged by talking about its praises instead of raising questions; they generally do.

In addition to the denouncement of the earlier period, it was asserted that the new policy is a panacea and will solve every economic problem: growth, employment, inflation, poverty, deficits in trade, revenue and budget – or any other one can devise. To give it an aura of a panacea, it was presented as a technical exercise, alluding that if it is technical it must be comprehensive. It was also hinted that there were no political overtones. Obviously, the facts are that the policy is neither apolitical nor a panacea. It cannot be. A simple analysis should convince any one who cares to think. On the contrary, it is highly partisan and political. Far from a panacea, it has heavy costs and a large amount of negative trade offs: low rates of growth, increases in unemployment, poverty, inflationary pressures on goods consumed by the majority, etc. The costs are borne by the weak and the misguided. The weak are the poor who always suffer. The misguided have been political parties not only left-oriented but also nationalist ones.

To promote the ideology further, it was asserted that it has the support of IMF and World Bank. No body asked that these policies have failed miserably, and regularly in so many other countries in the world. Why should they succeed in India? It is hinted that the very fact that IMF and World Bank supported it is a proof that the reforms must be the right one. This argument, though erroneous, appeals to a large number of RNI elite and their intellectuals in view of the fact that they have bought wholesale the superiority of the western institutions;[31] the ruling class's "servility – to government, to custom, [especially] to the developed 'white' world, to a host of other forces considered superior". This servility is not a creation of these few years. The ruling RNI society been promoting such servitude all these 50 years.[32] In fact it lies deep in not only colonial ideology and what Albert Memi calls,

colonial minds, but in the very acceptance of the western rational thought whose major objective is to describe, explain and justify exploitation as well as rape of nature women and the colonised people by those in power It condemns and marginalises all thought and ideas based on principles of whole unity organic by denouncing them inferior to scientific ideas that proceed from parts It implied the principle of divide and rule Since Gandhi's death the power structure in India controlled by RNI has been condemning everything Indian its civilisation its values its heritage its dress its food its rituals etc The westernised Indian, proud of his/her rational attitudes, has simply adopted the prejudices of the colonial white male except when it contradicts one's own ego This too has been successful in achieving its objectives Should it surprise any one that the natural consequence of these kinds is to damn the very Hinduness and Indianness including the Indian person? Why should any one respect or trust an Indian expert? Does it not contain the adjective Indian which is an automatic denunciation? When Krishnaswamy writes As you know what we say has little value unless it is confirmed by some white man he misses the history of Indian colonialism and its continuance in the last 5 decades This colonial attitudes has been particularly helpful in promoting this ideology

In its initial stages it was asserted that all economists supported it Here again there was a hint that it has the support of so called experts The fact is that most micro economists are no great experts and these days they are not even respected as experts [9] Moreover those who opposed, and there were many were ignored and not counted The so called objective English medium media did not care to report about them much less question the assertions This is a standard form of ideology Opposition is disregarded and then denied

Another form of assertion and a part of strategy is to make the arguments tautological and future related There is thus no way to evaluate the success or failure of the reform or stabilisation The success is asserted by the sheer delineating of economic policy Thus, if the budget follows IMF guidelines and gets its approval it is asserted as successful Again if it states that taxes be reduced, the very act of tax reduction is asserted as success of the policy and therefore of economic reform What happens after the tax cuts is irrelevant and need not be questioned Bhagwati and Srinivasan are quite explicit about the nature of these reforms as an ideology They do not mince words It is instructive to quote them "The government needs to educate the public continually about the foregoing misunderstandings and every important minister of the cabinet and every available occasion must be exploited to do this and thus to put the rationale and importance of the reforms before the public If this is not done the reforms are likely to lose support as misunderstanding multiply and acquire cogency simply because no coherent rationale and defence of the reforms is available the efficiency oriented reforms were often misinterpreted as yuppie yearnings out of tune with India's poverty needs when in fact they could have been explained as truly anti-poverty measures This will enhance the credibility of reforms The credibility of the reforms is necessary" [10] Note nowhere is it suggested that the data on its success be presented to persuade people about the desirability of these reforms Instead the advice is to make assertions as many times as possible is it not a page from the advertiser's manual? a la Gobbles propaganda principle a lie told hundred times becomes truth For example the reform promoting economists have suggested that growth reduces poverty

The facts contradict this argument In the case of the U S for example the economy had roughly the same rate of growth of output and inflation in the expansionary phases of 1963 69 and 1983 89 yet poverty rate declined by 7 4 per cent in the 1960s compared to 2 4 per cent in 1980s In other words the capacity of economic growth to reduce poverty rate declined This is partly due to the nature of growth in 1980s wages remained constant even declined while incomes in the top range grew much faster The trickle down does not always work The moral of the story is that growth by itself is not enough for poverty reduction much depends upon the composition of the growth process [Cutler and Katz 1991] Such evidence would nullify any ideology and is thus never sought The argument about growth reducing poverty is presented as an assertion Furthermore tautological arguments are made that one needs more of the same even against contrary evidence

To quote again Indeed in the absence of further new steps the returns from the existing reforms may be meagre in terms of productivity and export increases in particular encouraging critics of the reform to accuse the reformers plausibly about being in error when they argued for their necessity [Bhagwati and Srinivasan 1993 7] Could this argument not be made in favour of any policy? If so what is so special about this policy? How then can the old, denounced policy be wrong? The difference is those who are making these assertions have the power to do so

The ruling RNI in the government and its allies, both within and outside India fully understand that these economic reforms define an ideology to maintain and further their hold on government and financial resource. Since they always had the control they needed minimal changes in the economy to benefit their own and their new partner's interests Accordingly the functioning of the economy has not changed fundamentally as illustrated in Figure 1

The pace of change initiated over the last two decades has maintained Most of the change is in rhetoric it is well expressed in the commoh comment, "the regulations have gone but not the regulators" However, the policy has succeeded in its major objective of gaining greater control of the government insofar as the opposition, of all sorts, has been taken in by the rhetoric or muffled The media continues to sing praises of the reforms What is happening around us is both bizarre and depressing The country is currently the victim of a fantastic confidence trick Apart from other things the media have been so completely subverted that it is difficult to get one word of protest or dissidence even sideways (Between Friends *EPW* October 1994)

The *Economic and Political Weekly* and those who write in it have analysed the four budgets and the numbers released by the government agencies *ad infinitum* The numbers tell a story of at best a very poor grade if not a dismal failure something with which no policy maker can feel comfortable with much less be proud of This should not be surprising It is after all a trickle down spread a little around fiddle with the middle type economic policy Experience of other countries has also been similar Recently there has been a serious financial crisis in Mexico and the general media that wrote glowingly about economic reforms there has started telling some truth "The [economic] reforms enthusiastically supported by Washington and many wealthy people here benefited few Mexicans before the current crisis began on December 20 and fewer still afterward We are all leftovers of a political system that creates a few super-millionaires and millions of super-poor", said a statement released last week by the Zapatista National Liberation Army the peasant group that took up arms against the government in the southernmost state of Chiapas 13 months ago Mexico's foreign reserves, which stood at $ 28 billion a year ago, have dwindled to a little more than $ 3 5 billion, according to the country's central bank, the Bank of Mexico" [16]

Whatever meaningful numbers one looks at one is astounded by the dismal state of Indian economy The growth rate of the GNP has been below even the Hindu rate, much less the high rates of growth achieved in 1980s which are being branded as a failure of economic policy In spite of sustained agricultural production due to good rains and harvests and the likelihood that the buffer stocks of foodgrains could touch 40 million tons in 1994, per capita foodgrains availability

had declined from 310 grams per day in 1991 to 465 grams in 1993. The low growth rate has resulted from a serious slump in industrial production, and this slump has continued for the past three years. The level of employment has gone down adding pressures to the lowering of the wage rate. The inflation rate has hovered around double digit in spite of ample food stocks and large imports of wage goods. The prices of food commodities have grown faster so that the number of poor has been going up. As regards the potential for growth, saving and investment have declined steadily, savings from 24.6 per cent of GDP in 1989-90 to 22.3 per cent in 1992-93 and fixed capital formation from 21.7 to 19.6 during the same period. This does not augur well for economic growth. This dismal performance of the economy has effected even the central budget which faces rises in both revenue and budget deficit. These numbers however deal with the real economy and affect average people in the country but not those who hold the power and whose interests the reforms serve.

The Indian economy is now in a debt trap. India imports on the average goods worth $25 billion and exports in the best of circumstances around $20 billion. In the past few years the import situation has been helped by two major factors (i) a slump in the industrial economy so that its imports needs were reduced and (ii) a major reduction in the price of oil. These favourable circumstances cannot continue. There is thus a structural imbalance of around $5 billion. Add to it the interest rate payments on the foreign debt around 10 billion dollars per year and growing over time. There is thus a structural imbalance of around $15 billion. This is the size of the debt trap.

For purposes of rhetoric the government can and does keep on harping that the foreign reserves have been going up. Even here the story is not that bright. The country's external debt rose from Rs 1 302.8 billion to Rs 2 809.8 billion between 1989-90 and 1992-93 jumping from 28.5 per cent of GDP to 39.9 per cent. The total debt servicing charges in 1992-93 amounted to 30.8 per cent of current receipts and accounted for 44 per cent of exports. In a diagram it is stated during the first half of the current fiscal year (April-December 1994) against gross aid receipts of Rs 3 803 crore Rs 2 741 crore (72 per cent) flowed back by way of amortisation and another Rs 2 233 crore (59 per cent) towards interest payments. This resulted in a net outflow of Rs 1,171 crore (31 per cent)."[7] The foreign debt which is other side of the ledger is rarely mentioned. "Virtually all of the additions to foreign exchange reserves accrued through new IMF loans, NRI deposits, and further commercial borrowings."[8] Last year exports did a little better and the balance of trade had a smaller deficit partly because of the recession in industrial sector and thus small the imports. And the media went gaga over it. If one goes deeper into trade data, these are temporary gains which did not continue even next year. "Exports in dollar terms rose by 13.9 per cent during April-October 1994 and imports by 19.8 per cent non POL imports went up by 30.6 per cent. Considering the economy's import propensity this is not surprising nor is the widening of the trade deficit to over $1.4 billion from $569 million in the same period of last year." (Current Statistics, *EPW* December 10, 1994, p 3114).

The country has been opened up in the name of globalisation and liberalisation but basically in exchange for the political support of international including NRI capital. The foreign resources that have flown in have gravitated towards mostly speculative rather than productive investment. "We have yet to find evidence that the level of private investment in the economy has gained the level attained in 1990-91." [Balakrishnan 1994: 980] i.e. prior to the economic reforms and all the concessions and giveaways to the private capital foreign as well as domestic. It is estimated that virtually 70 to 80 per cent of direct foreign capital flows have been in financial form speculative purchase of assets of public companies being sold and land deals.

Poverty has grown both in size and severity. According to the latest 27th edition of *World Bank Atlas* India is the one of the 11 poorest of the poor countries in the world as measured by its GNP of $290 per capita. It is one of the three such countries in Asia other two are Bangladesh and Laos. Remaining eight are African countries.[9] The social problems have aggravated further. A perception has emerged that liberalisation of economic policy perhaps has become liberalisation of corruption. And this from Arjun Singh's letter of resignation to prime minister Narasimha Rao (quoted in *Blitz*, December 31, 1994). This is a very telling statement about corruption because one senior minister of the government not known for integrity is publicly writing about it to the prime minister. It has made life harder for the common person. This is clear even from random examples. The use of alcohol is growing so that it is now a large market and more people are dying on the roads.[4]

One may ask the question if the performance of the economy is so dismal why are economic reforms still being touted in public through a media blitz? The reasons are political. The ruling RNI elite has no reason to expect any better performance. It has guarded itself by its tautological reasoning and its support among key groups that wield power. Perhaps there is a need to rephrase the question. Given such poor performance, why have not the political parties in opposition not punctured this ideological balloon? There are two types of opposition parties, it is instructive to analyse their response to the ideology of economic reforms:

(1) The left-oriented parties, the Marxist, the Janata Dal and other similar groupings in different states. These are made up of RNI, the loyal opposition, their arguments and concerns are best represented in the pages of *Economic and Political Weekly*. It has lost the intellectual moorings of its *raison d'etre* after the demise of Soviet Union and has been seeking some form of legitimacy. Also, it has generally accepted the basic proposition of the superiority of the western rational thought. Given these two proclivities it accepted the proposition that planning was a failure and some form of reform is needed. They have thus taken the rhetoric seriously and concentrated their efforts in analysing the performance of the economy rather than opposing reforms ideologically. For example, *EPW* Research Foundation (1994) has analysed why have the reforms failed. The implication of such studies is that reforms are needed but need to be formulated differently. They have not recognised that economic reform is an ideology[41] and that ideologies are fought at the level of an ideology and not at the technical level. At present they do not have an ideology. Accordingly these groups have been ineffective in dealing with the reform ideology. In fact given the loss of their legitimacy their acceptance of western rational ideas that promote divisiveness and continuous splits in the various groups representing their changing power relations these left parties accentuate mostly negative and divisive policies. Because of their belief or need for concerns that promote divisiveness these parties may be of little relevance to India's future.

(2) There is the opposition represented by the nationalist BJP party. The BJP distinguishes itself on the basis of its concern for Bharat its heritage and civilisation. It has thus an access to high quality ideology. Accordingly the BJP had a good chance to expose the bankruptcy of the reform ideology by fighting it with a better more substantial and counter ideology of swadeshi. Figures 2 and 3 illustrate a distinction between swadeshi and the existing economy. The triangle represents the existing economy whose base is made up of poor and informal sector and whose vortex represents the rich and powerful. It is of the shape of a pyramid few rich at the top and most poor at the bottom. By comparison, the swadeshi society represents a square where the size of the base is not different from that the top. In the current situation, represented by Figure 2, economic reforms accentuate the inequalities so that a part of the triangle is above the square.

The reason why swadeshi society is represented by a square with the same base is because swadeshi has all the desired

qualifications.[42] It has an appeal to majority population, even a small part of the ruling RNI elite. It combats the realities resulting from business and bureaucratic corruption on the one hand and gross inefficiencies of the market system on the other. It has a commitment to move the economy and industry at a higher level of productivity and technical competence. In its initial stages, swadeshi has the advantage of promoting both economic growth and employment thereby reducing poverty. Swadeshi thus contains most of whatever little substance there is in these 'reforms'. By accepting reform ideology even partly, and not promoting the swadeshi alternative, BJP made a mistake. BJP's support provided important legitimacy to the reform ideology, helping the Rao government in its control while hurting BJP itself. As a result, BJP has lost a great deal. Not only has it missed valuable time but has also suffered in the elections. For BJP, it has been an expansive mistake. Its mistake has also cost the country and the poor a great deal.

Political Fallout

We have argued that economic reforms in India is an ideology for the sole purpose of maintaining and promoting the interests of the group in power. The group in power is made up of ruling RNI elite, its allies among NRI and foreign capital, and the trading houses that have been gaining economic power and resources in this alliance. During this period whatever little growth has taken place has helped this group; (i) foreign capital in terms of cheap labour, Indian assets, and speculative profits, and (ii) domestic finance capital in the form of speculation, exports and bank profits, etc. This alliance has helped the government to maintain its hold. The question is: how long can this ideology of economic reform be able to generate the rents and royalties to this alliance?

If this analysis is valid, it suggests that the ideology cannot succeed long without some visible economic performance. The problem with ideologies is that they disintegrate when questioned and tested against reality. Truth emerges and reality catches up. There are two factors which will lead to a disintegration of this ideology: One, the alliance may break down. Already, IMF and World Bank have been looking on the other side as the central budget keeps on flaunting the desired targets. There is a limit to this process. At that point there is a possible conflict between domestic and foreign capital which is bound to come to the fore.

Second, if the economic performance remains as dismal as it has been, and there is no reason to expect it will improve in the near future, even the gullible journalists and intellectuals will find out that it is all rhetoric. On the contrary, the economic situation is liable to get worse.[43] All analysis suggests that there is neither growth nor stability in the current budget; the constraints of the budget making are becoming more serious. The advantage of the six good monsoons has already disappeared this year. With declining investment in agriculture, this sector may pose a grave threat to the government. The payment of interest on foreign debt is coming due and will add a pressure on the trade deficit.

The Indian political process follows democratic principles via regular elections. Since these reforms are at the expense of the majority poor and disadvantaged, they will respond at the election time. Populism has remained and still remains a political force. Elections, unless manipulated as, for example, in Mexico, invariably go against such reforms. There is a lot of evidence on this proposition from all over the world. This happened in India as well. Four state elections took place in November 1994. The winning parties made the basic principle of providing economic improvements to the masses through the reduction of the price of wage goods, a policy completely opposed to 'economic reforms', a part of their election agenda. The ruling Congress suffered a defeat in all states, even in Andhra Pradesh from where the prime minister hails and where he made all sorts of speeches and spent lots of money. Jayashree Sengupta has articulated these election results with a flourish. "The trouble with people in power in New Delhi is that they, like 'badshahs' before them, become isolated from the people, particularly the poor. They keep meeting their own types at posh hotels and get together, exchanging mutually pleasing pictures of what they are doing and seeing. A sprinkling of foreigners always provides the right backdrop of encouragement because they are there to say how great India will be if only it liberalised faster... People had become impatient and the signs were visible. If only these policy-makers looked around them from the curtained windows of their bullet-proof cars and saw the hungry and often angry faces on the roadside... Even the stodgy senior bureaucrat with his wings clipped, admitted the value of economic reforms. Not they, but their children were working in either some multinational subsidiary or a foreign bank and drawing their annual salary in a month's time... The favourable report cards from the World Bank, and the IMF gave the impression to the people that everything was going rather well. The media was convinced too. Reports from seminars, workshops garnished with famous economists, appeared in major newspapers and journals saying the same thing. ...People became designer-minded and brand-conscious. Indeed, India was going global, said the elite crowd in the metro cities but no one realised that they were only a minuscule percentage of the 900 millions. [illegible] Boiling Masses Speak', *Observer*, New Delhi edition, December 14, 1994). The media has tried, and is continuously trying, to make the argument that these elections were not against reforms but instead depended on local issues. This goes against both reason and reality.[44] Four more states are going through elections (February 1995). The results would be out in a few weeks. Already some recognition is being accorded to the fact that reforms may not win votes. There is a possibility that the ruling Congress Party, the promoter of 'economic reforms' may lose all important states. Still the ideological propaganda by the media continues.[45] Eventually, it delegitimises them and their future capacity to promote the fantasy and illusions of economic reforms.

A Prognosis

We have argued that economic principles, social institutions and ethical norms together make a consistent framework. We have also argued that 'economic reforms' are based on exploitation of the larger society and environment in order to serve the interests of the ruling NRI and international capital. Because of such inter-relatedness and their exploitative nature, the current 'economic reforms' are bound to place great stress on the Indian society to possibly a breaking point. In this sense both AM and Krishnaswamy are right in reaching the conclusion that this can lead to a "bloody and anarchic" change ('Between Friends...', *EPW*, October 22, 1994). Their hope is that such a change will follow from the current 'irrationality' of the system and will be led by the poor masses; not intellectuals. Unfortunately, history does not provide many examples, much less an assurance, that the 'collapse of irrationality' will come about by the uprise of the oppressed; however logical and rational it may sound. Even if such a change takes place, it can, and will, introduce its own 'irrationality' because this whole 'rationality' is based on divisiveness.

A positive change will need a paradigm shift of ideas; a different conceptual framework with its consistent ethical framework. Its underlying principle has to be integrative and not divisiveness. The ethical framework is clear, it is one where personal integrity, quality of personal character and commitment to public good at a high personal cost are not only honourable values in themselves but also considered honourable and desirable by the society. It is also clear that these ethical values are not consistent with the conceptual framework of planning, market ideology and 'economic reforms'. The conceptual framework that is needed, then, is the one based on organic and holistic ideas.[46] It is a framework that promotes, not destroys, sustainable

functions of man, woman, family and nature It is a framework that assigns a higher image to humans than merely physical beings who can be satisfied by material goods so that progress is not measured only by the multiplication of material possessions and increases in physical comforts "The physical approach to life has become a kind of epidemic in modern industrial civilisation Never in the history to my knowledge, has a civilisation reflected a lower image of the human being a physical chemical organism with no motivation than self-interest, no aspirations that cannot be fulfilled on the physical level Believing that the human being is physical, we have by some three centuries of concentrated effort developed the technology to do what we like in the physical world We have an unprecedented capacity to pursue material goals and produce material goods to satisfy every desire If the physical image of man is accurate we in the US must be living in the Golden Age [47]

It is a framework that promotes well being of humans and nature and not their exploitation nor the exercise of power Since human welfare is not possible without community of which family is the basic unit it is a framework that exalts, strengthens and stabilises family neighbourhood mohalla and village This concept is very different from that of employment which promotes individualism What is needed therefore is not full employment but community growth Family not the individual has to be at the centre and litmus test of all economic and social policy Thus every activity and institution that weakensess the family has to be taxed heavily Similarly every activity and institution that promotes the cohesiveness of family and community has to be subsidised It is such a paradigm shift that some of the *avante garde* thinkers are working on It was this paradigm shift that Gandhiji had articulated in his immense wisdom He developed a part of the framework in the concept of swadeshi [48] It is in this paradigm shift and Gandhian paradigm alone lies the hope for the Indian society though not for the 'reform led Indian economy as we understand it today Once swadeshi policy is in operative it will impact the whole society not only the people at the top The final outcome of such a policy is illustrated in Figure 3 where the triangle represents the economic hierarchy as in the current economic situation and the square the swadeshi society Many will, no doubt question its validity partly because of lack of familiarity with such a society but more so because such a society will not be able to provide the privileges to those who are in power at present Since it is these people who control the media this alternative will be misrepresented In fact, a controlled media is always denied the legitimacy of an alternative, any alternative, particularly an alternative which is serious and workable

The question is will such a positive change come about If yes, how? For such an alternative to emerge, it is necessary that there is a shift in the paradigm of ideas and thought At present, both the paradigms are reflected in the political parties (1) The Congress and its leftist opposition in the form of Marxist and Janata Dal type parties represent the western rational paradigm Their intellectual paradigm is based on power and its corollary of exploitation Accordingly they need to divide the people in whose name they want to gain power Thus Congress has been dividing through the mechanisms of minority vote The present Congress government is losing its popularity The divisions within itself are getting deep It may be too early to write its obituary the ownership of government that has kept it alive is now weakened, the business people who have provided them the money and muscle have no commitment to it and can easily move to other groups Marxists divide because they cannot stand anything that smells of the majority Hindus or its heritage It is not accidental that Marxism, in spite of its theoretical appeal to the large majority has remained a minor player in the Indian body politic Janata Dal divides to gain the votes of the scheduled castes and dalits Its problem is that it has none of its own coherent and positive policy or programme It has always been made up of people who left the Congress for one reason or the other and has never developed into a full-pledged party A part of the reason lies in its need to divide and depend upon different groups who themselves are not part of a larger group It is, therefore, an inherently short-term and local phenomena

(2) The second paradigm based on integrative principles is represented by the BJP Because of this paradigm it poses the most serious threat, not only to the government at present, but to most of the assimilated RNI both ruling and loyal opposition That it has been a serious threat to the RNI can be judged from the fact that right from the beginning, as early as mid 1970s, when it was too small to be taken seriously, the media started the campaign to denounce it by affixing a pejorative adjective to it, rightist reactionary' Hindu party In those days rightist and 'reactionary' were pejorative term terms that have gained respectability these days It is interesting and instructive to note that these adjectives are no more affixed to the BJP Instead it is now called 'fundamentalist Hindu' party, it does not bother these self-styled objective journalists that 'Hindu' and 'fundamentalist' are contradictory terms [Frawley 1991 1992] The objective is to give it a bad name in the hope it will stick Not only have these pejorative terms not stuck, but instead the BJP has gained popularity and strength by the year, in spite of, and against, the heavy odds of a ruling class organised against it. Such attacks on the BJP continue Take the example about a report regarding the elections [February 1995] in Maharashtra where it is suggested that the Congress may lose "We are familiar with the Congress Party's functioning especially with chief minister Sharad Pawar" said a top Bombay industrialist, who did not want to be identified Foreign investors are concerned about the possibility of the BJP taking charge [of Maharashtra State Government] rather than the Shiv Sena, said a senior executive of leading multinational management consultancy firm operating here [Bombay] 'The Shiv Sena is largely seen as a malleable party but the BJP is rigid It is they who, our clients feel, may cause a problem" [*India Abroad* February 17, 1995] It is interesting to analyse this statement (i) Basically, it says that the Bombay industrialists like Sharad Pawar because they are corrupt to the core and corruption is OK (ii) Shiv Sena is corruptible and therefore OK (iii) BJP is not corruptible and may follow policies that may not allow the rich to exploit the poor and the country for their gain the policies based on the alternative paradigm They are thus not acceptable

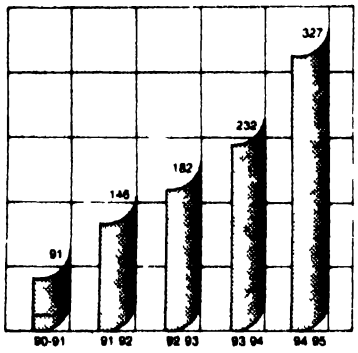
The BJP is emerging as a national party with its support virtually in all the major states The threat that the BJP poses is so serious that all other parties are joining together with one single object, to keep it out of power In addition, there are problems within the BJP With its growth, it has also attracted many RNIs who are interested in their personal power and have little understanding or commitment of its principles and the different paradigm Their presence helps the ruling RNI to manipulate the party, particularly its programme and policies It helps the media to confuse the public by misrepresenting the BJP as no different from other parties The BJP has already made the mistake of supporting the ideology of economic reform thereby hurting itself and its message One assumes that the BJP has learnt its lesson the hard way and is not liable to repeat its mistakes Given the opposition from all political parties the media particularly the English language media, and its internal problems the BJP has a long way to go to gain political power It is still in the process of formulating, and articulating the alternative swadeshi programme and has to deal with a media bent on seriously misrepresenting this alternative It will thus take quite a long time for the policies based on this alternative to become operative

The prospects in the near future are full of uncertainty The Congress Party is now faction-ridden With the lack of power through the state governments, these factions

Accelerating Growth

Excellent Performance 1994-95

Net profit Rs. 277 crores	42%
EPS: Rs. 12.72	38%
Order booking Rs. 3511 crores	28%
Sales and other income Rs 3318 crores	20%

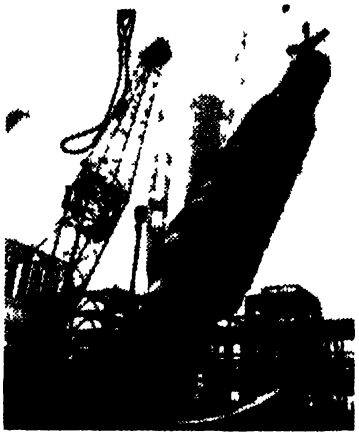


MAJOR ORDERS

- **Largest Twin-Strand Slab Caster for Bokaro**
- **India's First Advanced Steckel Mill for Salem Steel Plant**
- **Largest and Fastest Paper Machine**
- **India's First Vertical Dairy for NDDB**
- **Asia's Largest Automated Milk Plant at Gandhinagar**
- **Gas Platforms for ONGC**
- **2 x 20 MW Co-generation Power Plant for Tata Chemicals**
- **Switchboards and equipment for fertilizer, chemical, petrochemical and cement plants**
- **C-Power Air Circuit Breaker and Z-line Petrol Pumps widely accepted.**



Assembly line of L&T's new Air Circuit Breaker



Vacuum column manufactured by L&T being erected at a refinery in Mangalore

Construction

Significant orders received

- Civil/mechanical work for petrochemical and steel plants
- Four-laning of section of NH1
- Project for supplying water to 700 villages in Andhra Pradesh

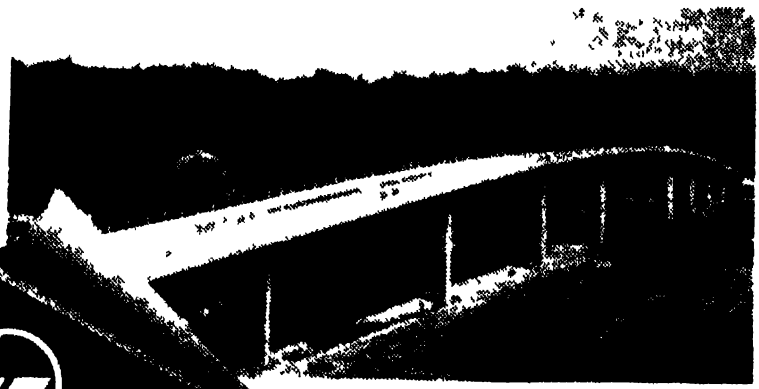
Projects completed include major cement plants as well as viaducts bridges and tunnels for Konkan Railway L&T received Excellence in Construction Award from Konkan Railway Corporation

Cement

- Commercial production commences at Hirmi plant
- Production at Awarpur and Jharsuguda plants registered significant increase

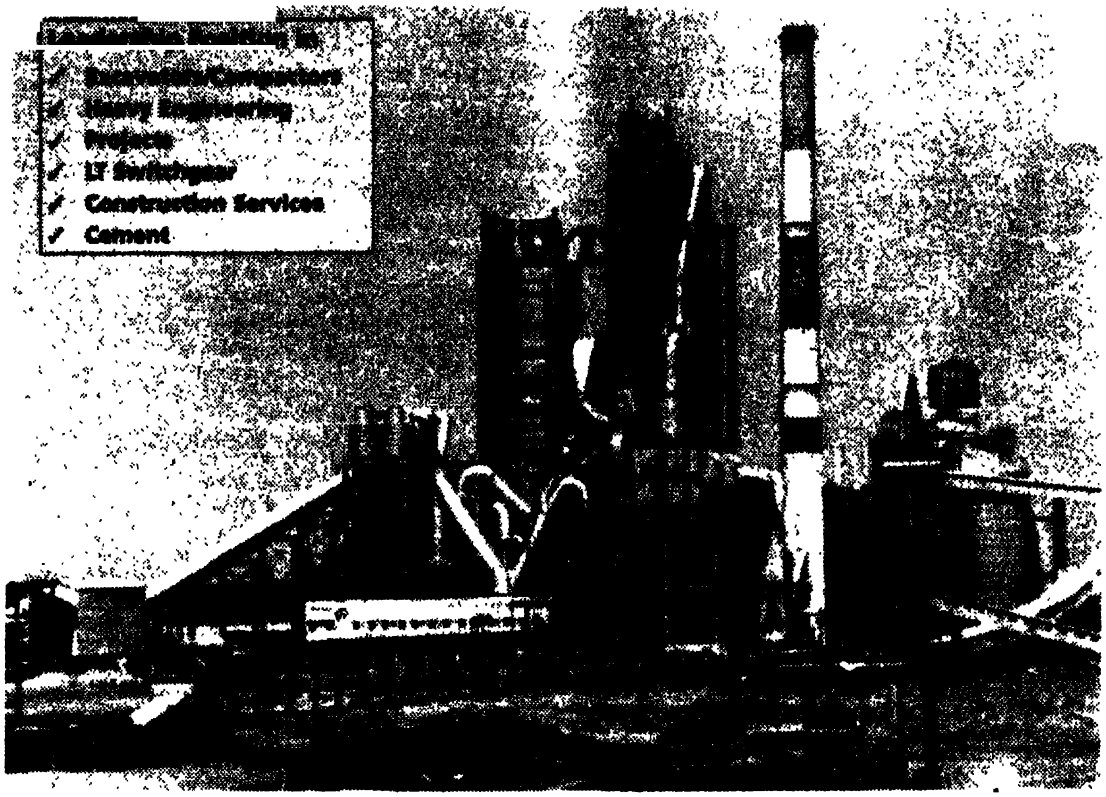
International Business

- Heavy engineering plants and systems for Qatar, Saudi Arabia, Kuwait, U S A , Singapore
- Switchgear, drives, controls and petrol pumps exported to Europe, Africa, Middle East and South East Asia
- Major bridges completed in Malaysia



One of five bridges built by L&T in Malaysia

Quest For Excellence



L&T's cement plant at Hirmi in Madhya Pradesh, installed by the Company on an EPC basis

New Projects

- 2 x 250 MW power plant to be set up in M P, with Community Energy Alternative, U S A and SAIL
- Joint venture formed with Sargent & Lundy, U S A for EPC services in power sector.
- 1 5 million tpa Gujarat Cement Project to be commissioned by September, 1995 Plant capacity to be doubled soon.
- Work on the 1.75 million tpa cement unit in A.P. to commence shortly.
- State-of-the-art glass container plant being set up at Nashik.

Community Service

25 year record of medical and welfare services to the community

- 'Good Corporate Citizen Award' received from Bombay Chamber of Commerce and Industry for conspicuous achievements in improving the quality of life in the community

Prospects

Response to changing economic environment

- Sharper customer focus.
- Renewed emphasis on technology, quality, flexibility in manufacturing and quicker response.
- Creating strong EPC organisation
- Achieving balance between ensuring growth in current earnings and investing in the future.

L&T aims to build on its traditional strengths and fulfil its vision of becoming a world class company dedicated to professionalism and excellence.

(Synopsis of statement of Mr S D Kulkarni, Managing Director and Chief Executive Officer, circulated to shareholders)

LARSEN & TOUBRO LIMITED

can, and will, be destructive It has lost trust of the people and is widely known as a party of corruption [Diwan 1993b] Marxist parties have been always perceived as a non-national party They have remained, and will remain, fringe parties with small pockets of strength The various groups of Janata Dal and regional parties have strengths within their own areas where they represent or manipulate the caste and religious minorities The people who get elected on its ticket are in politics for their personal egos and gain They will make deals with any group of party to gain some power The BJP alone stands as a party of principle It has been growing but has not been able to consolidate its strength so as to gain political power In the coming years, and next elections, there may be no single party to form a government that can develop and carry on a comprehensive programme for the genuine benefit of the country instead of some very small section of it During this period, the policies will remain *ad hoc*, based on a mixture of the two virtually contradictory paradigms

Notes

[An earlier version of this paper was presented at the 23rd Annual Conference on South Asia University of Wisconsin Madison WI November 4 6 1994 A revised version is to be presented at the 1995 Annual Meeting of the Eastern Economics Association March 17 18 1995 at New York I am thankful to Ashok Bhargava Suresh Desai Renu Kalhanpur Mahesh Mehta Mukund Mody and Sabine O'Hara for helpful suggestions]

1 This story is given in Valmiki's *Ramayan* the *Sundar Kand* section and refers to a conversation between the soldiers from Kishkinda

2 This is particularly true of English medium print and electronic media partly because it takes its cue from the western media For example *India Abroad* an ethnic weekly published from New York and a mouthpiece of government and international capital devotes 5 to 10 pages every week to laudatory stories and news about the desirability of these reforms

3 Much of such discussion appears in the pages of *Economic and Political Weekly*

4 To give one example five presidents of Association of Indian Economics Association (AIES) wrote a letter to the prime minister questioning economic reforms This letter is contained in Diwan 1991a

5 I have elaborated the concept of RNI in Diwan 1993a RNI are classified into three groups Assimilated RNI made up of (i) ruling group (ii) loyal opposition and (iii) non-assimilated RNI The RNI are contrasted with Non Resident Indians (NRI)

6 There is an oft quoted remark what is good for General Motors is good for America' It is ascribed to Wilson, an executive sometimes a secretary in the federal government

7 Galbraith 1992 and Reich 1983 among others provide good examples and explanations

8 In the 1994 November elections only 37 per cent of the eligible voters exercised their vote Yet the winner and the media have promoted the idea that electorate have given the Republicans a mandate A little thinking should persuade any one about the absurdity of this argument a mandate being defined by a small minority

9 Support for the status quo is intensely *bipartisan* in the truest sense real access to the honeypot in most cases comes only from service appointments, and connections within the Republican-Democratic Party system A cynic could even say the *corruption of Washington*—because bluntly that is what we are talking about—is closely bound up with two party politics Influence peddling access is one of the most important components and privileges of party spoils system Phillips 1994 p 52 [emphasis in italics in original]

10 In fact freedom' is code word for freedom to exploit in order to make profits

11 Those people in Washington who write the complex tangle of rules by which the economy operates have over the last 20 years rigged the game by design and default – to favour the privileged the powerful and the influential At the expense of every one else we are in the midst of the largest transfer of wealth in the nation s history It is a transfer from the middle class to the rich' [Barlett and Steele 1992 pp 2 3]

12 There is a well defined concept of a techno economic paradigm [See Diwan and Desai 1990 and Diwan and Chakraborty 1991] For an implication of this paradigm on competitiveness [Diwan and Filpo 1992 and Diwan and Chakraborty 1993]

13 His three international best sellers deal with technology *Future Shock* analyses the rate of technical change *The Third Wave* examines the direction that the technology and its change is taking *Powershift* attempts to explain the shift of power to information and technology

14 As a result of the slight increase in interest rates over the last few months, *Fortune* magazine estimated that paper losses on the US government bonds alone totalled $ 600 billion through the first nine months of 1994, with global bond markets having lost a total of $ 1 5 trillion among them The latter averaged out to around $ 263 in paper losses for every man woman and child on the planet' [ibid p 7]

15 Attention has focused on president s willingness to make deals with business and financial lobbies even more quickly than with labour environmental and minority groups Changes like these tell the real story of the transition from Old Democrat to New Democrat What Clinton has done is to shift his party from so called interest group liberalism to interest group centerism away from the prospending liberal type lobbies that represented *people* (labour seniors minorities and urban) to a more upscale centrist (or centre right) group that represents *money* (multinationals business banks, investment firms trial lawyers trade interests superlobbyists investors the bond market and so on) *This is the ultimate triumph of Washington s interests group ascendancy the party of the people can no longer be the party of the people* " [Phillips 1994 p 52 (emphasis in italics in original)]

16 Compare it to Gandhi's ideas In well ordered society the securing of one s livelihood should be, and is, found to be the easiest thing in the world Indeed, the test of orderliness in a country is not the number of millionaires it owns, but the absence of starvation in its masses [Gandhi 1966, p 39]

17 'This year Bolivia celebrates only the 40th anniversary of the revolution that quashed a malignant oligarchy *where private enterprise was the disease and nationalisation was the cure* Thus Bolivians look upon the worldwide movement towards free-market economies with suspicion *The national memory equates private enterprise with unspeakable suffering* Bolivia is not alone Its neighbours have similarly dark recollections of a free market at its most wanton It was only in 1964 that Ecuador shed the dreaded 'Wasipungo' system – forced Indian labour with the United Fruit Company of Boston acting as overseer Those who have survived its worst transgressions *know that* a free market is *often free in name only* ' [Rosenberger 1992 (emphasis added)] Rosenberger should know since he was a former UPI reporter

18 'A final concern, which the World Bank has made only feeble efforts to address is its bloated and overpaid bureaucracy Those at the World Bank would do well to accept a hint of self-sacrifice in their professional lives rather than marauding as if they were partners in some great Hanseatic banking house ' [Levenberg 1991]

19 Merchant 1980 articulates persuasively how language metaphor and images changed as the commercial and industrial society accelerated to justify the exploitation of both women and nature The metaphor of the earth as a nurturing mother was gradually to vanish as a dominant image as the Scientific Revolution proceeded to mechanise and to rationalise the world view The second image nature as disorder called forth an important modern idea that of power over nature Two new ideas those of mechanism and the domination and mastery of nature became core concepts of the modern world p 2

20 'In 1992 alone US business spent perhaps $ 1 trillion in marketing simply convincing people to consume more and more goods This exceeded by about $ 600 billion the amount spent on education – public and private – at all levels Under these circumstances we can expect people to grow up with their heads full of [biased] information about saleable commodities and empty of knowledge about human history morality culture science and the environment' [Foster 1995 pp 4 5]

21 For example such power promotes sexual abuse ' The most recent statistics estimate that one in four girls and one in seven boys is sexually abused by age 18 Like other forms of rape and sexual predation the sexual abuse of a child is *not a crime of desire but of power* Sexual abuse is a way in which the molester seeks control over the problems in his or her life Sexual abuse is not the province of the lurking stranger in the shadows or the anonymous newcomer in the dark house down the street The majority of abusers are the child's father mother, sibling, next door neighbour trusted family friend They are people who have been abused in some way themselves " "I base my belief on an unique perspective Not only am I a survivor of childhood sexual

us. But I also have spent the last three years researching the topic for my doctoral dissertation" [Schultz 1995, pp E1-2].

2 "Growth most clearly immiserates those who suffer an absolute decline in real income, which can happen even as per capita income increases It is a central fact about recent US growth that the median (middle by number) hourly wage of production workers has fallen about 13 per cent since 1973 The number of poor people below 50 per cent of the poverty line increased from 7 7 million in 1975 to 15 million in 1992 Some 7 million people were in that state [homelessness] during the late 1980s according to a recently released Clinton administration study A Census Bureau report of October 1994 disclosed that even in 1993, an year in which an economy grew by 3 per cent, median household income declined by 1 per cent, increasing the median household income decline since 1989 to 7 per cent" [Herman 1955, p 45]

Taylor argues that these policies have resulted in the transfer of $ 50 billion from the developing to developed countries

See Diwan and Hu (1988) for the case of Sudan Sarkar (1993) has summarised a number of studies all of which show that Bank Fund policies are a source of further destabilisation and underdevelopment 'Mali is one of the World Bank and IMF's model African pupils having fully implemented over the last 12 years all key elements of the SAP programme including massive salary cutbacks devaluation of the currency and liquidation of state enterprises But with their purchasing power declining by over 117 per cent since the start of adjustment, people finally rebelled "against SAP" this February (1994), barricading streets and ransacking buildings A similar unmasking of another model SAP occurred more than a month earlier, in early January (1994) The indigenous Zapatista rebellion in Chiapas, Mexico drew global attention not only to popular opposition to North American Free Trade Agreement (NAFTA) but also to the staggering consequences of 13 years of structural adjustment some 20 per cent of the workforce unemployed, another 40 per cent underemployed over half the population below the poverty line, and massive discontent all around" [Bello and Cunningham 1994, p 66] The Mexican balloon of financial success burst on December 20 1994 for any one to see

"The average adult in the US watch 21,000 television commercials a year, about 75 per cent of which are paid for by the 100 largest corporations " [Foster 1995, p 6]

"One of the great achievements of contemporary ideological warfare has been to debase the terms of political discourse As Orwell predicted, this achievement has undermined the possibility even of talking sensibly about what is happening in the world" [Chomsky 1995, p 19]

Liberman (1992) He describes how private companies hire public relation (PR) firms to produce tapes that resemble independent news reports These tapes, technically sophisticated, self-serving and highly biased, are made available to television news shows that carry them and add credibility, since the shows never identify the sources The result is that what we see on the news media are not news but subtle propaganda; and now not even so subtle. These are the 'fake news' Thus, the reporting of Iraqi atrocities against Kuwaiti babies were fake news produced by the PR firm Hill and Knowlton, and so were the testimony given before the UN and the US Congress Incidentally the president of the PR firm Hill and Knowlton is Craig Fuller, former Chief of Staff to George Bush

28 Chomsky (1994, p 56) It is worth noting that Chomsky is one of the brightest minds in the US and has written extensively on issues of foreign and economic and domestic policy Yet he has never been asked to comment on domestic or foreign policy in the mainstream media, both print and electronic it looks as if he has been blacklisted

29 Government policy has been known to cheapen labour wage rates A proposition was offered at the All India People's Science Network's Delhi meeting in mid-August 1994 According to it, displacement, thereby increasing labour supply at the cheapest rate has been as much one of the designed objectives of the dam as power or irrigation It created the pool of cheap labour needed by other development activities such as industry and agriculture It has been estimated that in the 40 years from 1951 to 1990 185 lakh people have been displaced an average of 4 60 000 unfortunates every year Three out of every four have been ousted by dams and 77 per cent have been tribals Only 29 per cent have been rehabilitated by government estimates leaving 132 lakh people uprooted from their homes and desperate for whatever marginal work that comes their way The earliest trend-setter of the multipurpose projects Bhakra displaced 36,000 hill people, and the latest in the series Tehri will oust up to 85,000 Sardar Sarovar when complete, will dislodge over 10,00,000" [Roy Dunu, 1994, p 3129]

30 It is interesting to note that Manmohan Singh has been a bureaucrat for most of his career IMF and World Bank are deeply entrenched bureaucracies their rhetoric to the contrary notwithstanding Even though they sing praises of entrepreneurs capitalists, and condemn bureaucracy at any opportunity they rarely like to deal with other than bureaucrats It is not accidental that the people in the good books of World Bank and IMF throughout the world are all faceless bureaucrats ready to change their tune at a moment's notice

31 To an RNI the very certification by a western institution is a proof of its goodness this is unfortunately the very basis of an RNI, of the assimilated kind [Diwan 1993a]

32 I have developed the concept of RNI and explained it in Diwan 1993a This generated a healthy debate with Rajmohan Gandhi in the different volumes of *Gandhi Marg*

33 *EPW*, October 22, 1994, p 2785 (emphasis added) It is interesting that the lament is against the white man, not a Japanese who is also part of the success story

34 "Week after week, many of America's best known economists are being summoned before congressional committees for expert advice on what to do about the economy But while given respectful hearings, their counsel is almost certain to be rejected, to the continued frustration of a profession that has long suffered such indignities " The Experts Talk But Who Listens" Robert D Hershey Jr, *The New York Times*, January 15, 1992, p D2

35 Bhagwati and Srinivasan (1993). They were kind to send me a draft version; the above quote is from this draft, p 27 (emphasis added).

36 'Mexico Takes US Aid with Thanks and Suspicion' *Times Union*, Albany, New York, February 5, 1995, p F1

37 These numbers have been reported in the government friendly, virtually its mouthpiece, *India Abroad*, January 13, 1995 p 22, as being from a report of the Comptroller and Auditor General of India in its review of the government debt at the end of March 1993, We have added the percentages in the brackets to make these numbers ineligible.

38 The confidence was gained at least to the extent of allowing the reserves to rise to a level of about $ 12 billion by the time the budget for 1994-95 was presented The fact that after remaining stagnant for year and a half, exports rose by 20 per cent in 1993-94 helped marginally in the process; a decline in international oil prices and the stagnation in import intensive industrial production also helped in bringing down the balance of payments deficit But no significant additions to reserves took place through export expansion and import compression" [Bagchi 1994, p 1064]

39 These calculations have been made on the basis of purchasing power of the local currency It is interesting to note that The World Bank is now estimating purchasing power of the currency and ranks the countries by this measure Not unexpectedly, this measure pushes the US from the 7th to the second rank What objectivity!

40 "India's market for hard liquor is estimated at $ 1 6 billion and is expected to grow by 15 per cent a year' [Foreign - Made Liquor Is Pouring In, *India Abroad*, January 20, 1995 p 1] Again, 'In 1993 close to 60,000 people, the highest toll for any country, lost their lives in road accidents in India, many more than in the previous year Delhi alone accounted for as many as 1,900 deaths" [*India Abroad*, January 20, 1995, p 12]

41 Instead they have devoted their energies in fighting Hindu nationalism, something that comes naturally to them

42 A good deal of work on Swadeshi has been done See Diwan (1991b), Diwan and Lutz (1985) and Gurumurthy (1994) to name only a few

43 We are really in for a period of 'de-industrialisation' We are only beginning to feel the type of development awaiting us as a result of the IMF/World Bank inspired 'structural' readjustment programme" [Ghosh 1991, p 2607] The situation has not improved since

44 "It was to be expected that the results of these elections [four states in November 1994] would be scrutinised for what they reveal about people's attitudes to the central government's economic liberalisation policies Most curious in this context is to find the Congress now claiming that election verdict does not amount to a popular rejection of these policies when it was the Congress and the prime minister in person who chose to make liberalisation a major, if not the main issue in the election In meeting after meeting Narasimha Rao warned voters that if they failed to return the Congress to power that would be ta as a signal worldwide of the likelihood reversal of the policies that produced

wondrous results. . How much out of touch with political reality even a political animal like Narasimha Rao, not to talk of the finance minister and his like, can get once the essential task of policy-making and government are entrusted to bureaucrats in the prime minister's office and the finance ministry? How else is the delusion that the ordinary people of Andhra Pradesh and Karnataka would be mesmerised by the level of government's foreign exchange hoard and the quantum of foreign funds supposedly flowing into the country when their own lives are being blighted by the unrelenting rise in prices of all essentials of life or by the claim that control and regulations had been relaxed for industrialists and businessmen when their own personal experience of coping with local power structures grows ever more brutal to be explained'" *EPW* Editorial December 10, 1994 p 3111]

45 For example, the mouthpiece of international capital and economic reform ideology, *India Abroad*, of February 24, 1995 has the major headline "Economic Drive Pushes On" conceding at the same time, "The average Gujarat voter has not shown much enthusiasm for the country's economic reforms that formed the theme of Rao's campaign speeches. The short-term effect of the reforms has been inflation, which opposition parties have tried to exploit by making populist economic promises" (p 1). Note the ideological insinuation the opposition parties are irresponsible for making populist promises. After all poor people do not buy advertising space. Another example of similar propaganda technique is on page 24 where the headline in large letters reads, 'Exports could hit $25 million" while the small print story underneath provides a different picture, namely, 'Imports during the first three quarters of 1994-95, however, have outstripped exports widening the trade deficit. The adverse trade gap for the period stands at a little over $2 billion, as against $731 million in the same period.'

46 It is best articulated by Huxley 944

47 Easwaran (1984 pp 10-12, vol 3). It is clear that people in the US are living in no Golden Age. On the contrary, the civil society is under very serious stress. In fact economy and civil society seem to be negatively related. To explain this negative relationship, I have argued that there are two types of affluences one defined by material goods and other by the care of those whom we care. The US has affluence of material kind and poverty of the caring type. See Diwan (1991b and 1995).

48 Sadly, and unfortunately, the RNI intelligentsia ignored and condemned it, partly because it is a Hindi word and has images of the Hindu heritage, both anathema to the 'rationalist' colonial minds. There is a need for all who are about this country and society to rethink about their own paradigm and revisit Gandhian ideas, this time with some humility and objectivity.

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Cartography in Colonial India

U Kalpagam

This article examines some aspects of surveying and mapping in 19th century colonial India. It shows that the emergence of modern cartographic representation in India is intimately linked to the colonial project of conquest, rule and administration. After examining the early mapping efforts in the latter half of the 18th century, the paper then focuses on the three major surveys – the topographical, the trignometrical and the revenue surveys that were carried out and which were all crucial to mapping India.

THERE is by now a general acknowledgement that British colonial rule in India produced a vast body of knowledges about Indian society. Critical historians and social scientists have often pointed to the biases, omissions and interests and motivations behind such portrayals of the colonised society, although they still do form an important source material for much of the history writing of that period. The production of the colonial archive is the immense project of conquest, rule and administration of a vast subcontinent called the Indian Empire. The informational requirements of the colonial state in conjunction with the discourse of scientific rationality as part of the enlightenment rationality gave rise to a mutual complicity of the power/knowledge relation that has not so far been explored. The forms of knowledge produced by the colonial state has not received adequate attention, though an inspirational paper by Bernard Cohn (1988) promises to undertake such a project. Cohn outlines a set of investigative modalities by which knowledges of Indian society were generated. These modalities were the historiographic, the observational/travel, the survey modality, the enumerative, the museological, the surveillance and the sanitary modalities. In this article I will consider cartographic knowledge and focus on the emergence of modern cartographic representations in India, showing how it was intimately linked to the colonial project of rule. After examining the early mapping efforts in the later half of the 18th century, the paper then focuses on the three major surveys – the topographical, the trignometrical and the revenue surveys that were carried out in most parts of the country during the 19th century and which were all very crucial to mapping India from the field and village level to the country level.

I

Surveying and Mapping as Political Technology

Surveying and mapping were important aspects of the technologies of state formation in the early modern period in Europe [Mukerji 1983], and it can be seen that in the heydays of empire-formation these practices were carried out in other parts of the world as well. The whole period of 19th century colonial rule in India involved a series of surveying and mapping operations as newer territories came under British control. Representing what came to be known as India pictorially in the form of maps involved very complex processes of retrieving knowledges, reconstructing histories, laborious measurements, calculations and enumerations in which the advances in the sciences of measurement and cartography rendered it possible to define and fix boundaries, demarcate territories and locate persons and objects in fixed spaces. The need for such fixity became more paramount as the revenue administration of states gained importance and more so when such administration had to be conducted from a distance. Even apart from the exigencies of revenue administration which are not an exclusive feature of modern states, such states even in the days of the empire prepared the ground for the emergence of modern nation states. Whereas for pre-modern states territory was important to delineate the kingdoms for military and taxation purposes, new political rationalities emerged with the modern state. As governance and the welfare of people progressively came under a new matrix of calculating rationality, it became important to define and demarcate the site of political and administrative power. In order to introduce and consolidate these new political rationalities, demarcation of administrative spaces on a scientific basis formed an important agenda of state making in the 18th and 19th centuries. In the course of time, the scientific mapping of space also acquired a new epistemological significance. Maps function as a measure, as a means of inquiry and as a method of examination. All of these functions did not quite arise at the same time nor are they non-overlapping functions.

II

Early Mapping Efforts

One of the early milestones were the *Bengal Atlas* and the *Map of Hindoostan* by James Rennell (1788), the latter which is here taken up for some detailed analysis, is an extremely interesting example of the nature of the geographic genre of that time accompanied as it was by a detailed Memoir. D'Anville, the French geographer compiled the first modern map of India which was published in French in 1751-52, and was based entirely on knowledges derived from the routes of various travellers all through recorded history and from some rough charts of the coasts [Markham n.d.]. Route maps or itinerary maps typically show the succession of points along one or more routes but not what lie between routes or how to get from one route to another. With the Battle of Plassey in 1757 marking the beginning of British rule in India began the era of surveying and mapping which was to continue for well over a hundred years. Rennell's survey of Bengal and Bihar laid the foundations for the first map of India based on survey methods for the distances to be measured were actually chained and observations were taken for latitude and longitude at certain stations. Reducing from the original surveys he made the maps of the rivers Ganges and Brahmapootra on a scale of two inches to a mile and also compiled the maps of the districts of Bengal and Bihar on a scale of five miles to an inch from 500 original surveys. These maps were published in 1781 as the Bengal Atlas and was dedicated to Robert Clive, Warren Hastings, Hector Munro, Verelst and Company [Markham 1871]. Appearing at a time when modern historiography was at its formative stages in India, the preliminary maps and surveys of this atlas were used by historian Orme for his first part of *A History of the Military Transactions of the British Nation in Indostan* (1745-1760) which appeared in 1763, in three volumes recounting the early military achievements of the English in India. Not only did the constitution of geographical knowledges of India entail a retrieval of history, it also served to write new histories as well.[1]

The *Map of Hindoostan* was compiled from the evidences of various route surveys and was first published in 1782. It subsequently went through three editions with its accompanying *Memoir of a Map of Hindoostan or the Moghul Empire* published in 1788, dedicated to the president of The Royal Society as an attempt to improve the geography of India and the neighbouring countries. For the 1788 edition Rennell

claimed that he had collected far more information from various sources which enabled him to produce a map which was more perfect and therefore decided to draw it on a larger scale with the surface of the present one exceeding the former in the proportion of two and a quarter to one. The quantity of land represented in it was claimed by Rennell as equal to one half of Europe. A cartographic representation is not a mirror image of reality. Proper scaling and establishing limits and boundaries enables the possibility of truth which is sought to be grasped through a process of approximation as more and more facts to fill in the void inner space of a map are ascertained. Route surveys of Huddart, Pearse, and Fullarton effected an outline of the hitherto unknown shape of the southern penninsular region which complemented what was then known of the shape and size of the Moghul empire in the north. Thus for the first time India could be viewed as a whole from four detached sheets that could be put together.

The *Memoir* also carried 'sketches' of the history of the 'Moghul empire and that of the Maharattas, the narrative of the former to indicate the possibility of a similar British empire, and the latter narrative was to describe the formidable foe who needed to be vanquished. India was not to be envisioned as a fixed entity since the days of Alexander, the turbulence of history had made it into a malleable entity and the purpose of selectively reconstructed narratives of history was meant to impress the idea of the non-fixity of political spaces. Rennell explicitly noted,

> I shall not attempt to trace the various fluctuations of boundary that took place in this empire. It is sufficient for my purpose that I have already impressed on the mind of the reader, an idea that the provinces of Hindoostan proper have seldom continued under one head, during a period of 20 successive years, from the earliest history, down to the reign of Akbar in the 16th century ... and that sometimes the empire of Delhi was confined within the proper limits of the province of that name [Rennell 1788].

Early British historiography, envisioning the possibility of an Indian empire, not only provided the chronology of different rulers but also attempted to present the locale of those regimes. The *Memoir* also contained detailed notes on each of the principal states and they certainly surpassed what is normally defined as geographic details, encompassing as they did information on the military capabilities as well as the revenue potential of these states. That is, it served both as an instrument of inquiry and of examination and evaluations of the strength and weaknesses of the rival states. Compiling evidences from the then recently translated *Ain-i-Akbari* of Abul Fazil by Gladwin under the patronage of Warren Hastings, and Frazer's *History of Nadir Shah*, Rennell sought to demarcate the 11 'Soubhas' of Akbar, also referring to it as "the original division of India" which were further subdivided into circars and 'purgunnahs'. In so doing he marked the boundaries of the 'soubhas' noted the capitals, remarked on the Hindu practices of naming places, citing the authority of the Orientalist William Jones traced the etymology of place terms as the Deccan', and most importantly noted the revenues of the provinces at the time of Aurangzeb, carefully noting so as to enable the reader to make a just estimation of its absolute value that the "products of the earth are about four times as cheap in Hindoostan, as in England" [Rennell 1788]. Thus, it needs to be noted that right from the beginning colonised spaces were predominantly conceived as revenue generating ones. In outlining the divisions of 'Hindoostan' that were then under the company possessions he even presented the company receipts and disbursements from Bengal, Bombay and Madras indicating also the total net revenue in India. Accustomed as we are today to reading the political maps of nations the details of the revenue and disbursement statements though contained separately in a *Memoir* is surprising. Indeed it needs to be read as a statement of political intentions, and as yet unaccomplished task, the task of conquest and the establishment of a 'revenue state', which like all other endeavours needed to be reckoned in terms of the costs and benefits.

While the geographic description of Bengal was possible because of the Bengal Atlas and the region was in fact surveyed by Rennell himself, for most parts of the other regions no such topographical survey had been conducted then, and the geographic knowledges were primarily derived from information provided by various route surveys of the troops. Other information such as the dimensions, the geographic features, the places with their positions sometimes drawing evidence from as far as Ptolemy, the history of the possessions and the genealogy of the ruling families, the relationship of the present rulers with their neighbours, the size of revenue collections and their military strengths were all sought to be presented for each of the states in the *Memoir*. There were indeed rather scanty references to the inhabitants in each of the regions, and these were mainly in terms of third person accounts of how amenable they were to conquest or resistance, such as for instance while writing about Mewat (what is probably known as Meerut today) Rennell remarks,

> its inhabitants have ever been characterised as the most savage and brutal, and their chief employment, roberry and plundering. At the present time, Mewat is so famous a nursery for thieves and robbers, that parties of them are taken into pay by the Chiefs of upper Hindoostan, for the purpose of distressing the countries which are made the seat of warfare [Rennell 1788].

Even though for the most part, Rennell's map was based on the route surveys, he encountered significant problems of measurement. Specifying the dimensions and distances of regions was quite complex. An itinerary measure was adopted, which in most parts of Hindoostan Rennel found was called coss or crores which was then commonly estimated as two British statute miles. This measure of coss varies depending on what was fixed as the length of Coss by the different emperors, and Rennell proclaimed his inability to find what was fixed by Akbar to be used as a standard by him nor would that have enabled him to reduce all to a standard one, for the measures he had were in computed cosses and there were regional differences in the measure of coss as well.[2] Unless all the measures of the different regions were reduced to a uniform standard it was not possible to figure out the relative size of each of the regions. As Rennell noted, this was not something unique to India.

> It is no more than what happens in different provinces of the same kingdom in Europe. But as far as we have any data for making a just comparison, the coss does not vary so much as one-sixth part over the whole country, and between the northern and southern extreme of India, (that is, in an extent of about 1700 miles) the difference is not more than one-sixteen part. The miles vary much more in their proportions, in the different parts of Europe [Rennell 1788].

Further the problem of specifying the dimensions of a region is to convert measured distances to horizontal distances. Here too no standard conversions can be done as it depends on the terrain of the land and the winding of the roads. While noting that the roads in India have "a degree of crookedness, much beyond what we meet with in European countries" [Rennell 1788], the degree of winding Rennell noted must be estimated taking account of the 'evenness, dryness, and openness" [Rennell 1788] of the country, for which some local knowledge was necessary. For each region the evidence on dimensions from different sources, measured in different cosses that differed both spatially and over time, had to be assessed and a judgment made of the most plausible one.

The era of scientific surveying and mapping that began from early 19th century had to grapple with yet more numerous problems of measurements. Whereas in some surveys the technical problems in the introduction of European methods of measurement had to be surmounted, in yet others the conflicts between the European

be resolved. In what follows, some of these issues are highlighted.

III

Era of Scientific Mapping

While Rennell's *Map of Hindoostan* was for the large part based on route surveys, his survey of the Ganges river in 1764, and then the survey of Bengal and Bihar in 1765 following closely Plaisted's survey of the coasts of Chittagong in 1761, and Cameron's survey of the 24 Parganas may be seen as having inaugurated the era of scientific surveying in India. Even though Rennell was appointed surveyor-general of Bengal in 1767, it was only in the early decades of the 19th century, and more so in southern India that scientific surveying made rapid progress. As more and more areas came under company rule particularly after the defeat of Tippu Sultan, there were considerable newly acquired territories to be surveyed and settled. As the company troops advanced towards central and north-west India, the need to know the geography of the land became more apparent as the commanders of troops had little knowledge of the country and its topography beyond the main roads. A great deal of geography was yet to be made known. Individual surveyors working on particular roads or areas found it impossible to envision how their new knowledge of the area would fit into the surveyor-general's latest jigsaw map, for the country was not yet known in its totality. The idea of different kinds of surveys such as the military, the topographical, the trignometrical and the revenue surveys under different administrative controls evolved in this context.

The military surveys as the name suggests were for military purposes, and the quartermaster-general was in charge of the various military surveys. Wherever prior route surveys existed, these were generally used for the advancement of troops in new territories, but for the most part surveys had to be done so as to chalk out supply routes and encampments, as well as the existence of forts, etc. Some of the route surveys were carried out by the Corps of Guides, and this Corps was merged with the quartermaster-general's office in 1806. In 1804 the Madras Military Institution was started by William Bentick, then governor of Madras for the purpose of training military cadets in mathematics, drawing, surveying and military fortifications. Under the leadership of Anthony Troyer, who was earlier an officer in the Austrian army, the plane-table was introduced for the first time to the Madras army. The students of the institution spent several months a year on field survey, triangulating and planetabling a fresh area in 1816, it had surveyed 15,000 square miles covering the greater parts of north and south Arcot, and Chittoor. The important military surveys done by the quartermaster-general's office were the surveys of Travancore and the Nizam's Dominions.

Apart from the military surveys, there were three other surveys going on simultaneously – the topographical survey, the trignometrical survey and the revenue survey. The topographical surveys were meant to survey and map the topography of the country, in particular to mark the administrative boundaries and the villages. The first important topographical survey in the south was commenced by Colin Mackenzie in 1800 in Mysore and Kanara, after the defeat of Tippu in 1799. These surveys, as will be shown later, were carried out in a systematic manner involving measurement of base lines at suitable intervals and triangulation. Measurement by triangulation was then being made popular for the first time as it was "founded upon Geometrical certainty and truth".

Both in the Mysore survey and in the survey of the ceded districts in 1809 that Mackenzie was in charge, particular attention was paid to administrative boundaries and villages, and comprehensive statistical memoirs on the resources of the country were compiled for each district. In the survey of the ceded districts, Mackenzie with the help of Indian interpreters also made a collection of historical and archeological records which he afterwards extended to other parts of India and Java, and which have come to be better known than his surveys [Dirks 1993]. There were other district surveys as well carried out by Indian assistant revenue surveyors and under the charge of the revenue board. These surveys included a general topographical survey, and then a survey of tanks, watercourses and cultivated areas. The revenue surveys were to survey the plots of fields in the villages, determine the nature of land rights, and the revenue potential based on past assessments.

The trignometrical survey initiated by William Lambton was to lay down a continuous series of triangles such that the positions of the places could be unambiguously fixed by determining the latitudes and longitudes. In the early years no presidency was interested in making a single plan for co-ordinating the scattered surveys, nor was any scheme put into action for a continuous progressive survey of the whole country until Lambton's trignometrical survey. Later on a decision was made by the directors that it was wasteful to maintain three separate and independent surveyor-generals for each of the presidencies, each with his own department and Colin Mackenzie was appointed surveyor-general in 1815 with the task of coordinating the surveys of all the presidencies, and compiling all the general maps that might be required but without the general authority over Lambton's survey.

IV

Topographical Surveys: Science, Statistics and Surveillance

The British project of governance entailed first defining the territory and fixing the boundary, and an understanding of the realm contained therein in terms of people and things. The topographical surveys of Colin Mackenzie are considered to be a major marker in the history of surveying in India. The Mackenzie endeavours clearly indicate that the objectives of science, in particular the collection of tropical specimens for the newly emerging natural sciences, the collections of statistics of people and resources to adminster and exploit, and the objective of surveillance were all conjoined in the topographical surveys. When Mackenzie was appointed in 1799 to survey Mysore, the governor-general proposed that the attention of the surveyor should not be confined to mere military or geographic information, but that his enquiries should be extended to a "statistical account of the whole country..." [Phillimore 1950:91]. Mackenzie submitted in 1800 an elaborate Plan of the Mysore Survey', wherein he noted:

> The Survey of Mysore should embrace two great leading objects, Mathematical and Physical.. The Mathematical part including a Geographical and Geometrical survey will comprehend; (1) A survey of the Frontier and Exterior Boundaries of Mysore... The ascertaining with some precision the boundry and line of demarkation between the Rajah of Mysore, the Nizam, and the Mahrattahs, is necessary to be attended to early, in order to avert, or clear up, any difficulties... from the intermixture of inferior Divisions, from parts of Talooks or Purgunnahs being sometimes insulated...from their ancient Cusbas... (2) A series of Primary Stations to be obtained throughout Mysore in all its extent, for which the country, from its numerous Peaks and Hills, many of them remarkable for the building upon them, is peculiarly favourable, forming a series of triangles connected by Bases to be carefully measured,... and joining the Surveys already executed in the Malabar Province on the west, with that of Baramahal on the east, will form the ground of a work mutually illustrating, and correcting, the labours of the several surveyors employed afterwards on the several portions of the country in detail... (3) On this... foundation the Country in detail is to be laid down. The position of every town, fort, village ascertained by correct bearings of the primary or secondary stations, a register of which should be preserved

for reference and verification afterwards, beginning with the parts next to our frontier and proceeding in succession to embrace every individual plan carefully remarking all the rivers and their courses the roads the lakes tanks defiles mountains and every remarkable object feature and property of the country

In this manner by laying down the smaller districts or Purgunnahs and their respective boundaries in detail the limits of the greater divisions will naturally follow (4) The situation extent figure and contents of the country in all its divisions being thus obtained the position of the principal points ought at the same time to be corrected by astronomical observations connected by a series of triangles This branch might be executed by persons expressly employed for this purpose acting in connection with the general survey and duly communicating its progress the corresponding observations being also regularly transmitted to the observatory at Madras (5) But another important branch of land or agricultural survey would be equally desirable It would include the Divisions of the Lands into hills and mountains plains and valleys cultivated and waste the species and quantity of each kind of cultivation the revenues allotments of land also the waterworks canals reservoirs and a number of objects connected with these [Phillimore 1950 91 92]

The physical branch of the survey was to include all remarks facts and observations [Phillimore 1950 92] that can be conducive to the improvement of natural history The particular branches that were to be covered by the survey were the following (1) botany mineralogy medicine (2) the diseases medicines remedies etc (3) the air climate seasons periodical rains (4) soil its produce modes of cultivation water works tenures of land (5) the various descriptions and classes of natives their customs languages manners etc (6) animals wild and tame and (7) revenues and population [Phillimore 1950 92]

On Mackenzie's suggestion Hyne the company's botanist on the Madras establishment was given charge of the Sultan's garden at Bangalore in 1800 which was then appropriated as a botanical garden as the depository for useful plants sent from different parts of the country Hyne was instructed as follows

> A decided superiority must be given to useful plants over those which are merely recommended by their rarity or beauty and it will be Doctor Hyne's primary care to attend to such as may furnish any facility in the supply of food or forage to collect with care all that is connected with the arts and manufactures of this country or that promises to be useful in our own to give due attention to the timber employed in the various provinces of his route and to the possibility of introducing the growth of useful trees into such of our provinces as are deficient in that necessary produce and to collect with particular diligence the valuable plants connected with his own profession [Phillimore 1950 113]

Among the reports submitted by Hyne while attached to the Mysore survey were Meteorological journals from March 1800 to March 1802 and a Memoir on Copper Mines near the Ongole district in the Lower Carnatic He published an account of his work in Mysore in his *Tract II Statistical Fragments on Mysore* In 1800 Francis Buchanan was appointed 'to investigate the state of agriculture arts and commerce in the dominions lately acquired from Tippoo Sultan [Phillimore 1950 113] He toured through Mysore and Malabar in 1800 and published his well known account of *A Journey from Madras through the countries of Mysore Canara and Malabar* in 1807

It was also proposed that the superintendent of the Mysore survey dedicate as much of his time as possible to institute a series of enquiries into the statistical history of the country Mackenzie also recommended that the agricultural survey should be executed separately after the first part to avoid the hazard of undertaking too much at once of retarding and confusing the whole [Phillimore 1950 93] and indeed that part was never carried out

The plan of the Mysore survey was an important marker in the era of surveying for it laid the groundwork of all the later surveys Mackenzie above all was most obsessed with the idea of ensuring a uniform plan The memoirs accompanying the maps submitted by Mackenzie to the governor in 1803 included information about the situation extent boundaries and contents in square miles of the several purgunnahs the population by castes and houses as no enumeration by census was then possible details about woods jungles and forests and the nature of the soil and in some instances estimates of the gross quantity of cultivated or waste in plains and mountainous lands Mackenzie also indicated then that this pattern would be followed more thoroughly in the surveys of the other districts as well and made every attempt to do so For instance he wrote as follows to one of the surveyors under him in 1804

> The Teak and Sandal Woods in that quarter will also be a particular object of your attention and to estimate their extent quality and etc as far as may be consistent with the health of your party your observations on these Woods will be conducted with your usual discretion [Phillimore 1950 105]

Similarly he wrote to another surveyor on the Kanara survey in 1807,

> if you could contrive to visit the Heads of the Goom and Budra it would be very satisfactory to me to have a minute and particular description of them, especially the state of the water there, and the dimensions of the head springs, breadth depth enquire of the most intelligent Natives of the commencement and duration of the different seasons Rainy or Dry and by what circumstances attended [Phillimore 1950 111]

The existing records of each district were found to be useful for it enabled the surveyors to verify nearly every individual place the actual positions of which were in the course of the survey inserted by their bearings from each other or from some fixed stations Topographical knowledge was not limited to the physical nature of the terrain alone It included information provided from the cusbas on houses, families, castes, tanks and nullahs These were included in the memoir of each district As part of the survey of the ceded districts and later on elsewhere as well Mackenzie collected a number of inscriptions grants and other documents which were to serve as evidences in constructing histories [Dirks 1993]

In submitting his final maps in 1808 he put them forward as the start of an atlas of the southern peninsula noting that no errors from any previous work could come into his surveys as no part of it either in its groundwork or materials was borrowed from any other It may be recalled that in the era of maps based on route surveys information and evidences were culled from diverse sources The Mysore survey served as a model for a series of methodical surveys which were spread over the Madras provinces during the following 25 years and many of them had the further advantage of being directly based on Lambton's trignometrical survey

Simultaneously with Mackenzie's topographical survey in Mysore, there were other surveys in the Madras provinces by the military For instance in 1801 when the Madras army was fighting with the Poligars of Shivaganga, various routes in Tanjore Trichinopoly Tinnevelly and Ramnad were surveyed It is interesting to note that the records often mention that the native guides were considered very useful in exploring the various roads for the military troops, (whether out of fear, ignorance, bribery or the marvel that something new was happening is difficult to decipher from these records!) and they were soon instructed in the principles of geometry and surveying

In January 1804, at the suggestion of the surveyor-general, the governor general reissued the order of 1788 ordering the regular survey of every military route In the republished order the surveyor-general included many provisions on the conduct of professional surveys For instance he noted

> A correct military, as well as Geographical survey should be made of the Route For this observe everything on the Road, or that

it, either from its height or from its position, as of any importance, but particularly Forts, Hill Forts, remarkable peaks, mountains or Hills, Ghats or Passes, Towns, villages etc, Rivers or Nullahs, with their names and noticing the way the stream runs, whether right or left, at the crossing place their breadths and directions as far as visible up and down the stream All Jeels, Tanks and Wells, should be laid down, and the quality of water should be mentioned

You should be particularly attentive to mark the boundaries of districts as often as you cross them, but the information of the Rayuts or villagers is best, as well as for giving the true names of the towns and villages [Phillimore 1950 198]

The military surveys were carried out by the cadets of the Madras Military Institution This militarisation of geographic knowledge was sought to be firmly based on scientific methods The survey by planetable superseded or supplemented Mackenzie's system of theodolite traverse according to the nature of the ground The surveys were on a large scale of four miles to an inch and each pupil reduced his own work to the two inch scale at the end of the season but no immediate attempt was made to compile a map Reviewing the surveys done by the institution several years later Montgomerie wrote

> It is in this faithful delineation of the features of the country that their chief merit consists for in many other respects these surveys are very defective The absence of all Revenue or Political boundaries and the inaccuracy of the names renders these surveys of far less value than they would otherwise have been, and from the carelessness of some of the officers employed the detail in some sections is inaccurately laid down These defects however admit of future correction and it must at the same time be admitted that by far the greater part of these Surveys are with the exception of the Goa and Soonda surveys the best of Indian topography and Geography [Phillimore 1950 129]

The Madras Military Institution closed down in 1816 The surveys of the institution formed a valuable contribution to the geography of South India, especially since they are connected to Lambton's triangulation Their chief defects as noted above were the spelling of names and the omission of administrative boundaries The boundaries of the surveys were disregarded as the objects of the surveys, so as to accustom the students to a readiness and facility in expressing the various features of the country at sight, in reference to military rather than revenue purposes' [Phillimore 1950-96] The standards of accuracy also varied considerably

In 1822 the directors decided to start an atlas of India to cover the whole country on the quarter-inch scale, and called on the surveyor-general to send reductions from all the surveys fit for incorporation The sheets were engraved in London as material became available and formed the standard map of India for the next 80 years It was decided that only those of the surveys that were linked to the trigonometrical survey were considered to be final Though Colin Mackenzie's survey of Mysore was not grounded on the great trigonometrical survey it was also considered final Much of the early revenue surveys were thus disqualified Everest very much doubted the mapping value of the old surveys even when connected up by the new triangulation And in some regions even though topographical surveys were based on triangulation these were not linked to the trigonometrical survey and the quality of such work was often poor For instance Jervis's survey of south Konkan was considered of poor quality though his statistics and reports were useful Even though he had attended a course with the Ordnance Survey in England and often referred to the works of Laplace Roy and Lambton the maps he compiled did not qualify to be included in the Great Map of India that is the quarter-inch atlas There were also a number of surveys going on that were not linked to the great trigonometrical survey in the late 20s but nevertheless yielded useful information on unknown territories Often in those cases sketches were accompanied by detailed field books' Burnes' survey of southern Rajputana is presented as a sketch entitled Geographical Index to the Map of Southern Rajputana constructed in 1829-1830 and is accompanied by a field-book which is indicative of the style in which he worked For instance he noted

> By 2 pm the survey of the morning figures on the map and the latitude is determined to correct it when a party of two three or four, villagers are invivted into my tent to talk till within half-an hour of sunset I ask the distances of all the villages around within ten miles the road to each and the cross distances of one to another which I sketch roughly on paper without any regard to scale but which greatly facilitates the survey In the evening I take the angles to all hills and towns in sight of my encampment and also a series of bearings to such as are beyond view by guess on the direction being pointed out by a villager [Phillimore 1950 132]

During Everest's visit to England between 1825 and 1830 he persuaded the authorities that the trigonometrical survey should take priority over all other surveys in India On his return he decided to devote all his attention first to the completion of Lambton's Great Arc and then to subsidiary triangulation on which future surveys should be based and which would also tie up such old surveys as were fit for the quarter-inch atlas The making of new surveys without the control of the great trigonometrical survey was not considered favourably by Everest but since the government was impatient for up-to-date maps, it appointed a non-professional committee to conduct map-making policy at Calcutta This committee proposed the compilation of maps from old surveys without any regard to the regulations for the quarter-inch atlas of India Everest launched a protest and it was then resolved that the responsibility for map making would be only with the surveyor-general

V

Trignometrical Survey: Grid of Precision and Rhetoric of Accuracy

The purpose of a trignometrical survey is to provide the lines of latitudes and longitudes using trignometrical calculations from the Greenwich base meridian rather than the earlier determination of latitudes through astronomical observations Even before the Greenwich base line ushered the great trignometrical survey surveying by the method of triangulation was considered superior and Michael Topping was one of the early advocates of triangulation in the early years of the 19th century The method entailed fixing a base point and then carrying forward a series of triangles in different directions the base lines were to be done by actual measurement This was considered a superior way of unambiguously fixing the places

Lambton submitted in 1799, after Mackenzie received his orders for the Mysore survey his Plan of a Mathematical and Geographical Survey which was approved in 1800 In it Lambton noted

> In a former communication I took the liberty of stating my idea of a survey to be extended from the Coromandel to the malabar Coast with a view to determine the exact position of all the great objects that appeared best calculated to become permanent geographical marks facilitating a general survey of the Peninsula and particularly the territories conquered during the late glorious campaign The Surveyors of particular districts will be spared much labour when they know the position of some leading points to which they can refer because when these points are laid down in the exact situations in which they are upon the globe all other objects will also have their situations true in latitude and longitude I have now adduced the principles of my intended survey which involve many more objects than what immediately appertain to Geography Whenever a cooperation with Captain Mackenzie can be dispensed with I shall then direct my views to the General object of determining the Geographical features of the Peninsula [Phillimore 1950 234]

The essential features of Lambton's proposals were 'that his survey should be based upon 'correct mathematical principles' that it should extend right across

the peninsula and be capable of extension in every direction, and that it should form a reliable basis for all other surveys At the same time it sought to accomplish something more sublime viz, to determine by actual measurement the magnitude and figure of the earth which was then considered of great importance for physics and astronomy Lambton noted

> Should the earth prove to be neither an ellipsoid nor a figure generated by any particular curve of known properties but a figure whose meridional section is bounded by no law of curvature then we can obtain nothing until we have an actual measurement [Phillimore 1950 251]

Between 1802 1815 Lambton covered the whole peninsula south of the Krishna river with the exception of a few small areas along the western ghats with a network of triangles He fixed the geographical position of several thousand prominent points and compiled a general map of the southern peninsula south of Mysore He observed in arc of the meridian stretching from Cape Comorin to parallel 18 degrees the longest geodetic arc ever measured so close to the equator and he computed his results and published them

In 1812 Lambton received new values of the earth s figure from Europe giving ellipticity as nearly as 1/304 These induced him to recompute the whole of his great central arc up to Gooty Then after he had extended it further to Bidar to an amplitude of nearly 10 degrees he worked out his own constants and in 1818 recomputed the whole arc again In 1821 on receiving from England the report of the parliamentary committee on the standard of length and Kater s reduction of Cary s brass scale to that standard he set to work to readjust all his computations and derived final values Owing to its great length and proximity to the equator Lambton s measured arc became an important contribution for all later investigations of the figure of the earth more especially in those deduced by Everest and Bessel

The publications of the Asiatic Society generally known for promoting scholarship under the rubric of Oriental Studies also served as an important avenue to propogate the results of the scientific researches going on then The report of Lambton s meridional arc in the Carnatic was submitted in October 1803 one copy being passed to the Asiatic Society at Calcutta and published in the Asiatic Researches The second report 1807 1811 was submitted in February the *General Map of the South Peninsula* having been submitted with a memoir in December 1810 Accounts of the geodetic work were published in Asiatic Researches and an abstract of the measurement of the great meridional arc appeared in the *Philosophical Transactions of the Royal Society*

Everest joined the trigonometrical survey in 1822, and ran a chain of triangles westwards towards Poona and Bombay In 1828, a more extensive survey was started by Boileau from Allahabad, he ran a traverse through Kanpur to Delhi and Agra, incidentally correcting an error in the longitude of Kanpur which had persisted since that fixed by Reuben Burrow in the mid-18th century In planning these surveys Hodgson aimed at a system of co-ordinated and intersecting traverse lines, controlled by regular astronomical observations as continuous triangulation was out of question Neither the Deccan nor the Konkan survey was of very high standard, and both lacked the accurate control that would have been given had Everest s longitudinal branch of triangles been continued to Bombay In 1827 Jopp obtained the surveyor-general s support for a trigonometrical survey on scientific lines and Robert Shortrede famous later for his logarithm tables started triangulation from a base measured just above Khandala ghat on the Bombay Poona road His work was not however in any way comparable with that of the great trigonometrical survey and was stopped by Everest s orders in 1834

The work which was executed before 1830 though of value for geographical and topographical purposes ceased to be of value for geodetic requirements and shared the fate of all similar operations which were executed contemporaneously in other parts of the world The operations prior to 1830 may be briefly described as the construction of a network of triangulation over southern India grounded on and verified by chain measured base lines Through the middle of the network a chain of principle triangles was carried in a meridional direction the angles and base lines of which were measured with greater care than was done on the surrounding network to obtain a determination of the figure of the earth for the calculations of the latitudes and longitudes

1830 is considered an important date for the Indian surveys for it marks the triumph of Lambton s great conception the subordination of all surveys work to the one master survey the great trignometrical survey which was to facilitate ascertaining the geographical features of a country upon correct mathematical principles [Phillimore 1950] Several new instruments such as theodolites astronomical circles and the Colby base line apparatus began to be received from England, where they had been constructed under the superintendence of Everest With the new equipment new systems of observation and new methods of reduction were introduced Though making no major contribution to the theories of geodesy as a science Everest introduced important innovations in practical procedures in the field

The immediate task of the great trigonometrical survey was the provision of points over the whole country to form a reliable basis for topographical and other surveys and maps Measurements and observations had to be taken, and results worked out with all the refinements of geodesy and niceties of mathematics The completion of Lambton's great meridional arc as the backbone of the whole system was Everest s first task The measurements of the base lines and the observation of the principal triangles were to be completed The determination of meridian by astronomical azimuths and the observation of zenith distances whereby a definite amplitude of arc could be expressed in linear measure was the next task Initial values for latitude and longitude had to reinvestigated and the ruling elements of the figure of the earth decided upon before tables of geographical co ordinates could be drawn up

His final computations are given in his *Account of the Measurement of Two Sections of the Meridional Arc of India* drawn from the material contained in *Ms General Report 7* and published by order of the directors in 1847 These values for the figure of the earth are described as Everest s Constants 2nd set and have never been widely accepted His first set published in 1830 had already been generally adopted for Indian purposes and was considered to be sufficient

Like Mackenize Everest was obsessed with accuracy and uniformity For instance he instructed all officers on first starting out to acquire the habit of

> extreme care in taking observations and undeviating regularity in registering them and omit no opportunity of scrupulously examining every individual observation taking the means of all the micrometer readings and deducing each angle The sun never should rise and set twice on an unexamined angle book

And he sent out a circular calling for

> the strictest uniformity in all operations whether as regards observing registering, or computing Until my consent is obtained no innovation on prevailing methods can be permitted [Phillimore 1950 92]

Everest s obsession with 'accuracy' and uniformity was of course part of the 19th century rhetoric of apprehending the world within a framework of scientific rationality But it was not that scientific interests brushed aside the other cognitive interests of colonial rule Everest for instance, asked all his surveyors to make collections of specimens One of his surveyors recorded the following observation

> With regard to the Geological Survey it is impossible to say of what advantage it may prove to be in a mineralogical and commercial way But lately only I have discovered inexhaustible stores of Carbon-

[illegible] by crystallisation, and which a commercial gentleman is now trying to introduce into the market in England A supply would be invaluable, just when the supply of sulphur required for its production in England has been cut off, while pure salt can be here produced for a mere nothing [Phillimore 1950 101]

There were also many times the conflict between fulfilling scientific objectives and administrative objectives For instance, long before Everest completed the field-work of the great arc and before he completed the computations, he was pressed, both by the directors in London and the government of India, for approximate geographical results to be used for mapping purposes instead of waiting the 10 years required for complete verification

In July 1840 the survey committee at Calcutta complained that the surveyor-general's office in Calcutta was not in possession of a complete set of triangulation of the grand trigonometrical survey and that without that document it was not possible to compile any maps in the correct manner Everest was asked to submit by the surveyor general s office a copy of all that has already been made out Although Everest was of the opinion that in all trigonometrical operations a complete map was the last task in the performance and that it ought not to be done until the whole of the topographical materials have been worked up the surveyor general s office on the contrary felt that no high precision was necessary for mapping purposes

VI

Revenue Surveys: Indigenous vs European Methods

The object of the revenue surveys was to determine the size, the productive potential and the nature of ownership claims to landholdings It is not surprising that such an endeavour should have generated considerable controversies relating to measurement practices and revenue settlement procedures In particular unlike the topographical and trignometrical surveys which entailed the application of modern scientific principles and measurements, the conduct of revenue surveys brought forth to the forefront the conflict between the indigenous methods and the Europe in methods In the Bengal presidency indigenous methods for land measurement and assessment of revenues were used, and it was decided to adopt a permanent settlement, i e the decisions made in 1793 for assessment was to be permanent for all time In the Madras presidency the first tendency was to form such a permanent settlement with the leading zamindars But in most parts of the presidency only small landholders prevailed and it became necessary to think of a different mode of revenue settlement This brought to debate the manner of conducting revenue settlement

With the defeat of Tippu Sultan in 1792 Alexander Read was sent to conduct the revenue settlement in those parts Read was able to demonstrate the possibility of detailed settlement directly with the ryots for a period of years Read's method entailed field measurement by 'amins working under Indian supervisors and European officers Thomas Munro one of Read s assistants is said to have perfected the methods of Read when he took charge of the survey of the ceded districts in 1801 1807 Munro s contribution to surveying have been considered noteworthy

It was however on the Bombay side that the first successful revenue surveys were carried out by European methods In 1810 a survey of fruit plantations was begun which was taken over by Dickenson as revenue surveyor in 1812 During the next eight years he is credited to have completed an accurate land survey of the whole of Bombay and Salsette islands Besides the exact measurements some of which were carried out by Indian measurers Dickenson and his assistants all military officers compiled a complete register of land tenures and a classification and valuation of crops His survey was based on triangulation and traverse and he also produced maps and records based on his surveys

So far the distinctive features of the early revenue surveys have been highlighted briefly In what follows I will highlight the debates surrounding the practices of measurement and the conduct of the revenue surveys in the Madras presidency While there are certain common and recurrent themes in the debates in the different presidencies and it would be interesting to consider both the commonalities and the specificities of debates in the different regions I have for purposes of expository convenience limited it to the Madras presidency

Efforts of Read and Munro

Alexander Read was appointed in charge of the regions known as 'Ballagaut ceded by Tippu Sultan and in January 1792 he sent the first report of the settlement work he had carried on in the Kolar district The report is a very interesting testimony of how an unknown territory was sought to be known in a short span of time for revenue purposes I shall highlight some of the salient features of Read s reports from Ballagaut [1] First Read opens with an account of how the inhabitants of the region have become distrustful both of the Company s and Tippu's people, in particular the 'aumildars of Tippu were rapacious and so the people had locked the gates of the villages and would let people in only if they apprehended force, which made Read deploy the Company troops over them as well as experienced official people to gain 'every requisite information of their affairs This is of course the most direct and obvious use of force in the acquisition of knowledge He notes:

> My first measures therefore were to raise *subhinds* peons and appoint such men, as I could find qualified for the employ, *serristadars* to every district to dispense *cowle* to encourage the inhabitants to seek under the company s protection to take Revenue accounts from the provincial registers and to assess them for supplies
>
> I next entered upon an enquiry into the system of Polity and Finance in Ballagaut, for though it be generally the same throughout India there is a difference in every two provinces and a material one in the two Carnatics a knowledge of which I found essential in every revenue transaction
>
> While occupied in this undertaking and waiting the information my serristadars were collecting and my professional vocations proved of service to my new department, for by directing my researches to the discovery of *sirkar* papers at the captures of *Bahamunghur* & *Kundy Droog* I fortunately secured at those places the records of the districts under me which serve to check and to complete the amounts given in by the zamindars and village registers whose interest is to mislead and to conceal whatever relates to the affairs of the country a truth I daily experience being obliged to draw from them by stealth and by perseverance every point of information [Read 1792].

To reestablish order Read found it necessary to make a political survey of the districts under him and to enforce some regulations of the late government's and to make others suitable to the present time He drew up a code for the information and guidance of the Company's aumildars in Ballagaut These related to a whole range of issue that would make revenue assessment and revenue collection efficient for alien rulers who had to first familiarise themselves with the local practices These related to tables of exchange for regulating the aumildars accounts with the farmers and the exchequer tables of weights and measures for regulating the quantities and prices of grain and other articles of supply required for the sirkar a calender of the current revenue year in Ballagaut showing its correspondence with the present and ensuing years of the Christian era specifying the terms of leaseholds granted by the late government and directing them to be considered valid by the company s aumildars; particularising the proportions of money rents and rents in kind of dry grains, prohibiting any deviation from ancient usage specifying government s and the farmer s share of wet grains according to the

banks required for watering them, with the like injunctions to be guided by custom, requiring that pecuniary aid may be given to the contractors for keeping reservoirs of water in repair directions respecting the reservoirs of water, the expense of which is defrayed by government, rules for renting betel leaf, betelnut, sugarcane plantations and coconut topes, injunctions to aumildars to regulate their collections by the rules of every 'sunnad', as they are found to vary from one another, requiring the aumildars to reimburse themselves the losses they may be in danger of sustaining, by an increase of ploughs, and not by oppressively assessing the inhabitants, to ascertain the quantities of 'gur' that can be processed in every district for the use of the army, similar orders respecting bullocks saddles and gunnies prohibition of collecting any road customs, regulations respecting the effects of people dying without heirs, directions concerning the property of people in the Envoy's service or belonging to the army orders about clearing the country of the numerous bodies of thieves that infest it, and orders respecting fines

In March 1792 Read was also appointed collector and manager of the Company's revenues in the ceded districts of Baramahal and Salem and his letter of appointment explicitly required him 'to inspire confidence among the inhabitants of the just and moderate intentions of the English Government [*The Baramahal Records* March 31, 1792] He was to enter on the office in the best possible manner prepared with such authentic information as can be gathered together respecting the real annual produce of the Districts and for that purpose was to provide himself with such number of accounts and subordinate instruments from amongst the natives on whose integrity you can place reliance' [*The Baramahal Records* March 31 1792]

In the initial year, settlement was at the level of districts or small portions of it, and no survey of them were undertaken though in Read's instructions to his assistants he carefully noted the Hindu calender year, the revenue calenders then prevailing in the districts, the cropping seasons of the dry and wet grains, and for other crops as well and the prevailing tax and customs system all what he termed as 'the ancient usage of the country" Leasing by village farms seemed preferable to the revenue board but Read was of the opinion that the value of every farm should be truly ascertained before given in lease, and the paucity of accounts had so far made that impossible though in 1792 Read saw it as a possibility for the ensuing revenue year, based on the accounts of the then current year Read also felt it expedient to lease out farms for five or seven years as it then gave sufficient time to 'survey them [*The Baramahal Records* November 1792]

As Read noted in his letter to the governor-general Cornwallis in 1792, his scheme for the management of the districts was to bring every head of revenue into order, and afterwards to carry it on with a steady eye to improvement thus requiring a perfect knowledge of the affairs as an initial necessary step [*The Baramahal Records*, November 15, 1792] To that end Read proposed a political survey of every district but soon finding that it was a work of many years rather than one incorporated it into a general survey His scheme for the political survey included among others the following

1st Section Inquiry into the prevailing distinctions occupations and privileges of their inhabitants to ascertain their respective places in society, the uses to be derived from each class to the community and a thorough knowledge of their municipal policy

2nd Section Inquiry into their divisions of time, tables of their weights and measures used in different commodities, an analysis of coining, assay and exchange

3rd Section A particular account of every production of these countries illustrated by drawings properly classed and specifying their sowing and reaping seasons the periods they are in the ground average prices their qualities and uses comprehending a thorough investigation of the season and crops

4th Section Inquiry into the various conditions of land rents and tenures and into the various modes and rates of taxation

5th Section History of these countries tracing the origin of institutions in the present system of finance and their effects in successive governments to the present time

6th Section Particular statements of the settlements of every district in 1792 with every necessary information respecting their sale productions and situation, illustrated by a map defining their respective boundaries and places of forts

7th Section Review of the foregoing sections and a mode of revenue management deduced from them by which may be effected equal and legal assessments the same annual receipts to government, and perfect security to the inhabitants against oppression [*The Baramahal Records* Section I, No XX No I]

In filing his report on the progress of settlement to the president and members of the revenue board in August 1794 Read noted that he found that even the most intelligent of the natives were 'partially and 'imperfectly' informed on revenue detail, and that any general plan must be the result of much practical experience and information, which none of them possess' [*The Baramahal Records* Section I, No XXVI] He therefore felt that the 'survey was the only means While Read surveyed Tirupattur, Vaniambadi, and Coonotoor, his assistants surveyed the greater part of four other districts One of his assistant collectors from Kaveripatam wrote to Read in October 1793 that the common practice of appropriating 'sarkar' lands under the denomination of 'Inam' lands could be 'effectually remedied' only by a survey [*The Baramahal Records*, Section I, No XXVI] The idea was to settle every district, village by village, in small farms as the "best method to establish property"

To make it even more 'complete', Read intended to accompany every such settlement of a district with a "copious and correct map" though time and the lack of trained geographical surveyors prevented this accomplishment He therefore had to settle only for a 'sketch' that conveyed the idea of the situation, shape and magnitude of every district sufficiently correctly for general purposes [*The Baramahal Records*, Section I, No XXVI] Again in his letter to Cornwallis in September 1794, Read pointed out that his map though defective due to the method adopted in the survey of them conveys much information that is very useful Read noted that the object of the system projected was to consist in making everything it comprehended 'as distinct simple and permanent as possible [*The Baramahal Records*, Section I No XXVI] The court of directors in its letter to the revenue board dated October 4 1797 appreciated both Read's map of the Baramahal and Salem districts and his survey taking note that it is 'the first of its kind for procuring the knowledge of the real value of any part of the Company's possession on the coast [*The Baramahal Records* Section I]

Munro's Early Contributions

While Read was in Baramahal, Munro was appointed the first collector of Kanara during which period he made a settlement there with the landholders estate by estate based on vernacular records and also made an experimental survey of one village In October 1800 Munro was transferred to the ceded districts covering Bellary, Kurnool, Anantapur and Cuddapah where he instituted a survey and assessment of that country Munro noted that in the ceded districts, unlike that of Kanara there was no private property in land, and land was always regarded as the property of the state He also claimed that accurate records of earlier assessments were not available, though since the time of Haider Ali they were apparently in as complete a form as possible

Munro began a survey of the districts in June 1802 with four 'gomashtas who he claimed were the only ones then who understood land measurement Though it proceeded very slowly at first, the number of surveyors were progressively augmented by training the inhabitants, so that by the end of the year there were about a hundred of them, who could then be formed into groups With the exception of hills and rocks,

all land of whatever kind was measured, including roads, sites of towns and villages, beds of tanks and rivers, and wastes and jungles. The surveyors used everywhere the same standard measure, a chain of 33 feet 40 of which made an acre. Out of this survey Munro evolved a code that was followed during the introduction of the ryotwari settlements in the 1820s.

While surveys and settlements in Baramahal and Salem were initiated in the last decade of the 18th century there was no regular policy for the assessment of revenue in the various districts of the Madras presidency each was dealt by the board of revenue according to local conditions which included past history and the capacity of the collector. It was in 1805 a general principle that the collectors of revenue should proceed with a 'survey of their respective districts'. These settlement surveys were entirely distinct from the more general district surveys entrusted to the assistant revenue surveyors and which were considered untrustworthy for revenue purposes. Remarking on these general district surveys Bentinck noted in 1804:

> How great would the advantage have been in forming either the annual or permanent settlement of our Revenues if the districts had been laid down by men of science precluding the necessity of trusting to the surveys of natives equally liable to error from want of honesty and from want of knowledge (Phillimore 1950: 182).

Except in the Chingleput Jaghire and the Northern Circars where permanent settlements were introduced in most other districts a survey or permish by the native staff was completed before 1808 and these formed the basis of all periodic assessment during the next 50 years.

What is significant in the early debates is how the discourse progressively shifts from placing' reliance on the natives to the natives being equally liable to error from want of honesty and from want of knowledge and how that discursive shift was associated with the introduction of surveys. A case for surveys had to be made out it was not something that was so apparent. Such surveys as would be clear sought to achieve two objectives. On the one it sought to define property relations and on the other it led to a detailed mapping of village plots, which were then fitted into village maps.

From 1818 onwards, the board of revenue sought to introduce the ryotwari system on an experimental basis in the Madras presidency and to that end conducted experimental surveys of a few villages laying great emphasis on measurement and classification of lands, and on assessment procedures. Munro's code evolved at the time of the survey of the ceded districts provided the guidelines. In evaluating the results of one such revenue survey for the village of Covoor in Nellore district, the board remarked on the manner in which measurement methods deviated from the one suggested by Munro. Whereas Munro had suggested that separate numbers be given to fields keeping the distinction between dry, wet and garden lands, the surveyors had numbered the fields serially in their order of appearance without distinguishing between dry wet and garden lands (Company Government 1826). 'Purrumpoke lands that is waste lands never cultivated, were not to be numbered but the different kinds of waste lands had to be stated. Measurement and classification were thus seen to go hand in hand.

The board's Minute further noted that where as the inhabitants showed no inclination either to obstruct or retard the measurement they were reluctant to assist in the classification of lands (*Company Government* 1826). Whereas the classification of lands was to fix the assessment the people of the villages felt that such fixity was not possible for the quantity of produce of each field was unknown means of irrigation often failed and custom had in some places instituted the system of vesubuddy in which cultivators have a joint interest in wet field cultivation and often they did not have the means to cultivate the whole lands.

Wet lands were classified into eight sorts according to the proportion which the produce bore to the quantity of seed sown that is an index of land productivity. Thus land calculated to yield 40 fold was classed as first sort 35 fold as second sort and so on. But as no single whole field could produce forty or 35 fold as a field was often composed of different qualities of soil some more productive and some less productive an average was taken thus rendering the eight fold classification of wet lands into a five fold classification. Dry lands were classed into four according to the quality of the soil. In the case of garden lands whereas the Munro code only specified that betel and cocoanut be also classed as garden doubts persisted as to whether this was true of only tree plantations, and as to whether differentiation with other non cereal crops was necessary or not. In other words whether garden lands be differentiated on the basis of soil alone or whether 'produce and the value of produce' becomes the basis for further classification. Similarly the code for assessment required the correct ascertainment of the produce for each field, which was not possible to obtain either from the accounts of the karnams or of the cultivators. Therefore the quantity of seed each field was capable of receiving, along with the productivity in each class of land was used to get at the gross produce of each field. This was compared with every other account that exhibited the total average revenue and average produce of the village. Thus, the correctness of assessment depended crucially on the correct classification of lands.

In 1822 the board of revenue submitted a report on the extent to which the survey, classification and assessment of the lands had been completed in each district (Company Government 1826) and Munro recorded a Minute on the subject, which the board accepted. Munro noted that different standards of measurment had been adopted in different districts and sometimes even in the same district. He pointed out that the main objects of a survey were to record "the exact quantity and description of all the land in every village to ascertain the tenures and rights of the occupants or owners as well as the rights of Government, to fix limits and by removing doubts to obviate disputes respecting them to establish mutual confidence between the Ryots and the Government by showing each what belongs to it to ascertain the grounds of the assessment not for the purpose of increasing the amount but rather for that of enabling Government to avoid over taxation and in short to make what is now vague and fluctuating definite and permanent" (Company Government 1826).

Munro was not only involved in evolving a framework for the ryotwari system, but as deeply concerned with systematising all aspects of administration. One of the important requisites for effective administration in Munro's view was information. In one instance while arguing the case for including natives in the civil administration who can supply all the necessary information he noted:

> Intelligent collectors are necessary at all times but more especially when it becomes expedient either to raise or lower the revenue. Such an operation requires not judgment alone but great knowledge of details, and if undertaken without these essential requisites would be productive of much mischief. We ought therefore not to be satisfied with a superficial knowledge of the general state of the country but make it a part of our system to obtain the most minute and accurate information concerning its internal condition and preserve and accumulate that information in clear and detailed revenue accounts and statistical statements (Company Government 1826).

While the necessity of accurate measurements of the land and of a more or less exact classification of soils, as the only right basis of a land revenue settlement was acknowledged early on in the Madras presidency, it was not acted upon in the ensuing years. Whereas in most provinces regular revenue surveys were undertaken, in the Madras presidency alone there were no such regular surveys. In some districts of the presidency attempts were made in the earl

years, to establish something like a register of lands, and fixed rates of assessment, founded on actual measurement and valuation. But these measures were considered in the later years as very defective in many respects. The surveyors were under no effectual control; there were no maps, either field, village or talook, and no permanent boundaries; and even the records of the surveys that were done were imperfectly preserved. Hence, even in those districts where the work was the least imperfect, as in the ceded districts, it was realised that few of the advantages of a really effective survey had been secured

But even these defective and imperfect surveys extended to only a few districts; and there were many, wherein the land revenue demand was based merely on the unchecked statement of the karnam. For instance, it was claimed that, in the Canara district during the last 60 years preceeding 1858, considerable waste and forest land had been reclaimed, which was liable to pay revenue to the government, but on which there was no means, in the absence of a survey to enforce that right. In Nellore again, the land revenue arrangements were considered to be in a state of utmost confusion. The settlements of the first collector at the beginning of the century were based on no certain data; and it was believed that they had been tampered with since, such that it was impossible to say to what class any given piece of land belonged, or what was the proper demand upon it. The only thing certain was that very numerous and extensive tracks had been committed and were in operation, which it was admitted only a survey could correct. In the districts of Rajamundry and Masulipatnam both of which were in process of being brought under the influence of extensive systems of irrigation, there was once again no accurate information rendering the levying of a water tax that much difficult [Government of Madras 1858].

The government decided that the revenue survey should be connected by minor triangulations with the trigonometrical survey, to ensure both greater accuracy and permanence. As to its more immediate objects, what was required was a survey for revenue purposes, not a topographical survey. Its main design was to show all the principal variations in the surface of the soil, as whether hill, jungle, roads, channels, tanks, topes, houses, cultivated and cultivable land, and also to exhibit accurately the sizes of fields in the cultivated and cultivable land. For a system of ryotwari field settlements, the sizes of fields require to be accurately determined. It was also decided that the survey should extend to enam lands as well as to government lands; and that the occasion should be taken to investigate the titles of enams, as well as their actual extent. The detailed survey was limited only to the cultivable land, including all ever actually cultivated, with such other land as may seem likely to be brought under cultivation within a few years. The rest of the area of the village, viz the jungle and unreclaimed waste generally, was not to be surveyed in detail, but only in its chief features And as further portions of it were to be successively brought under the plough from time to time, it was decided that they may be surveyed by the survey establishment which was to form a part of the permanent establishment of every district. Lastly, it was considered essential that permanent boundary marks should be established; and that field maps, village maps and talook maps should be prepared.

The government was of the opinion that the survey should be done by the English methods of surveying, as was done in Bombay, and was then being done in South Arcot, and not in the "inaccurate Native Method".

The method proposed therefore stipulated both the size and nature of fields to be covered. It noted:

> The proposal by the Board of Revenue in para 25 of their letter of the 27th February 1854, appears judicious, viz that fields in the survey shall not generally be smaller than one acre of irrigated and two acres of unirrigated land, and that minor subdivisions shall be shown by dotted lines according to the village accounts. Very near the village, where land is valuable and is held in very small plots, it may be proper to relax this rule In Bombay, the smallest fields allowed were much larger, none being permitted under ten acres; and this was not only a detail of the survey, but a part of the revenue system, and if a field were held in partnership, and one of the co-partners died or gave up his part, the other co-partner must take it or abandon his part also, unless he could find someone to take the vacant share. Under this Presidency, where land is almost invariably regarded as property, it would be impossible to enforce such a rule, and the attempt would lead to great discontent, and possibly to popular outbreaks [Government of Madras 1858]

The government was of the opinion that the ryotwari or individual system, should be adhered to generally. They looked upon that mode of settlement as an advancement of settlements by villages, or other communities; and they believed that in the progress of society the latter must give way to individual holdings.

Maps, Mapping Problems and Map Functions

It has already been mentioned that mapping was an important follow-up of the surveys, and it was not always efficiently executed, at least in the case of the early topographical and revenue surveys. At the turn of the 19th century, the published maps of Bengal were considered more defective than the maps of the other parts of the company's provinces. The old engraved sheets of Rennell's survey had gone out-of-date and out of print. Also many regions in the map were still left as blanks. Copies could only be made by hand-drawing, and it was almost impossible for local officials to get hold of maps of their districts In some districts surveys were copied on their original scales, and there was no appreciation that maps on a reduced scale would be useful for purposes of administration. It was still a stage when the function and utility of maps for administration had to be argued out. A district officer in Bengal remarked:

> The convenience of a good map for judicial and police purposes I can speak of from experience. . We know at a glance what officer can most conveniently be employed on any special duty, and we can adjust the proper stations for our police *chokies*. The new settlement of Azimghur is about to commence, but the Collector has nothing on which to found his measurements or surveys, and even the sites of the principal towns are unknown [Phillimore 1950: 275].

Some amount of mapping was done in the early years of the 19th century. In the Madras presidency, the military institution and the district surveys produced some maps though mapping was not given the same priority as surveying. Arrowsmith's first map of India based on information from route surveys was published in 1804 in six sheets on a scale of about 2½ inches to a degree. In 1816 he reissued a new map in eight sheets on a scale of 16 miles to an inch and revised yet again in 1821. The other map of India that was prepared was Reynold's map, but it was generally believed that there were more places laid down in Arrowsmith's map than in the Reynold's map and Reynold's map was never published. Between 1821 and 1823, Hodgson, as surveyor-general sent to the directors in London a large number of maps, journals, fieldbooks, originals and copies, to which the directors responded:

> "...surprised to find that the Collectors and Judicial authorities are not furnished with maps of their respective districts. We are not aware who is to blame for this omission, but we desire that no time be lost in issuing instructions to the Surveyor-General to prepare in all practicable cases maps of the several revenue districts for the use of the local authorities... [Phillimore 1950:276].

The directors also instructed that a map be prepared for their own use showing the boundaries of all the districts as well as the 'sudder' (headquarters) stations. The directors further requested for

> a sketch map of India on a moderate scale, describing the course of the principal rivers, and the situation of the principal cities of the peninsula, together with the names and

positions of all military posts at which more than five companies of troops may be stationed and that the Adjutant or Quarter Master General of the Army may be directed *to insert in words and figures* under each military post the number and description of troops stationed at it We desire that such a map may be transmitted to us annually [Phillimore 1950 282]

When Colin Mackenzie was surveyor-general he was much preoccupied with surveys rather than the prepartion of maps He however laid down the scales for geographical maps as 8 12 24 and 48 miles to an inch A useful geographical map on the 48 miles scale entitled Map of the countries included between the parallels of Madras and Delhi designed to exhibit at one view the capitals of States and of Provinces was compiled in 1817

This map was reproduced in Blacker s Memoir and was incorporated into the 25 mile map of India engraved by Cary in six sheets Blacker was the first to propose a map of southern Asia that was completed some 60 years later An essential condition in his opinion was that the surveys used for his proposed map should have been linked to Lambton s triangulation and at his request an exhaustive report on the surveys of Madras were made Further in order to ensure that all materials should be uniformly prepared ready for engraving Blacker drew out a graticule based on the projection used for the French military map *La Carte del Empire Francais* The surveyor-general issued instructions for the preparation of quarter inch degree sheets on the projection devised by Blacker

Inserting names of villages and towns on the maps was not free of problems either There were rival systems of transliteration of Indian names that of Sir William Jones and that of Gilchrist Whereas in some provinces either of the two systems were adopted in yet other regions some combinations of both were used Though in general surveyors were not particular about the question of orthography as the map-makers were, revenue surveyors were advised to use some fixed principle in expressing native' names Apparently much confusion was experienced with village names, not only from differences in pronounciation and doubtful transliteration, but even from the existence of two or more forms of the same name, or from the use of a name in the official list that was never used by the villagers Colin Mackenzie had instructed his surveyors to follow the lists of names supplied by the collectors, but as Campbell who was in charge of the Salem survey in 1840 noted while preparing his maps that the names of the villages supplied by the collector had to be corrected for spelling which were sometimes very preposterous as "to be totally unlike the real one", and to which the "native Tamil names form no guide" [Phillimore, 1950] Everest was also supposed to have been exacting in ensuring uniform spelling in the maps and charts prepared under his direction He ruled that his topographical surveyors should adhere undeviatingly to the orthography of the names from the Great Trignometrical survey [Phillimore 1950 310] Following the method of William Jones, he was in favour of the introduction of Italian vowels which were considered to have the most definite intonation of all known languages with English consonants into the orthography of all maps and the trigonometrical survey

Also a fixed system of signs had to be evolved and since the early years of surveying this had been a preoccupation For instance at the time of the appointment of Colin Mackenzie as surveyor general in Madras the council of the governor wrote to the directors of the company

> Plans of the nature which I have described cannot be constructed either without great personal exertion or within a short period But although such sketches and remarks must be highly useful where none before existed yet it is easy to conceive how imperfect and even unintelligible such works must often be where no system of drawing and no fixed signs to represent particular objects and features of a country have been established but where every officer pursues a different mode of expressing the objects which he sees [Phillimore 1950 124]

In due course district maps became available from the revenue surveys though the early ones had no trigonometrical control The various general maps published such as the Arrowsmith s and Allen s went out of date Orders for the standard quarter inch atlas of India were first issued by the court of directors in October 1823 and the first published sheets reached India in 1828 Though from their start, the revenue surveys were recognised as valuable material for topographical and general maps and the surveyors were directed to sketch in all the main features of their village areas to that end, they could not be accepted for the atlas of India until they were linked up by the trignometrical survey The atlas occupied 177 sheets each 40 inches by 27 and on a scale of 4 miles to an inch For the first sheets of the atlas materials were furnished from the Madras topographical surveys, and it took nearly 60 years for the atlas to be completed

It was from around the 1830s onwards that a large number of maps to suit different purposes were produced For instance, in 1833 Parbury and Allen issued in a book form a set of five small maps of India that were "illustrative of the European connection with India and of the British administration in its several departments" These were the general and commercial map, the political map of India with a list of states and chronological table, a military map showing stations occupied by troops, revenue maps showing districts but no roads and few place names and a judicial map Further to illustrate Thornton s *History of India*, they ussued a smaller map appropriate to the periods of each volume A second edition with five additional maps were brought out in 1848 These were however, still only skeleton maps

It was with the series of illustrative maps by E A Prinsep the settlement officer in the Sealkote district of the Punjab in 1863 that maps as an instrument of knowledge acquired new epistemic heights, a feature that was undoubtedly being constantly developed as we have seen for nearly a hundred years since Renell's maps Prinsep s *Statistical Account of the Sealkote District* contains maps showing the agricultural tribes arranged according to occupancy of land political and fiscal divisions rent-free aspect of the district physical features and zones of fertility different kinds of soils acres under different kinds of produce police divisions; statistical aspect of area, agriculture, and population and prevailing tenures and modes of assessment [Markham 1871 273] In 1870 Prinsep published yet another series of maps all relating to irrigation aspects of the district

For each presidency there are at least three sets of maps – the presidency maps, the district maps and the village maps, and in some instances the taluk maps as well It is noted that in 1871 from the Madras presidency alone four districts maps, 17 taluk maps, eight maps of parts of Madras town 76 plans of Wynaad coffee estates, and 5650 village maps were sent to the geographical department of the India Office [Markham 1871 134]

The era of geographical and topographical surveying also ushered numerous other surveys on the botany, geology, forests and other natural resources as well as on the antiquities and archeology Though population was not the object of concern in these surveys it has been noted that right from the early surveys of Colin Mackenzie, population and its characteristics figured in the statistical surveys to some extent By the mid-19th century, population became an explicit object of concern, and this moment of surveying and mapping was extended to the population as well From surveying and mapping territories the epistemological concerns and administrative requirements shifted to mapping populations

Notes

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1 For a lucid account of how the project of geography and history in colonial India particularly with reference to the work of Colin Mackenzie were linked and the politics associated with the writing of new histories and the denial of historicity and the erasure of the histories of the colonised read Nicholas Dirks (1993)

2 There is indeed a very interesting chapter on the Akbari Measure of distance called The Karoh or Kos in Abul Fazl Allami (1989) It notes that directions were issued by Akbar for the ascertainment of distances and their determination by the standard measure of the kos The kos was fixed at 100 tanabs each consisting of 50 Ilahi gaz or of 400 poles (ibans) each pole of 1¾ gaz to the kos It further notes that whenever Akbar travelled the distances were recorded in pole measurements by careful surveyors and their calculations were audited by the superintendent and inspector The chapter also contains evidences on the diversities of measurement the problem alluded to by Rennell It notes that Sher Khan fixed the kos at 60 jaribs each of 60 Sikandari gaz which measurement was employed in the Delhi country In Malwah it consisted of 50 tanabs of 60 gaz each and in Gujarat called the cawas kos that is the greatest distance at which the ordinary lowing of cows can be heard which is put by experts at 50 jaribs In Bengal it was called Dhapyah which is the distance that a fast runner can traverse at one breath It further notes that some assert that the dhapyah is the distance within which a green leaf placed on the head of one who walks rapidly will become dry Some measure by the steps of a woman with a water pot on her head and carrying a child in her arms reckoning a thousand such steps to a kos The chapter also contains a footnote on the length of a kos fixed by Babur It appears that this note has been inserted by Jadunath Sarkar who was the editor for this edition of the book

4 Concurrent with Lambton's trigonometrical survey in India there were surveys done in other parts of the world France was in the vanguard under the leadership of Cassini family in the early and mid 19th century National surveys of comprehensive triangulation measurements then followed in Denmark and England For more on these read Sven Widmalm (1990)

4 Captain Read's first report of the Colar District January 1792 Manuscript Madras Records Office

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Technological Slips between the Cup and the Lip

Unlearnt Lessons from Inter-War Colonial Madras

Nasir Tyabji

The establishment of the Government Industrial Institute in Madras in 1919 coincided with the development of chemical engineering as a distinct discipline at the Massachusetts Institute of Technology. It would thus be unhistorical to expect that readymade chemical engineering expertise would have been available to the Industrial Institute. However, other problems at diverse levels, raised by the history of the Institute, remain unresolved to this day: the provision of venture capital, infant technology protection, and plain incomprehension of the issues involved. The case of the Industrial Institute clearly forms the prehistory of more recent lunges at self reliance.

I
Introduction

It is well recognised that the technological base underlying German industrialisation in the late 19th century was provided by the chemical industry in contrast to the leading role of textiles in English industrialisation a century earlier [Schorsch 1980: 401-17]. Recent scholarship has added to the understanding of the ways in which nation states which industrialised even later depended on the utilisation of successively more modern generations of technology, the case of electronics in Japan being the most dramatic.

Very recently, analytical work has enabled scholars to understand how American technology in the chemical industry managed to surpass German efforts in the field during the first two decades of this century [Landau and Rosenberg 1992: 73-119]. Apart from the obvious disabilities that Germany faced after the first world war, two key issues have been identified. These are the development of the chemical engineering discipline largely at the Massachusetts Institute of Technology in the US, and the switch from coal to petroleum as the basic feedstock which decisively moved the raw material advantage in favour of the US.

It is the first issue that is relevant to the analysis of the situation in colonial Madras. Essentially, the point is that while expertise in applied chemistry is important in developing processes for industrial applications, the development of large scale plants for commercial use of chemical reactions requires specific technological knowledge. This is the core of chemical engineering. Although Germany had a distinguished tradition of applied chemical research in industrial establishments, the actual plants were designed and fabricated by mechanical engineers, in contrast to the situation in the US.

This factor does not appear to have been appreciated by the members of the 1916 Indian Industrial Commission (IIC). Although Alfred Chatterton, a distinguished technologist and the initiator of attempts to develop the chemical industry in Madras was a member, the distinction between applied chemistry and chemical technology, and the critical importance of the latter in generating commercially viable plant and equipment seems to have eluded IIC. The discussion which follows uses this hiatus as an explanatory device to organise the empirical details of the inter-war history of attempts to develop the chemical industry in Madras.

The historical importance of these rather patchy efforts lies also in the fact that objectively they contradicted the logic of imperial fiscal policy. As is well known, this logic discriminated in favour of the export trade in primary commodities as opposed to the development of industrial production. In this paper it is exemplified by the effects of the two Retrenchment Committees which collectively sealed the fate of the initiatives described.

II
Experiments with Fluid Inks

The department of industries and administrative support to industrialisation had started in Madras in the early part of the century. After fairly substantial progress had been made in demonstrating the possibility of manufacture of a range of articles, the department was abruptly asked to close down its activities. This order by the secretary of state for India followed protest by British manufacturing interests on the ground that the government was thus going beyond its natural functions.

With the closure of the department of industries in 1910, the focus of attention moved to the department of fisheries under the honorary director Frederick Nicholson. It was here that examination of the possibilities of fish oil, and then of coconut oil took place, leading to the establishment of the Kerala Soap Institute in 1916 [Hyderabad].

This Institute had by the end of the decade shown the technological and commercial possibilities of soap production from coconut oil on the west coast of the presidency. Hydrogenation of the oil started by the Tata Oil Mills (TOMCO) factory in Ernakulam represented a further stage in the industrial application of the edible oils of the presidency, and these two developments characterise the beginnings of chemical technology in southern India.

The Madras government was allowed to restart the industries department under very specific conditions in 1914, and during the first world war, in effort was made to encourage simple industrial activities, particularly for the war effort. Even before the end of the decade, however, another institution had been set up again at Frederick Nicholson's initiative, which showed every sign by the end of the 1920s of taking technology to the next stage. This was where both the mineral and oilseed base of the presidency would have been used, in combination to produce ink for printing purposes, paints and similar substances. Ultimately the enterprise failed under the remorseless logic of retrenchment cut-backs in 1932, but in the process it managed to commercialise processes of manufacture of writing ink and printers ink. The other experiments were aborted by the same pressure of expenditure squeezes.

When Nicholson asked in 1919 for the services of a chemical assistant for what was then called the industrial laboratory, he had suggested that experiments could be undertaken in the manufacture of vinegar, inks, adhesives, specialty toilet soaps, and in the extraction of volatile oils and essences. These were characterised as experiments in the minor chemical industries suitable for the presidency, and the proposal was passed without any difficulty.

Even before the end of 1920, ink was successfully produced from material said to be easily available but unused for any industrial purpose till then. Some progress was also reported on the experimental manufacture of adhesives and vinegar. On the basis of these successes, the chemical assistant's post was extended for five years, i.e. up to 1925.

The technical development of the ink was, in fact, complete and the task lay now in

demonstrating its successful commercial manufacture. Research on vinegar and adhesives was still in the experimental stage where, amongst other items, the use of casein for adhesives was being investigated. As Venkataraman Iyer, the chemical assistant, had been appointed for five years Nicholson's proposal for a block extension of the laboratory for the remaining four years was also agreed to, support for this coming from the minister for the development department.[8]

These measures should have added a degree of stability to the Institute's development work, but quite the opposite happened. In March 1922, Nicholson left for England and Venkataraman Iyer was placed in charge of the experiments. Although the Institute's activities were moved to Madras in October 1922, the possibilities of continued supervision of the work by a senior chemist were seriously reduced by the instructions of the first retrenchment committee, that the post of chemical advisor be abolished. Although the government continued the post up to the time the then incumbent retired in 1925, the career prospects for chemists in the government's service did not look promising. The retrenchment committee suggested that greater use should be made of the expertise of the Indian Institute of Science in Bangalore, a logical step in terms of the scale economies of experimental work, but raising a new set of problems, to be discussed later.

The retrenchment committee in fact, argued that as the technical possibilities of the manufacture of writing ink were proven, the Institute, now renamed the Government Industrial Institute, should be closed. Fortunately, printer's ink had recently been granted tariff protection and the finance secretary's suggestion that the Institute should develop the manufacture of this more complex chemical provided an authoritative case for its continuance. Even otherwise, the commercial feasibility of manufacturing writing ink was still to be explored.[9]

In early 1924 this task was completed with the reported agreement of the superintendent of stationery, Madras to buy the ink and the submission of tenders to the Government of India's controller of stationery and stamps in Calcutta. There were also prospects of sales from the Madras and south Mahratta railways, district boards and municipalities. In addition, Taylor and Company of Madras, major importers of ink, were appointed sole agents.

Although the government hoped that by giving this company the sole selling agency they would overcome the unwillingness of dealers, presumably associated with Taylor and Company, to stock the ink, this move did not succeed. Sales were not noticeably higher than in the years before the agency agreement and, as such sales as there were, were to government departments, the rationale for paying Taylor and Company a 5 per cent commission on even these orders was questioned by the audit organisation. It was explained by the director of industries that this payment should be treated as a necessary cost of entering the ink market when imported brands held dominant sway, but the continuing poor sales of ink except to the government itself did not lend much credence to the argument.[10]

Essentially, the problem lay in the fact that while the IIC had provided legitimacy to the role of government in pioneering industry, through the stages of technological and then commercial feasibility the government had not committed themselves to the financial implications of these measures [Government of India 1918].[11] The philosophy underlying the formation of the retrenchment committee was, in fact, directly opposed to subventions and subsidies for developmental purposes, at least in the field of industry.

In general, 1925, was a turning point in terms of the prospects of the industrial enterprises run by the government. In that year, it was decided that with the provision of state aid to industry, government's efforts would be devoted to laboratory work while experimental production, let alone commercial organisation, would be left to private enterprise.[12] Such a policy also had implications for the continuance of Venkataraman Iyer, in his role as an applied chemist involved in laboratory work. For it was then a small step to argue that laboratory work itself could be more efficiently done at the Indian Institute of Science. What was missed out here was that the stage of demonstrating that a process developed in the laboratory could be scaled up to produce a commercial scale technology was not, and could not be, the responsibility of the Institute of Science. On the other hand, the state aid to industry act was also not designed to provide the sort of venture capital that financing the development of technology essentially represented.

More immediately the challenge to the claims of the Industrial Institute to have produced a commercially viable ink technology came from the superintendent of stationery. This office refused to buy the special purpose registration ink, used on documents, on the grounds that it was available more cheaply from private sources. In that instance a determined effort by the minister for development succeeded in getting the order for the Institute on the grounds that its inks were of superior quality not testible by normal government standards, and essential for documents of long term importance registered with the inspector-general of registrations.[13]

The director also argued that no quality standards were laid down beyond the minimum required to pass the test of the chemical examiner which was purely concerned with the composition of the ink, rather than its qualities as a writing medium and its permanency.[14] This, though a valid point if the ink factory's products were of higher quality, was not pressed further in the direction of the laying down of general standards. If the government industrial establishments were indeed to demonstrate the manufacture of products of exemplary quality, this is clearly a step that should have been initiated. In fact, there is little doubt that professionalism in industrial management was seriously lacking.[15]

However, the long-term indications were that there were attempts at dumping by private ink dealers so as to undercut systematically the ink factory's commercial prospects. These dealers appeared to be both Indians and Englishmen. Under these conditions, the government did not agree to sanction the extension of the institute and staff for more than one year at a time and for the remaining seven years of its existence, they worked on the basis of the uncertainty which was inevitable from then on. By the following year, i.e. 1926-27, doubts about the feasibility of extensions of the term of Institute had spread from the finance department to the secretary of the development department, himself. Interestingly, however, the Indian members of the legislative council on the advisory committee on industries and fisheries asserted themselves. A far-sighted proposal, emanating from the secretariat also suggested that the Institute should have a scheme of apprenticeships. Here was the realisation that in the short and medium term, greater political support could be obtained for a scheme of employment-related training, than for any effort at import substitution industrialisation by itself.[16]

The scheme for training apprentices began in July 1926, initially for Folders of the SSLC with a background in Chemistry. Four apprentices were to be admitted for a two year course. When, after some dithering, advertisements were placed it was found that there were no applications. On investigation, it was found that the advertisements had appeared in the English press, which did not have the readership likely to be interested in training in a skilled manual trade. The minister for development suggested that fresh advertisements should be placed in the Indian language press and wished to vet the text himself. This development took place after an intervention in the legislative council.[17]

Unless the Institute was to show its long term utility by being successful in training apprentices, it had to demonstrate the commercial viability of ink manufacture and then be transferred to a private entrepreneur. Achieving commercial viability had become difficult with the uncompromisingly commercial orientation shown by the superintendent of stationery towards ink supplies. Of course, this was his job. It was certainly not his concern to take cognisance of the fragile financial status of the ink factory. But with the post 1925 policy on

government industrial enterprise, it was not possible for anyone in authority to develop procedures to handle such situations Recourse had to be taken to *ad hoc* solutions This probably reflected itself in uncertainty about the prospects of the industry and the demand for apprenticeships [16]

Proving commercial viability was an equally complex task Securing regular and large orders from the superintendent of stationery was critical if the ink factory was to be seen to be successful by potential purchasers This meant that not only was the ink to be of acceptable quality and price, but the tender had to be such as to be able to withstand dumping as mentioned earlier However, there were no provision by which a government institution could lower prices beneath those of costs of production so as to be able temporarily, to withstand this pressure Only if the office of the superintendent of stationery accepted its own role in pioneering an industry and granted price preference, could this problem be overcome Otherwise sales below cost would have been interpreted as conclusive evidence of the unprofitability of the venture

In 1927 the question arose sharply The director of industries pointed out that the Stationery department had changed its practice of the previous three years and accepted a tender for blue-black registration ink from a private firm In the case of blue black ink powder the same firm's offer had been accepted again breaking the precedent of the previous three years In registration grade ink for cheques another private firm's tender had been accepted for two years running, whereas earlier the ink factory had supplied the stationery department

After mediation by the secretariat it was agreed that while the orders already placed could not be cancelled supplies of two ink powders should be provided by the ink factory However later in the year the secretariat had again to intervene as agreement could not be reached on the rate at which these supplies were to be delivered [17]

As the director of industries had claimed that the tenders that has underbid his own could not have been priced at the true cost of production, it is of some interest to examine the background material provided by the department to substantiate their charge This was based on the sudden rise and decline of successful tenderers, which the department claimed was due to price cutting to a level where the viability of the unit was subsequently affected

Clearly, the evidence cannot be used to demonstrate the practice of dumping, but what is of interest, is the erosion in the competitiveness of the tenders placed by the ink factory after 1926-27 What makes the problem more complex is the fact that the chief competitors appear to be four Indian ink manufacturers, Alayam Ink Factory in Coimbatore, Bengal Industrial Company of Calcutta, the Excelsior Oil and Technical Works of Poona, and the Premier Ink Works of Madras Only one of the tenders which outbid the ink factory, by the Students and General Stores, Madras in 1928-29 would appear to be that of a wholesaler rather than a manufacturer But even here, there is no information that this organisation sold British ink rather than ink made by petty Indian manufacturers In other words if the purpose of the ink factory was to demonstrate the technology of high quality ink production by the mid 1920s this job seemed no longer necessary [Government of India 1950] [18]

Detailed consideration of the prospects for the commercial success of the ink factory is necessary because the failure to continue to meet the requirements of the superintendent of stationery had serious consequences not only for the factory itself but for proposals by the department of industries for the initiation of other experiments The assertive phase of the legislative council continued up to the start of civil disobedience, and till then no decisive steps were taken But there were problems in selling the assets of the ink factory, and this led to still further doubts about such experiments Although the ink factory was continued on another yearly extension up to March 1929 the proposal to continue the superintendent (after 10 years of uncertain existence) was postponed to the following year a step which in retrospect sealed his fate and that of the Institute In the legislative council too there was impatience at the apparent listlessness in the Institute, and demands for information of new experiments to be undertaken

In the course of 1928-29 three matters came to a head If the superintendent of stationery was able to get ink of acceptable quality at rates cheaper than those supplied by the ink factory clearly there was a failure to demonstrate the commercial viability of the process it was argued Negotiations for the sale began though as the ink works were to continue as the basis for experiments in printers ink and other chemical experiments there was little to sell except stocks work in progress and the recipes developed by the superintendent The only potential buyer of the stocks was the superintendent of stationery who refused to accept them at the valuation by the department of industries Although the total capital invested in the ink factory was Rs 33,188 at the end of 1927-28 the stocks were valued at Rs 2,776 Thus when Rs 3,000 for the stocks and recipes were offered, they were accepted This was not as mentioned a glorious end to the ink production endeavour, nor to the government's attempt to expand the base of chemical industries [20] As an earlier director of industries was quoted as saying, the history of the fluid ink factory experiments themselves displayed the problems of marketing an easily manufactured product, in competition with small producers with low overheads [21]

III
Printers' Ink Experiments

The manufacture of printers' ink involved processes entirely distinct to that of ordinary writing fluids In many ways it was a much more testing exercise, one worthy of the efforts of a Government Industrial Institute. Essentially, printers' ink consisted of carbon black then imported from the US, which was incorporated in a varnish made from boiling linseed oil The vapour was ignited until the required consistency was achieved. The test to check whether the vapour ignited was dangerous and it was this that qualified the entire process to be considered a complex one

In the course of the year (1925-26) machinery for the manufacture of printers' ink was ordered from England Although the superintendent of the government press was not happy with the samples provided to him, private presses in the city were On a small scale the experiments could be said to be successful and more machinery and the use of an old government factory building was requested as the work proceeded into its fourth year (1928-29) [22]

It was the vexed question of the conveyance allowance that focused attention on the Institute's rather slow progress The question raised was of the necessity of the conveyance allowance originally granted in order to help the superintendent to commute between the fluid ink and printers ink factories With the sale of the fluid ink factory there seemed to be little justification for its continuance The claim which was advanced for its necessity although quite plausible in itself, seemed to carry little conviction in the politically tense period leading up to civil disobedience

The claim was that the work required constant travel and interaction with small printing presses the larger ones were busy and it was felt unwise to prejudice them with experimental samples In the small presses, the machines had to be cleaned before and after the experiments which meant extra trouble for the workmen This in turn, required frequent and often infructuous visits to small presses in outlying areas of the city In addition, different printers varied in their opinion of the results depending on the machines and on the paper used [23]

This was a good case of the problem of introduction of a new product on the market by an enterprise which was unable unlike a private entrepreneur to provide any long-term benefit to the buyer This disadvantage had then to be overcome by repeated visits, entreaties and probably the promise of benefits to accrue once the superintendent

of the ink factory was placed permanantly in a highly coveted government job However there was little sympathy for all this in the secretariat and the image of both the superintendent and of the experiments began rapidly to lose credibility

It is difficult to avoid the feeling that the department of industries displayed a paralysis of will during this period It put forward proposals without sufficient background work and when these were opposed appeared to accept the outcome with little more than an expression of disgruntled feelings It seemed to have been misled by the strong political support which began in 1927 into believing that it had only to advance a scheme for it to be accepted even when the political situation had clearly changed by the end of the decade and its own ineffective supervision of the ink factory related experiments had substantially reduced its credibility [4]

However constraints of a structural form need also to be kept in mind Some indication of these came in a report that the publication *Tamil Nadu* was prepared to place an order for printers ink but found that the machinery dealer who also dealt in paper ink roller composition and so on refused to guarantee spare parts unless all supplies were bought from him Here was an example of interlocking markets about which a government institution could do little Another factor lay in the structure of tariffs customs duty on lamp black was 15 per cent as opposed to 2½ per cent on printers ink Thirdly it was stated that the consistency of the varnish made from linseed oil by boiling was altered by adding amongst other things a mineral oil not made available locally through either Burmah Shell or the Vacuum Oil Company

All these factors led to a high cost of production which could be partially overcome if lamp black itself was made in the country So somewhat belatedly after five years of experiment lamp black manufacture was instituted This was obtained by the incomplete combustion of organic substances rich in carbon such as rosin turpentine and the roots and other resinous parts of trees Significantly for Madras fish and vegetable oils either fresh or rancid could also be used to make lamp black In actual fact ingenious experiments were initiated on its manufacture from dead and crude oil using a specially devised furnace and collecting apparatus The yield was about 20 per cent of the oil burnt and the results seemed to be good enough both for rotary and higher quality printing ink Coal too was also suggested as a suitable material to be tested However these experiments were made by a research engineer specially recruited whose performance was monitored at three month intervals The Government Industrial Institute itself and Venkataraman Iyer its superintendent for 10 years and government employee for over 13 years had both to go on the recommendations of the Second retrenchment committee in the early 1930s In July 1932 the Institute was to close and the printers ink enterprise to be handed over to private hands

The financial stringency which led to the closure of the Institute also led to the discontinuance of perhaps the most industrially important of the initiatives the manufacture of white lead used both in white and coloured paints

In 1926, a proposal to manufacture paint had been dropped because linseed oil was said to be unavailable in the presidency Although it was recognised that barytes and ochres were important raw materials in addition to linseed oil the possibility of using the Kurnool barytes deposits was not investigated until five years later In 1931 the director of industries discovered after a visit to Bangalore that Kurnool barytes were being used by the Bangalore Whitelead Syndicate in a process developed by the Indian Institute of Science during the war Barytes were largely sent to Calcutta where the English firm Shalimar Paint Company had a plant It was because this company kept the process a commercial secret that the Institute of Science had to rediscover it In this case strenuous argument led to the successful initiation of experiments which were to be discontinued within the same year on the grounds of financial stringency A proposal to transfer both Venkataraman and the white lead experiments to the Kerala Soap Institute did not succeed It was argued that the Indian Institute of Science should be increasingly used for such work [5]

IV
Conclusions

In its 1918 Report the IIC had legitimised the role of the government in pioneering industry through the demonstration of the technological and then commercial feasibility of a prototype factory However it had not sufficiently noted the then current evolution of the specific discipline of chemical engineering and the impact that this was to have on industrial design and on the production of more cost effective plants Nor was it able to offer a solution to the evergreen problem of inducing large institutional buyers to accept an indigenous article with all the attendant risks when they had a long tradition of buying imported substitutes with well established trade names The history of the government Industrial Institute described in this paper demonstrates the critical absence of a systematic approach to both these problems

Concept

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The present book utilises for the first time the vast material on various aspects of education and value-system available in the Mahabharata The author has made deep study of the subject in all its aspects and dealt with various topics such as the aims of education, educational institutions the teachers and students the subjects of education, methods of teaching, examinations etc He has quoted profusely from the Mahabharata and other works in Sanskrit in support of his observations He has given an exhaustive account of branches of learning then prevailing and the masters of learning as visualised in the Great Epic It is a comprehensive and erudite work on the subject

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It also shows that import duties, by modifying the price ratios between the raw materials necessary for the manufacture of an article, and its imported substitutes, can affect the economic viability of plant which may be intrinsically efficient. Finally, it shows that venture capital is a form of financial advance quite distinct to a loan, and that while individuals like Nicholson were for short periods able to operate with an advance in a decidedly venturesome way, eventually the government of Madras' financial conservatism prevented the consolidation of the Institute's contribution to technological knowledge. For all these reasons, the Government Industrial Institute in Madras born in 1919 led a Soloman Grundy like existence until its death in 1932.

Notes

[Revised version of a paper presented at the conference of the Cambridge Delhi Leiden Yogyakarta project on the Transfer of Science and Technology between Europe and Asia, Istanbul, October 1994. I am grateful to Ashok Parthasarathi and Ghayur Alam and Ravinder Kumar for their comments and to the Indian Council of Historical Research for a travel grant which made my participation in the conference possible.]

1. The report of the Department of Industries for 1919-1920 in Rev (Spec) 4 January 3, 1921 contains the major landmarks in the fortunes of the department from the initial proposal in 1905, the expression of European opposition to it in 1908, its closure in 1910 and a legislative council resolution opposing this step in the same year, reconsideration of the question in 1912, and its re-establishment in 1914. For the history of the department's activities in the earlier period see Sen (1972), Swaminathan (1988).
2. Frederick Nicholson played a critical role not only in various industrial experiments in Madras but also in the development of the agricultural co-operative credit system. For details see Bruce L. Robert (1979). There is an interesting vignette of his role in the Madras of the 1920s in Slater (1936).
3. Revenue G.O. No 892 (Press) of March 21, 1914 for the orders to restart the department of industries, Revenue G.O. No 2802 (Press) of September 26, 1914 and No 3468 (Press) of November 30, 1914 for details of some industries in the presidency. Revenue (Special) G.O. No 374 (Ms) of September 13, 1918 for the steps taken to start industries for the war effort. (All references to Government Orders (GO) refer to records of the Government of Madras kept in the Tamil Nadu Archives, Madras.)
4. Rev (Spec) 1243 June 24, 1919, Rev (Spec) 859 May 4, 1920, Rev (Spec) 2004 November 16, 1920.
5. Dev 1698 September 12, 1921, Dev 1751 September 17, 1921, Dev 1991 October 22, 1921.
6. Dev 1082 August 16, 1922, Dev 168 January 30, 1924.
7. Dev 449 March 12, 1924, Dev 587 April 1, 1924, Dev 1784 October 20, 1924, Dev 2063 December 3, 1924.
8. Dev 2161 December 19, 1924.
9. The Industrial Commission's recommendations on pioneering and demonstration factories are on p. 159 of its report.
10. Dev 1500 October 19, 1925, the ink factory was declared a commercial concern in the year 1924-1925, Dev 15 January 1, 1925. The audit report for the year is in Dev 1181 August 14, 1925. See also Dev 1409 September 25, 1925 for the bonus paid to the staff.
11. Fin 703 August 22, 1925.
12. Dev 1792 October 22, 1928.
13. It had, for instance, to be pointed out to the director of industries by the commercial audit that if the superintendent of the ink factory was involved both in commercial ink production and in experimental work, his salary should not be entirely debited to the commercial accounts of the ink factory. As a rule of thumb thereafter, half of the salary was set against the experiments and the other half for ink production. As this appeared to have been done entirely at the Director's office without an investigation of the actual situation, this may well have continued to raise artificially the costs of production of ink due to superintendence charges. Dev 1827 November 9, 1927.

   However, mention may be made here of an attempt (unfortunately rather rare) to handle one question that of high overheads inevitable in a government concern, in an imaginative manner. This arose in connection with the problem of the preparation of raw material for ink production and the cleansing of used jars for storing newly manufactured ink. If sequentially undertaken, these tasks would have taken up a substantial amount of the working time of the few lascars appointed for the purpose. This time could be saved if these tasks were undertaken at night outside official working hours. However, in the absence of substantial overtime payment, the lascars would for good reason have been unwilling to work at night and overtime payment was not an item that government easily accepted. A way out was found by appointing the lascars as night watchmen by which means payment for their work at night was sanctioned. Unfortunately, this was not the major issue affecting the prospects of the industrial institute. Dev 412 March 20, 1925.
14. Dev 1434 October 3, 1925, Dev 1576 November 4, 1925.
15. Dev 1030 July 19, 1926, Dev 560 April 12, 1927.
16. Dev 741 May 20, 1927.
17. Fin 556 August 8, 1927, Fin 265 April 12, 1928.
18. Interestingly, Madras seems to have been in the forefront of ink manufacture with Krishnaveni Inks having started manufacture as early as 1920 after 6 years of experiments on fountain pen ink. Between 1920 and 1930 several more firms were established.
19. Dev 2045 November 30, 1927, Dev 479 March 15, 1928, Dev 31 January 5, 1929.
20. Dev 2083 December 8, 1928, Dev 2145 December 19, 1928, Dev 210 February 2, 1929, Dev 829 May 9, 1929, Dev 2183 December 7, 1928.
21. Dev 82 January 15, 1930.
22. Dev 484 March 29, 1926, Dev 623 April 23, 1926, Dev 618 March 31, 1928.
23. Dev 1668 October 4, 1929, Dev 1602 September 25, 1929.
24. Bagchi has referred to the general 'paralysis of will' of the administration during the inter-war period [Bagchi 1972: 47]. After the Lahore session of the Congress in December 1929, the party boycotted the legislative assembly and took no further interest in legislative debate on economic policy. The elections in September 1930 led to the formation of a minority Justice Party ministry with little power, and an opposition with even fewer members and even less authority [Krishnaswamy 1989: 215-216].
25. Dev 2026 November 5, 1930.
26. Dev 587 March 26, 1929, Dev 1160 August 4, 1931, Dev 524 April 14, 1932, Dev 1145 August 23, 1932, Dev 54 January 14, 1933.
27. For this, lead bars were melted and made into threads which when acted on by acetic acid produced lead acetate. Mixture with litharge converted this to basic lead acetate after which white lead was obtained by carbonation. Removal of water and addition of linseed oil formed a white paste to which was added machine powdered barytes. Dev 106 January 25, 1932.
28. Dev 1435 October 7, 1926, Dev 740 May 19, 1931, Dev 524 March 14, 1932.

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Postcolonial in the Postmodern

Or, The Political after Modernity

Vivek Dhareshwar

A crucial issue for any cultural or political theory today is, what are the consequences of the challenge to the modernist interpretation of modernity presented by theory and by globalisation, and what happens to notions such as national identity sovereignty and citizen-subject. In this paper the author examines these issues by looking at three different scenarios of postcolonial political identity illustrated by writings of modernist writer U R Ananthamurthy, cultural theorist Geeta Kapur and philosopher Kwame Anthony Appiah.

Our Modernity[1]

WE have been mediating modernity. Whether we take our political practices or our work upon ourselves our bodies or the ties that have bound us together into some form of community – if in short we take the identity programmes that have been shaping us – we have been striving toward modernity. But a certain problematisation of modernity, both as a notion and as a lived experience, has been part of this commitment. The reason for this is well captured by the Martinican writer Edouard Glissant:

> *On the notion of modernity.* It is vexed. Question: Is not every era modern in relation to the preceding one? It seems that at least one of the components of our modernity is the spread of the awareness we have of it. The awareness of awareness (the double, the second degree) is our source of strength and our torment.

As the institutional and discursive horizon that governed our function of mediating modernity is disintegrating before our eyes, causing our torment to deepen, we must turn to what Glissant calls our source of strength: our reflective awareness of our practice of modernity, our ability, in other words, to problematise that practice – to work our way out of the aporias of our modernity. The problematic that Kwame Anthony Appiah calls the articulation of the postcolonial and the postmodern[2] focuses our attention precisely on the issue of defining a reflective relation to our time, to its historicity.

I would like to make an attempt here to draw out the theoretical consequences of particular ways of staging that articulation. My strategy involves looking at three scenarios, which we might like to think of as scenarios of postcolonial political identities. I have chosen a short story – 'A Horse for the Sun' – by the modernist writer U R Ananthamurthy,[3] some essays by the cultural theorist Geeta Kapur,[4] and an essay 'Is the Post in Postmodern the Post in Postcolonial?' – by the philosopher Kwame Anthony Appiah. The setting up of these three scenarios will enable me to outline what I take to be the crucial issues that any cultural or political theory must confront today. What are the consequences of the challenge to the *modernist interpretation of modernity* by theory on the one hand and globalisation on the other hand? What happens to notions such as national identity, sovereignty, citizen-subject, tradition – notions supported by the modernist understanding of modernity?

Modernity and Its Doubles

Ananthamurthy's 'A Horse for the Sun' stages the encounter between discrepant experiences of modernity and the dilemma of the 'modern' writer mediating that experience. I will analyse how that encounter is framed and how that framing leads to a doubling/splitting.

Written in the mid-1980s, the story can be read as an interrogation of modernity itself – not only the aesthetic modernity of the writer but also its implication in or complicity with the project of modernity in its political and economic sense. The story – an explicitly autobiographical one – goes something like this. The writer Ananthamurthy, a leading modernist writer with considerable involvement in some form of left politics, is visiting his village. One day at the market place he encounters his boyhood chum Venkata whom he has not met in the last 14 years. Although Venkata is older than the author by five or six years, they had been in the same class at school thanks to Venkata's repeated failures. The author had subsequently left the village, gone abroad and returned to teach in the university and had become a city-monkey. And Venkata, who was already something of a 'good for-nothing' 'character', had blossomed into an 'idiot'-like figure, irresponsible as far as his family was concerned, but generous in his help to the villagers, giving massages and oil-baths to anyone he could get hold of. This sudden encounter makes the author nostalgic for the many adventures he had shared with Venkata, and for the way Venkata 'had time and again freed up [his] mind" (HS, p. 100). So the author decides to visit Venkata's house and spend the day there. Delighted, Venkata offers to give him his celebrated oil-bath (which as it turns out is an elaborate ritual embodying Venkata's 'philosophy').

This 'accidental' meeting opens up' our modernist writer and initiates his self-interrogation. Although the self-interrogation is occasioned by this accident, it is clear that the space for it was in some sense prepared for.

> Wait, I said. I had to talk to him honestly and say I had ignored you. Although I came to the village every now and then, I never came to see you. You met me accidentally today and are opening me up like this. Yet I know that this game is only momentary. I am drying up. This clowning of yours may be a habit with you. But in me there's been born a disquiet that I cannot understand. I desire nothing. Of late I can't think of anything to write. The moment I open my mouth, big fat words tumble out – the heads in front of me nod in appreciation. The moment the play is over, I feel empty. Why don't I see anything? Do you see, or are you merely pretending that you see? Isn't even your humility a posture? Or is it that I who had spent my childhood with you didn't write about you, but instead went on to write about high falutin things and ended up being an empty drum like this? (HS, pp. 104-05)

The crisis in which the author finds himself is something more than the crisis of creativity, which is one of the self-defining cliches of the modernist self. The crisis seems to have called into question the very vocation of the modernist practice. The interrogation, however, has already initiated a doubling and splitting of the subject. Starting out as a cause of nostalgia (for the writer's own childhood), Venkata (the writer's past as well as his unrealised future) doubles as an agency of self-critique. The rest of the journey toward Venkata's house unfolds as an oscillation between a critique of Venkata's form of life and ironisation of that critique and its language.

The author's own ambivalence toward Venkata makes him alternate between an attitude of aggression and one of empathy – aggression toward the "inertia" that he sees

Venkata as embodying and empathy for his intimacy with the landscape

> I began to think the village idiocy that Marx spoke of, which is the cause of this country remaining backward and so on Venkata seemed to symbolise for me everything that lived in a state of inertia I tried as seriously as possible to expound to Venkata my anxieties about the stagnation in this country that I had been sharing of late with my friends But is he the kind who would listen? (HS p 106)

Venkata at first evades this assault, but in his own clowning fashion expounds his philosophy He clearly diagnoses the author as someone possessed whose head is all heated up the cure for which of course, is his oil bath He confesses disarmingly to being a coward and narrates an incident that illustrates both his cowardice and his strategy for coping with aggressions such as the one the author directs at him

> You know we were in Panjurli's grove before we crossed the bridge An idiot They say this Panjurli spirit has his temper at the tip of his nose Once long ago I was coming through the grove singing to myself It was evening The dry rustling sound behind me like someone stepping on dry grass I turned around to see what it was It was a tiger I blacked out and collapsed I came round and found that I had peed in my shirt (HS pp 107-08)

. Irritated and baffled by this anecdote the author wants to know the point of it

> Che Che just like that I am a sissy Ananthu I didn't know what to say to you when you started to talk as if that demon Panjurli had possessed you I was frightened by the tiger do you know why? Because I don't know how to catch it and make it sit down and give it an oil bath If only I knew I'd hold it by its whiskers make it sit down and gently massage it forehead (HS p 108)

Confronted by the aggression of modernity or its mediators like the author Venkata's response is either to cool it down or evade it altogether Frightened by the seductiveness of Venkata's response and provoked by the laughter that followed the author renews his assault

> "Hey you fool Can you live without an ego? Even a saint needs an ego Saying this I thought without destroying the likes of Venkata there is no electricity, no dams no penicillin, no dignity no respect, no joy of sex no woman won no peaks, no aircraft no evolution no memory no passion, no joy (HS, p 108)

But Venkata laughs off this too and what's more, further refines his philosophy to characterise the aggressivity of the author's subjectivity

> The supreme Soul is Father to some, Mother to some Those who think of it as Mother always have their eyes on Mother's breast It is a breast ever flowing with milk Those who drink it can't take their mouth off that breast They don't ask for other breasts Those who think of it as Father raise their heads and look at the Lord in his eye and they are roused They want to look and they want to swallow the whole world Can the hunger of the eye ever be quenched? The infant at the breast falls asleep it wakes up again and drinks the milk I am one of those who drinks You are one of those who sees (HS, pp 110-11)

It begins to look as though the other as the agency of self critique is exceeding its terms And the already ironised language of that critique ("I shouldn't give in to him just because my raised fist has withered [HS p 110]) finds it difficult to contain the double The problem is not simply that the author 'need[s] English words to do that Or translations of them that Venkata doesn't understand' (HS p 112) He clearly understands the consequences of that language and tries to evade or refuse them

This is not to say however that Venkata's philosophy can cope with the consequences of modernity as is evident from what is happening to his college going son This son has turned out to be something of a lout he had beaten up his college principal and threatens to beat up his own father and his mother discovers during the author's visit that he had also stolen whatever jewellery the mother had preserved for her daughter's wedding A victim of modernity then with whose predicament – being trapped in the narrowness of village life – the author at first sympathises seeing in the son his own struggles to escape from the village However an incident that occurs when the author is sleeping in Venkata's house disturbs him deeply At the crack of dawn the author waking up to some noise finds the son ravaging the beautiful garden cultivated by Venkata's wife and daughters and threatening to chop up whoever goes near him Then he begins to see in the raised hand of Subba the son the nihilism of modernity (that had indeed created nuclear weapons and poison gas), thus more or less subscribing to Venkata's theory of aggressive subjectivity Yet this nihilism of Subba seems to reveal the limit of Venkata's philosophy The author, who had tried to contain and subdue this double, feels deeply for Venkata and wonders if this incident has shattered him A few hours later, when the household is engaged in its early morning activities, he finds Venkata standing by the fence and gazing at something in complete absorption Going near Venkata he finds him looking at a 'suryana kudure' (a sun's horse or grasshopper)

> Venkata turned around and looking at me said with such innocent ecstasy 'The sun's horse' My eyes locked into those wonder struck eyes of his that had seen the sun's horse and my mouth fell open "The sun's horse" I said (HS, p 126)

Two interpretations are possible of what this story stages One is that Ananthamurthy frames the encounter of the discrepant experiences of modernity within a *modernist* understanding of modernity, which sees the content of the latter as simply the *loss* of tradition, writing itself then becoming a 'fall' into irony Passages like the following would support such a reading

> If he reads what I write he will only read himself Since he is a simpleton to begin with even my irony won't touch him But what began as an object is now confronting me as consciousness For one without desire, the incessant movement of the world its flux its change are of no interest In the presence of such a non political being all my knowledge is a waste This man is the exact opposite of a Kissinger But in Gandhi along with an inspiration there was a quietude too Aric Venkata you came in as a story now you are growing into an essay' (HS p 127)

The feigned surprise at confronting the figure of the other at staging the other as a critique of one's own modernist self (But my mind wouldn't let me brush aside this childhood friend of mine who had begun to kindle in me the human love that I seemed to have lost of late [HS p 124]) can be read as an attempt to recuperate the figure of Venkata as a redemptive double of the politics that underlies this aesthetic The other is cause for nostalgia he and his habitus are also possible agency of a self-critique, but the divide is nonetheless absolute Even the value of that critique is an aesthetic one to celebrate this peculiar subaltern oneness with nature but also and perhaps more importantly a display of the author's aesthetic virtuosity in staging a self-critique

Another interpretation the one I favour here would inflect the above interpretation to foreground the political impasse The story is indeed an ironic self critique of modernity The other - who cannot strictly be seen as an other of modernity but is more like a doubling or splitting produced by modernity itself tries to evade mediating modernity even steps aside when confronted with it accepts it even but does not resist modernity The self questioning ironic modern(ist) self tries to confront it, then delights in it, and finally tries to learn from it The exhaustion of modernism (and of modernity) has made the writer already question his role as a mediator of modernity – the attempt to confront Venkata to show him his failures, has none of the force that an energetic modernity (including and especially Marxism) had brought to its critique of society That critique and the politics made possible by it is already perceived as violent although the terms of that critique are seen perhaps as the only

available political and aesthetic vocabulary – now used with increasing irony and scepticism The impasse or aporia is evident in the absolute divide the doubling between the author and Venkata they are of course figures generated by modernism and modernity The story does not (cannot) resolve the aporia the divide or doubling Although it is plausible to interpret (as I did above) the story as an aesthetic redemption where the ironic subject of modernism stages the other as the 'idiot subject' in order to recuperate it as its redemptive double it is equally plausible (and fruitful given my purposes) to interpret it as staging the aporia of political modernity in India The aesthetic delight that the author shares with Venkata in looking at the sun's horse cannot conceal the fact that their relationship has no chance of being embodied politically Our time our discrepant modernity is experienced then as an aporia It remains to be seen if it can be overcome dialectically

The Modernism and Swadeshi Avant Garde

Let's make an attempt to locate the space and subjectivity of Venkata within a Marxist theory of modernity We remarked earlier that the figure of Venkata cannot strictly be seen as an other of modernity One reason for this is of course that he is within the social relationships instituted by modernity by capitalism Although he and his household appear marginal to the market he cannot escape from it (he sells banana leaf cups made by his wife) He appears that is at that stage of the capitalist relations that Marx characterises as formal subsumption of labour by capital and he and his habitus are bound to disappear when real subsumption occurs As Etienne Balibar explains it

> the idea of this real subsumption (which Marx opposes to merely formal subsumption) goes a long way beyond the integration of the workers into the world of contract of money incomes of law and official politics it implies a transformation of human individuality which extends from the education of the labour force to the constitution of a dominant ideology capable of being adopted by the dominated themselves

For this to occur the inertia of Venkata would have to be overcome and that is how Ananthamurthy diagnoses the stagnation of our country Is the figure of Venkata then the leftover of an incomplete modernity who will vanish when the real subsumption begins who will then reappear as the redempted double in the aesthetic modernity of a fully modernised nation? We also noticed a lack of conviction that seemed to introduce tensions or ambivalences in modernist aesthetics as well as in modernising politics To fully account for those tensions and ambivalences we need to understand the exigencies of a modernising capitalism and the modernising imperatives of a left politics and how both these get interarticulated by the nation-as subject To explore these tensions we will turn to the work of Geeta Kapur who in a couple of programmatic pieces as well as in a series of analyses of art-practices in India is setting out the project of an Indian avant garde

Geeta Kapur sets out her argument and frames her problematic within what seems at first blush to be the terms of a classic left agenda Her argument in fact starts from the premise that modernism has not yet exhausted its possibilities in India And the reason for it is obviously not unrelated to the fact that the modernising project as envisaged by the left has not exhausted its possibilities The project of left modernism then has to be embodied in an artistic avant-garde whose function would correspond to and no doubt complement that of the vanguard Leninist party Posited as a horizon, it will never be questioned for itself although its function will become obvious when Kapur makes an attempt to delineate the tradition which makes possible the left modernist project, its political value will remain undetermined

How to name the contemporary (MIP p 2805)? That is the form that Geeta Kapur's attempt to specify the modern takes She prefers the use of this neutral term in order to refocus the problems generated by the embattled (and also absolutised and reified) terms like tradition and modernity (CP pp 49 53 54) The task is to say how to experience our own time and it involves defining (or recovering) the founding equation between history and subject and thus constituting the revolutionary or avant garde subject in the historical context of a decolonising post-colonial India (MIP p 2805) To name the contemporary to figure out the category or register in which this naming takes place one needs an account of the multiple and conflicting registers in which a people (in this case Indian) have been named Thus a theory of tradition and of tradition in use

To begin with though, for whom is this question of the contemporary important?

> Once independence has been gained nationalism itself poses ontological questions what is at stake in being Indian? And though the question may easily devolve into rhetoric there is a burden of it that rests on a particularly fraught class and its individuals This is the urban middle class intelligentsia including the artists (CP p 55)

This descriptive statement embodies a normative argument as becomes obvious when she argues later on in the same article that

> Moreover when nationalist truth and unrealised socialism no longer suffice this class must cope with the further states of social entropy The responsibility of reckoning with that falls neither on the state nor on the national bourgeoisie (nor on the peasant or proletarian classes) because none of these are so evolved in their identity or role (CP p 55)

So the burden of identity of naming the contemporary, is assumed by the new citizen subject The site occupied by this subject is where the chiasmus between nation/tradition and modernity takes place, for the sovereignty of the citizen is exercised in the name of a people who have to be named again and again Geeta Kapur's own theory of the interplay between the national and the modern occupies that site even as her reworking of the tradition prepares the political and aesthetic ground for the arrival of an avant-garde That is to say her interpretation of the tradition imagined by the nationalist intelligentsia offers a normative framework within which contemporary art practices may be situated

> Instead of internationalism there is in India the double discourse of nationalism and modernism It is a generative discourse and when projected outward it becomes a four part equation nationalism recalls the category of the tradition modernism always implies internationalism The four part equation further enables one to confront the question of tradition (or invented tradition that ensues during nationalism) with current internationalism (or globalism) and its appropriative techniques (MIP p 2804)

The double discourse of nationalism and modernism indeed the doubling of the one into the other has been the founding problematic of defining the national (or citizen) subject, the self-inauguration of the subject as subject of history But the history of this subject, that is to say, the history of the subject to see himself (the masculine pronoun is appropriate here) as the subject of history has been naive bold, and anomalous' Because, of course, the naming of the subject took place in response to colonial modernity The native as the historically displaced subject had to articulate itself into history, that is into European modernity both aesthetic and political The norming narrative (or metanarrative) of European modernity and its ever-receding synchronic symbols provide the structure within which the self-definition of the colonial subject takes place This defines the continuity of colonial and post-colonial modernity the interchange or the chiasmus between modernism and nationalism subtends, even now, the self-fashioning of the citizen-subject According to Geeta Kapur the practices of the artists at test to the anomaly of the Indian modern

> First of all there is a dissembling modernism at the heart of the argument about authenticity This characterisation is

> artists revert time and again to naive solutions to formal problems that have their source in modernism even unrecognised by the artists in question (MIP p 2804)

So the apparent weakness of Indian modernism is its strength Though it takes its bearing from the norms of international modernism, its struggles for self-definition reinscribe and revise that internationalism Forever denied a place in the canon of the modern because always out of step" with the norms of the European modern, the modern in India has 'a paradoxical value' rather than a canonical position'

> To cut down the issues to reasonable size, nationalism in our experience is at the very least a foil to the universal modern It helps resist imperialist hegemony up to a point it serves as environmental testing ground for unbecoming modernism Just as modernism as cultural and specifically aesthetic category interrogates through its formalist means through its negative dialectic and valorised transgressions the dangerously totalising ideology of nationalism (MIP p 2805)

Given the logic of this chiasmus it turns out that internationalism has never been the paradigm for cultural discourse in India although progressive aspects of international modernism (especially its avant garde principles as formulated in for example Brecht and Eisenstein) have been influential And for Geeta Kapur this needs reiterating especially in the present when a cannibalising post modernism threatens to destabilise the founding equation between history and subjectivity and to dissolve the nation-space into multiple local traditions in order to co opt them into the circuits of a global market

Where we may well wonder at this point is the project of left modernism in all this? If the unresolved subjectivity of the national subject still forms the horizon of a possible avant garde praxis isn't the enunciative space of this avant-garde already re-occupied by the nationalist project? And, furthermore, in the face of the 'aggressive *laissez faire* of postmodernism" the avant-garde seems to have no room left to question that re occupation without feeding into the logic of postmodernism In an ironic reduplication of the passive revolution of the Indian bourgeoisie, the Indian left avant-garde seems condemned to complete the nationalist project and in the process lose its own enunciative space, caught as it is in the never-ending doubling of the nation into the modern, and vice versa [10] The interchange between the nation and modern has become a double-bind which Geeta Kapur's framing of the problematic seems only to replicate

> The point is to tackle the very problems western cultural hegemony suppresses or neglects This requires above all that the two concepts, tradition and modernity, be disengaged from the abstractive ideology of capitalism – retaining to one a self-reflexive mechanism, and to the other the utopian dimension We have to bring to the term for example the concreteness of extant practice and to make genuine extension of small particularities into new and contemporary configurations Also at the same time we bring to the term [modern?] a less monolithic less formalistic indeed a less institutional status so as to at least make it what it was once a vanguard notion leading to a variety of experimental moves Only with such initiatives can third world cultures begin to justify their worth as alternative cultures (CP p 56)

Alternatives to what? Globalised post modernism? Turning traditions into tradition in use has been the task that artists have set themselves since the last *fin de siecle* This was done partly through the appropriation of the folk the regional etc Such appropriations were justified insofar as they gave content to the self-definition of the national subject and its goal of uniting disjointed histories and trajectories into a coherent and complex whole But this still seems to be the task even today As for the task of transforming modernism into an avant garde project it is forced to hold together the nation in the face of globalisation The left avant garde then supplements nationalism The social antagonisms that modernisation brings about and which nationalism tries to suppress cannot be addressed or they have to be deferred

The problem arises not only because of the present political conjuncture, the very subject that the left tries to articulate into history is articulated by the suppression of antagonisms Indeed this subject is the symptom of that suppression, and the articulation of antagonisms would mean risking the disintegration of this subject Although Geeta Kapur notes the antagonisms a Marxist is obliged to notice, she does so only in an extraneous fashion, as it were That is to say, her own organising concepts do not register them internally

She would certainly see Ananthamurthy as an 'anomalous modern' – modern insofar as his dominant trope in the story we analysed is irony anomalous because the story moves away from the formalism of the high modern in order to foreground local or indigenous practices Thus the story can be seen to execute a double-take", precisely what according to Geeta Kapur defines the Indian modern (MIP p 2805) The political aporia the story foregrounds would have to be excluded in order to reconstitute the citizen-subject In the process of making the tradition self-reflexive of making it tradition-in-use, what takes place is precisely what Edouard Glissant calls 'folklorisation" of culture (for the purposes of this argument we can take Venkata to be a folk artist, which he could very well have been) The aesthetic double-take then necessarily excludes from its consideration the political problem of doubling. The constitution of the unitary subject seems to be the unfinished task of the Indian modern The task of articulating this subject into history and figuring him as the contemporary falls upon left modernism Even as it appropriates the folk, the regional, the local for this task, it stakes claim to the power of the collective, to *re present* the latter [11]

Globalisation, and with it postmodernism, however threatens once again the task of articulating the self into history While postmodernism releases possibilities contained in alternative practices and cultures it does so only to turn them into pastiche it destroys a monolithic high modernism only to turn all cultural artefacts into commodities it proposes forms of politicising culture (race/gender/ethnicity) as so many loci of resistance only to turn them into multiculture so many constituencies to be mediatised' in short, by deconstructing modernism it also deconstructs the subject of modernism So that the unfinished task of modernity becomes the unending task now of combating cultural and political forms of globalisation Strangely enough, while Geeta Kapur notes how postmodernism may have released or made visible alternative practices she does not extend this insight to the very constitution of the citizen subject - that indeed this constitution itself was a form of identity politics that an embattled modernism now perceives as a danger coming from postmodern multiculturalism (relativism, celebration of difference etc) If the project of the left avant garde is forever deferred or it fails to appear on the site prepared for it it is undoubtedly because, as I have suggested, that position is occupied by a subject which is the creation of the exchange between modernism and nationalism And what the present conjuncture makes clear is that this subject is the very suppression of antagonism, and that is why when threatened with dissolution, this subject can only defend that which enables it to maintain its identity, namely the nation-state and its politics The story of modernity that Geeta Kapur narrates is compelling and, in some sense of the word, true, because it outlines the cultural elaborations of the citizen-subject and the logic of identification that maintains the site it occupies as the only legitimate horizon for understanding our time [12] As such it cannot allow discrepancies and dislocations to arise at that site And the teleological historicism that this story requires in order to institute culture as the problematic of identity, of identification, must exclude any questioning of the very instituting of the political, the social imaginary in which the form of society appears to itself, because that would reveal the radical contingency of instituted forms of politics, the dissimulation which is sought

to be accomplished by the chiasmus of modernism and nationalism It is indeed ironical, but not accidental, that a left modernism should play either the role of supplementing them or compensating for their excess, and either way, end up supporting the sovereignty of the nation-state The transaction between left modernism and nationalism leads in fact to a re-occupation of the former by the latter [13]

The 'Post' in Postcolonial

The problematic that Kwame Anthony Appiah calls the articulation of the post-colonial and the postmodern (PP, p 341) focuses our attention on the disintegration of modernity as a social imaginary and the consequent multiplication of perspectives on, and evaluations of modernity Appiah's elegant if rather convoluted and elusive, essay proposes that we reject the modernist interpretation of modernity Taking the Weberian interpretation of modernity as somehow paradigmatic what this rejection involves is a denial of the triumph of western rationality – whether evaluated negatively or positively - as the telos of all cultures That is to say, western modernity has certainly achieved universal significance but that it has "universal value is extremely doubtful What this interpretation of modernity mistakes for rationalisation – positing such distinctions as tradition and modernity – is simply the commoditication of all areas of life Therefore Appiah wants to

> argue that to understand our our human modernity [we will return to interrogate this later on] we must first understand why the rationalisation of the world can no longer be seen as the tendency either of the west or of history why simply put the modernist characterisation of modernity must be challenged (PP, pp 343 44) [14]

The rejection of modernist interpretation, however manifests itself in various spheres is the rejection of the claim to the exclusive insights claimed or implied by modernism

> Postmodernism can be seen then as a retheorisation of the proliferation of distinctions that reflects the underlying dynamic of cultural modernity, *the need to clear oneself a space* Modernism saw the economisation of the world as the triumph of reason, postmodernism rejects that claim, allowing in the realm of theory the same proliferation of distinctions that modernity had begun (PP, p 346, emphasis added)

The 'post' in post modernism, then, is a space-clearing gesture, a distinction creating gesture linked to the exigencies of the market The exigencies of the market apply globally bringing into their orbit practices that it would be misleading to characterise as 'traditional'

And that is how "the issue looks from here", that is, the US, where Anthony Appiah, a postcolonial intellectual from Ghana, has come upon a "neotraditional" sculpture called 'Man with a Bicycle' by an anonymous artist from Nigeria, which prompts Appiah to "explore the articulation of the postcolonial and the postmodern" How do things look from "there", that is "from the postcolonial spaces inhabited by 'Man with a Bicycle' (PP, p 347)? Now Appiah rightly says that some of what he says about how things are "there' would hold for other postcolonial spaces and some would not My interest is certainly not to quarrel with that since I think that the problematic formulated by Appiah is valuable in our space too To begin with, Appiah argues that

> postcoloniality is the condition of what we might ungenerously call a comprador intelligentsia a relatively small western style western trained group of writers and thinkers who mediate the trade in cultural commodities of world capitalism at the periphery In the west they are known through the Africa they offer their compatriots know them through the west they present to Africa and through an Africa they have invented for the world for each other and for Africa (PP p 348)

This provocative characterisation is meant to highlight some essential, if obvious features of postcolonial culture First the post in postcolonial, like the post in post modern, signals a space-clearing gesture Second this concern with transcending with space clearing, is the business almost exclusively of the mediators of modernity, those whom Appiah calls 'comprador' For although colonialism (and now postmodern culture) pervades all aspects of postcolonial cultural life, not everyone is interested in or concerned with going-beyond The anonymous artist who produced 'Man with A Bicycle' is not or so Appiah supposes, concerned with issues of 'cultural imperialism', cultural autonomy, etc, he produces to survive and since his buyers are largely western tourists, he produces for them without worrying about the politics or aesthetics of his activity Certainly, this international cultural transaction – which accounts for its hybrid or syncretic character – can be understood by a postmodern theory, but the producer himself/herself does not understand it in the terms of that theory In short, the sculpture 'Man with a Bicycle' is not the result of a space-clearing gesture

The concern with going-beyond, argues Appiah, makes sense only in a domain where the distinction between 'high culture' and mass culture' operates, and this domain is obviously the one occupied by the western-educated intelligentsia Therefore postcoloniality as a problematic turns up, for example, in discussions of African novels The African novels of the first generation – Achebe's *Things Fall Apart*, *L'Enfant Noir* – produced narratives of the nation and realist legitimations of nationalism In contrast, the second generation novels – Appiah's privileged example being Ouologuem's *Bound to Violence* - deconstruct precisely those legitimising narratives, they are, in that sense post-realist, post-nationalist, post-nativist In this, their post- is like the post- in postmodernism There is, however, an important difference Appiah contextualises the difference in this way

> Far from being a celebration of the nation then the novels of the second postcolonial, stage are novels of delegitimation they reject not only the western *imperium* but also the nationalist project of the postcolonial national bourgeoisie And so it seems to me the basis for that project of delegitimation cannot be the postmodernist one rather it is grounded in an appeal to an ethical universal Indeed it is based, as intellectual responses to oppression in Africa are largely based, in an appeal to a certain simple respect for human suffering a fundamental revolt against the endless misery of the last thirty years (PP p 353)

Making his argument largely through a reading of *Bound to Violence*, Appiah is at pains to show the difference between the two posts The critique of the nation found in that novel is not postmodernism since the novel is concerned with postmodernisation, "not an esthetics but a politics" (PP, p 352), that is, with denying the claim of the modernisers that after colonialism 'comes rationality" And its rejection of the nation too may seem misleadingly postmodern, that rejection, however, is predicated not on a return to traditionalism, but on "the continent and its people" (PP p 353)

Let's begin by noting what on the face of it might appear to be terminological problems the first contrast above seems to make sense only if one restricts oneself to an aesthetic postmodernism Appiah's own characterisation, which we noted above, should allow for a postmodernism which links modernisation and modernism and which rejects them both The second contrast is even more unclear, it seems to imply that a postmodern rejection of the nation might involve some sort of nativism or, if we take into account the appeal to human suffering that the postcolonial novel makes, some sort of nihilism or relativism What these terminological or definitional problems point to is something that Appiah constantly elides namely, what politics is in post-modernity, and how that is addressed by postcolonialism and postmodernisms [15]

Despite the insights achieved by the postcolonial novelists, they do not seem to point toward any political forms, except a postnativist internationalism which, however, remains at the level of abstract

humanism. Perhaps because of this pessimism – "postcoloniality has become, I think, a condition of pessimism' (PP, p 353) – Appiah argues that "the place to look for hope is not just to the postcolonial novel, which has struggled to achieve the insights of Ouologuem and Mudimbe but to the all-consuming vision of this less-anxious creativity [of the anonymous artist]" (PP p 357) The question is why does Appiah think that the creativity of the anonymous artist is 'less anxious' Merely because it is not concerned with going-beyond with space-clearing' His worry seems to be that the logic of the space clearing gesture leads postcolonial intellectuals to the risk of becoming otherness machines with the manufacture of otherness as our principle role Our only distinction in the world of texts to which we are latecomers is that we can mediate it to our fellows (PP p 356) The mediators of modernity seem condemned now to mediating postmodernity – which is to say avoiding any mediation with our fellows For mediating modernity involves politics however problematic it may appear now however questionable its achievements have turned out now Having deconstructed the nation state and having declared their allegiance to humanism all they can do is to adapt the responses made famous by Albert O Hirschman voice and exit leaving the nation to the less anxious creativity of the subaltern artist [1]

Politics after Modernity

There is a sense in which the three scenarios I have sketched above could be seen as illustrating respectively the local the national and the international where the three terms are seen as embodying some sort of hierarchy of situational scope of power, and perhaps even of value (provincial to the cosmopolitan/universal, in some perspectives) This is certainly the "common-sense in India", and its logic is evident in the first two scenarios The national-secular or the secular-modern is often marked off in relation to the local The latter to be sure is valorised but only by the former, the self valorisation of the local is regarded with suspicion, if not outright hostility [17] However that may be, what interests me primarily in the three scenarios is, as I have tried to mark out in my discussion of each of them, a certain impasse that is common to all of them It is an impasse that results from the loss of a certain dominant conception of the political, a conception so dominant as to be considered, or mistaken for, the political itself Precisely because this conception still dominates our horizon – to such an extent that its crisis seems to signify the loss of the political itself – it is important to analyse how the impasse comes about in the way that modernity is staged in each of the scenarios

Ananthamurthy, as we saw, leaves us with an aporia – the divide or doubling between the author and Venkata seem unresolvable Since the figure of Venkata is presented as a critique or a self-interrogation of the modernist identity programme to respond to which the latter seems to have no resources left the story might be seen as gesturing toward nativism as postmodernism whose theoretician would be Ashis Nandy Yet the story manages to something that Nandy's critique of modernity is unable to do namely to show the figures of both Venkata and Ananthu (the author) as generated by modernity the aporia, in other words is internal to modernity itself What the story shares with Nandy's theory is a certain valorisation of the folk', the rural the pre- or non-modern cultural practices without realising that such a valorisation is indeed a symptom of the loss of the political The valorisation is indeed an attempt to posit certain kinds of *agency* as an aesthetic/political value without however ever making clear what politics might be elaborated by such an agency If the suggestion is that such an agency embodies anti modernity which is a form of politics – then it would have to be shown what concepts and what forms of political sociability such an agency can enable In the absence of any such reflection if not theorisation we are left with the aporetic divide between our culture – the authenticity of our identity – and their politics – the cause of the alienation or diremption of our authenticity Such a nativism if it is the right word simply concedes modernity its self interpretation (if only to reject it) without reflexively theorising the historicity the historical experience that has made us what we are of our modernity our discrepant, non-contemporaneous relationship with our present To set up therefore modernity as external and alienating, as Nandy does or to show it as generating a divide a doubling in order only to valorise the doubled part as a critique of modernity, is to evade or even to suppress the loss of the political brought about by the crisis in the social imaginary of modernity

Geeta Kapur's resolution seems at first to be the most unambiguous, she is not troubled, as Ananthamurthy clearly is, by the identity programme of the modernity project (including its leftist version) In fact, she would deny that the aporia as it emerged in the first scenario is intrinsic to modernity While her programme is outlined in the most orthodox terms – the creation of a historical avant-garde out of the ideology of left modernism its idiom is said to be 'swadeshi The need, therefore, is to invent or reinvent a tradition and make it tradition in-use Yet the resolution she proposes avoids the splitting of the subject that occurs in the first scenario only at the cost of redoubling the nation into the modern and vice versa The politics of left modernism ends up reiterating or supplementing the popular sovereignty, i e, nationalism, of the nation-state And the notion of the tradition that she constructs as the historical condition of possibility of an avant-garde may have already lost its legitimacy (which is precisely why it appears monolithic and imposed) It is the force and validity of these questionings that she must repress in order to articulate her prolegomena for any future left modernism that will be able to present itself as an avant-garde Thus the identity programme articulated by the conjunction, or better still, the chiasmatic exchange, between nationalism and left modernism leaves no space to sustain a radical politics Once the nation-as-subject is seen as both the ground and the telos of left politics/aesthetics the latter will inevitably let the former reoccupy its space and its project The result is the loss of the political and this loss is covered over when the issue is seen as the defence of sovereignty against a cannibalising postmodernism A large part of the problem in the way Geeta Kapur conceives of her project lies in the way she abstracts from a specific historical experience of Europe and tries to give it swadeshi content rather than beginning with an interrogation of that content to determine what could be a radical politics or aesthetics that could define our present In some ways her project is the symmetrical obverse of Ananthamurthy/Nandy's If they hold on to culture as our content and reject the form as alien, she accepts that form (which is also a norm) as necessary and desirable and tries to shape the content (culture) into that form Both repeat the founding split of nationalism – culture and politics A politics of culture comes to stand in for a radical politics that can both expose the contingency of instituted forms of politics and open up new forms of political sociability [18] Ironically, therefore, the foregrounding of culture by both left modernists and nativist modernists can be seen as a symptom of the loss of the political

Appiah's 'story' allows us to relocate or rearticulate some of the aporias of our previous scenarios What I take to be most valuable in Appiah is his argument, or, rather, the implication of his argument, that the work', as it were, of modernity is over It is no more an ideal to be striven for or a telos to be realised, to do so as Geeta Kapur does is to be caught in the modernist interpretation of modernity Once we reject that, we can see the neo-traditional artist as well as Venkata as inhabiting our present, demanding a political response rather than an aesthetic attempt to redeem and recuperate them or a post-political gesture of simply

acknowledging their space and their 'less anxious' creativity And perhaps because the nation-state has already disintegrated in Africa, Appiah is able to see through the traps of nationalism (although in the process he conflates the nation, nationalism and the nation-state) Perhaps the illusions of political modernity have lasted longer in India (as we saw with Geeta Kapur) or it may be that the narratives of citizenship have not undergone the same wrenching disidentification or disinvestment as in Africa and therefore still retain their political possibilities Furthermore the logic of the space clearing gesture that implicates postcolonality in a specular relationship with the west alerts us to the dangers of undertaking the "provincialisation of Europe as in intellectual task [19]

Yet when Appiah posits a divide between the comprador mediators of modernity located or relocated now in the multicultural space of the US and the less anxious' creativity of the anonymous artist, he displaces the problematic of postcolonial politics Although clearly sympathetic to some form of left politics he leaves to caricature a Wittgensteinian dictum, everything as it is Or rather for him the hope clearly lies with the subaltern artist unlike Ananthamurthy who hesitates to so unambiguously place any hope on Venkata's way of life rather than with the kind of politics or creativity engaged in by people like himself (or myself or Geeta Kapur or Ananthamurthy) The question raised by Appiah's displacement is not simply that he exempts himself from the political (creative) impasse but that he never examines the political vocabulary and subject position that compels him in the first place to set up the problem in that particular way We are confronted then with the same kind of aporia that we saw emerge in Ananthamurthy s figuration of Venkata and in Geeta Kapur's figuration of the avant-garde project/subject, even though the route to it has been radically different Appiah s staging of this particular 'story however posits the anonymous artist as the double of the mediators of modernity (a category that, I take it, includes the author himself) between whom one cannot envisage any kind of relationship, that is to say since one is not talking about direct relationship, what possible politics can relate the two? The problem with invoking humanism is that it simply depoliticises – its invocation, possible *an*where and *an*time absolves one of evolving concepts that tell us what we are and how we are related to one another Appiah's rejection of the modernist conception of politics seems, therefore, to imply a rejection of politics *tout court*, and the postcolonial appeal to humanism begins to look suspiciously like a gesture toward post-politics [20]

What is at issue is not, obviously, the creativity (anxious or not) of subalterns in the face of unimaginable adversity Nor is the issue of postcolonality about whether we will have genuinely Ghanaian or Indian novels or art-works (a question which perhaps necessarily embodies a nationalist ethos and its essentialism may in fact be open to appropriation by the difference producing machinery of postmodernism) Nor, lastly is it a question of what Ananthamurthy/ Appiah should do about Venkata/the anonymous artist and his habitus apart that is from placing their hopes – political as well as creative on them The issue is really this given that the postcolonial spaces (India Ghana or Kenya) are in the state they are their precarious position in the world economy the crisis of the state and of the history/discourse of their sovereignty as nations how do any of the practices and institutions that derived their legitimacy from modernity interrogate themselves in such a way that the problems created in large part by the very logic of modernity itself can become the focus of a politics?

One conclusion that we could draw from the impasses that we witnessed in the three scenarios would be that today it is impossible just to be a nativist postmodernist or a modernist leftist or a nationalist or a postcolonial humanist To say this is not to imply either some fragmented subject position or a liberal 'multiculturalist' (and a multipoliticist) position which tolerates all these positions It is to recognise the non coherence of our present experience and the deeply conflicting idioms with which we struggle to decipher its reflective possibilities The coherence was achieved by the modernist interpretation of modernity the belief in progress and the confidence that reason could organise and order our cultural and social world and the belief that true universality would be achieved when all human practices could be brought under the rule of reason By rejecting that interpretation one is not rejecting reason but to use a very Kantian formulation the illusions of reason The many forms of reasoning underlying our diverse practices cannot always be abstracted from those practices As Wittgenstein and Heidegger, in their different ways showed, reasoning itself is a form of practice, embedded in a form of life, although not identical with it Once we give up the desire for that kind of coherence – the false coherence, as we might be tempted to put it now – we are faced with the task of constructing a politics no longer derived either from philosophy or history or from the dictates of reason standing outside the practices and claiming to replace them The task is all the more daunting since among other things this politics will have to make reparation for the very interpretation of modernity whose own institutional logic is so pervasive and deeply embedded For the people of the left (to use a deliberately fuzzy expression) – the addressee of this essay – the task is, then, to rescue the project of communism and its promise of an egalitarian and democratic society from its forcible reoccupation by both modernity and varieties of nativism/nationalism This would mean not a deliberate pursuit of non coherence, but the eschewing of forms of coherence that do violence to and delegitimise practices that give us what reasons we have for reflection and action [1] We need to undertake therefore, the construction of coherences and idioms that will involve us in an exploration of the reflective possibilities of our practices which include, it is needless to add or repeat, the cultural and political practices of our modernity

Notes

[This essay took shape as a presentation to the Social Science Forum University of Hyderabad Subsequent versions have been given as talks at the Department of English University of Melbourne Department of Communication University of Illinois at Urbana Champagne and Centre for Studies in Social Sciences Calcutta I would like to thank Tapati Guha Thakurta M Madhava Prasad Partha Chatterjee Ashish Rajadhyaksha and Dipesh Chakrabarty for their comments Tejaswini Niranjana as always helped me to give the article coherence and closure]

1 Although this essay is self standing some of the claims I make about modernity here are given theoretical elaboration in my Our Time History Sovereignty and Politics *Economic and Political Weekly* Vol 30 No 6 February 11 1995 pp 317 24

2 I use the term in the sense given to it by Michel Foucault Problematisation does not mean the representation of a pre existing object nor the creation by discourse of an object which does not exist It is the whole set of discursive and non discursive practices which causes something to enter into the game of truth and falsity and constitutes it as an object for thought (whether this be in the form of moral reflection, scientific knowledge political analysis, etc) The Regard for Truth Interview between Michel Foucault and Francois Ewald , *Art and Text*, Vol 16 Summer 1984-85 p 25 Foucault saw his genealogy essentially as an attempt to investigate 'the condition in which human beings problematise' what they are, what they do and the world in which they live". *The Uses of Pleasure*, Vintage, New York, 1985, p 10

3 Cited in Paul Gilroy, *The Black Atlantic Modernity and Double Consciousness*, Verso, London, 1993, p 1 For a brief discussion of Glissant's work, see Vivek Dhareshwar, Toward a Narrative Epistemology of the Postcolonial Predicament', special issues on 'Travelling Theories, Travelling Theorists', James Clifford and Vivek Dhareshwar (eds), *Inscription*, Vol 5, 1989, pp 135-57, and Vivek Dhareshwar,

'The Predicament of Theory' in *Theory between the Disciplines: Authority, Vision, Politics*, Martin Kreiswirth and Mark A Cheetham (eds), University of Michigan Press, Ann Arbor, 1990, pp 231-50.

4 Kwame Anthony Appiah, 'Is the Post- in Postmodern the Post- in Postcolonial?', *Critical Inquiry*, Volume 17, Winter 1991, p 341 All further references to this article, abbreviated PP, will be included in the text A revised version of this article, entitled 'The Postcolonial and the Postmodern', appears in his *In My Father's House: Africa in the Philosophy of Culture*, London, 1992 I have preferred the earlier version mainly because of its sharpness which is somewhat compromised by the author's attempt to elucidate postmodernism with textbookish examples in the later version

5 U R Ananthamurthy, 'Suryana Kudure' in *Aavdu Entu Kathegalu*, Akshara Prakashana, Sagar 1984 I have used the translation by Manu Shetty and A K Ramanujan, 'A Horse for the Sun', *India International Centre Quarterly*, Volume 19, No 3, Monsoon 1992, pp 99 126 All further references to this work, abbreviated HS, will appear in the text 'Suryana Kudure', the Kannada word for grasshopper, literally means 'the sun's horse' As will be obvious, the translators have wisely opted for the literal rendering

6 Geeta Kapur, 'Contemporary Cultural Practice: Some Polemical Categories' *Social Scientist*, 202 Vol 18, No 3, March 1990, pp 49 59 (cited in the text henceforth as CP), 'Place of the Modern in Indian Cultural Practice', *Economic and Political Weekly*, December 7 1991, pp 2803-06 (cited as MIP) Although my analysis will largely focus on these two essays I shall, where appropriate, draw on her 'Articulating the Self into History Ritwik Ghatak's *Jukti takko ar gappo*' in *Questions of Third Cinema*, Jim Pines and Paul Willemen (eds), London, 1989, pp 179-94, 'Ravi Verma The Representational Dilemmas of a Nineteenth Century Indian Painter', *Journal of Arts and Ideas*, Vol 17-18, June 1989, pp 59-80, 'Further Narratives', *Journal of Arts and Ideas*, Vol 20-21, March 1991, pp 99-104, 'Cultural Creativity in the First Decade The Example of Satyajit Ray', *Journal of Arts and Ideas*, Vol 23-24, January 1993, pp 17-50; 'Body as Gesture Women Artists at Work', paper presented at the conference on Subalternity and Culture organised by Anveshi Research Centre for Women's Studies/Subaltern Studies, Hyderabad, January 1992; 'When was Modernism in Indian/Third World Art?', *South Atlantic Quarterly*, Vol 92, No 3, Summer 1993, pp 473 514

7 Given the nature of the texts I deal with, it may be useful to clarify at the outset that I am not concerned, except marginally, with the politics of the aesthetic I will not be, in other words, dealing with issues such as the politics of literary modernism or the politics of avant-garde art practices. [I have in mind works such as Raymond Williams, *The Politics of Modernism*, (Verso, London, 1989); Peter Burger, *Theory of the Avant-Garde* (University of Minnesota Press, Minneapolis, 1984) and *The Decline of Modernism* (Pennsylvania State University, University Park, Penn, 1992).] Such works are urgently needed in India Geeta Kapur's own work has been important in opening up this field for theoretical examination. For a historical reconstruction of the transaction between nationalist politics and the aesthetics of the Bengal school, see Tapati Guha-Thakurta, *The Making of a New 'Indian Art'. Artists, Aesthetics and Nationalism in Bengal, 1850-1920* (Cambridge University Press, New Delhi, 1992) For an attempt to characterise literary modernism in Kannada, see Tejaswini Niranjana, 'Whose Culture is it? Contesting the Modern' in *Journal of Arts and Ideas*, Vol 25-26, December 1993 My interest here, on the contrary, is exclusively on the political as it figures in the texts I examine

8 As Jacques Derrida puts it in his discussion of the question of the subject, "Moreover, one could put the subject in its subjectivity on stage, *submit* it to the stage as the *idiot* (the innocent, the proper, the virgin, the originary, the native the naive, the great beginning just as great, as erect, and as autonomous as *submissive*, etc)" ' "Eating Well", or the Calculation of the Subject An Interview with Jacques Derrida' in *Who Comes after the Subject?*, Eduardo Cadava and others (eds), Routledge, New York, 1991, p 99

9 Etienne Balibar and Immanuel Wallerstein *Race, Nation, Class Ambiguous Identities*, Verso, London, 1991, p 4

10 I am here merely drawing out the consequences of Geeta Kapur's own assertion about the complicity between the state and modernism in India in her 'Cultural Creativity in the First Decade the Example of Satyajit Ray', p 18 My remarks in the text raise two large questions that I will deal with elsewhere the relationship between modernity and the state, especially in the colonial/post colonial context, and the availability and cogency of 'passive revolution' as a category of explanation

11 Let us note here the exemplary figuring of the contemporary for Geeta Kapur in Ritwik Ghatak ('Articulating the Self into History', p 190) "how to construct a figure that is truly in the process of becoming, in the process of making choices while baiting death, how to figure the archetypal into the contemporary so that it burns with the mortality of the historical subject" " this [figuring the movement of the saint-poets] provides him with a way both to *humble his overriding subjectivity and to give it the power of the collective* For we know that the saint-poets even as wanderers were embedded in the true collective of peasant and artisanal communities and that they rose beyond it, into vanguard positions of reformist and revolutionaries within the larger, hierarchically structured society"

12 This position is very sharply outlined in her, 'When was Modernism in Indian/Third World Art?' where she says: "In India it looks as if there is a modernism that almost never was, neither in terms of the secular nor in terms of the avant-garde sublime. Where, then, shall we seek our position except in a lived historical experience of an imploding sense of sovereignty?" (p 523).

13 I borrow the concept of 're-occupation' from Hans Blumenberg, *The Legitimacy of the Modern Age* (MIT Press, Cambridge, Massachusetts, 1983) In this magisterial, if ultimately unsuccessful, work, Blumenberg tries to argue that the distinctiveness of modernity, its legitimation claim, in other words, comes into question only because its structure of propositions is reoccupied by problematics that belong to Christianity and which it has no business trying to answer For a philosophically probing discussion of this work, see Robert B Pippin, 'Blumenberg and the Modernity Problem', *Review of Metaphysics*, Vol 40, March 1987, pp 535-57

14 Appiah manages to capture something important in his phrase "modernist characterisation of modernity", even though his interpretation of it remains narrow in that it fails to capture the significance of *political* modernity And because he does not take into account the latter, his interpretation and assessment of postcoloniality ends up simplifying the whole problematic. On the significance of political modernity, see my ' "Our Time" History, Sovereignty and Politics' However, it is possible to show that influential accounts of postmodernity, such as the one by Fredric Jameson [*Postmodernism, or, The Cultural Logic of Late Capitalism*, Verso, London, 1991] or by Jurgen Habermas [*The Philosophical Discourse of Modernity*, Polity, Cambridge, 1985] remain caught in the modernist understanding of modernity Jameson, because he basically sees postmodernism as resulting from the extension of real subsumption (though he does not use this particular Marxian concept) to spheres hitherto excluded, namely, culture, Habermas, because he still thinks of modernity as an incomplete project, that, despite postmodern aberrations, is still worth pursuing For a historically and theoretically more nuanced account that does call into question the modernist understanding of modernity while vindicating modernity itself, see Alain Touraine, *Critique of Modernity*, Blackwell, Oxford, 1995

15 Actually, what he terms postcolonial should really be post-postcolonial, since post-coloniality was an attempt to go beyond colonial modernity by combining nationalism and modernity

16 Albert O Hirschman, *Exit, Voice and Loyalty: Responses to Decline in Firms, Organisations and States* (Harvard University Press, Cambridge, Massachusetts, 1970); also see his recent 'Exit and Voice An Expanding Sphere of Influence' in *Rival Views of the Market Society and Other Recent Essays*, (Harvard University Press, Cambridge, Massachusetts, 1992)

17 I do not have the space here to complicate these remarks We need to investigate the ways in which the enunciative modality of the national-secular is structured in the discursive field of the Indian modern. Not everyone's discourse is authoritatively

national/secular; not everyone can speak for the nation. In the scenarios we have examined, Ananthamurthy's discourse does not attain the status of speaking for the nation he would be seen and he would see himself as working out a regional dialectic. In fact one could argue that whatever his differences may be with Geeta Kapur he would at some level subscribe to her conception of the traditional and the national modern.

But, and this would mark the moment of postmodernity in India now there is a global circuit which turns the geographically regional into the floating neo ethnic the folklorised native into postmodern neo authentic. In his recent story Akkayya (*Udayavani* Deepavali Special Issue 1994 pp 73-83) Ananthamurthy seeks to reflect in a mode that alternates between the ironic and the parodic on the postmodern appropriation of as well as motivation for the nonmodern. The story is structurally and thematically related to Suryani Kudure.

In this again autobiographically structured story we witnessed the author meeting another of his classmates Srinivas is a reputed academic in a university in Philadelphia he is now an active participant in the highly fashionable critique of modernity discourse. He has evolved from progressive Marxism to postmodernism via liberalism and modernism. But at the centre of his consciousness is his elder sister Akkayya now dead. She was a victim of child marriage abused and thrown out by her husband she had returned to her widowed father. After his death she had brought up her brother looked after the house. But her being/activity like that of Venkata embodied a philosophy a distinctive understanding. Akkayya and her world is if you like Srinivas' *smithome* the Lacanian term for the phantasy core that holds together a subjectivity. In fact whatever philosophical position he has taken up in his successful career has been either because he wanted to get away from that world or indeed because he got away from that world. The only thing he would be against is the neo colonialist attempt to denounce her world as a lie. Does the postmodern saleability of Srinivas' critique of modernity compromise the authenticity of his concern? That is the question the story is set up to answer. Since an analysis of this story cannot be undertaken here I merely note that the subject positions of Ananthamurthy/Venkata/Srinivas/Akkayya can be orchestrated within the first and third scenarios I have sketched.

18 As Claude Lefort argues: The political is thus revealed not in what we call political activity but in the double movement whereby the mode of institution of society appears and is obscured. It appears in the sense that the process whereby society is ordered and unified across its division becomes visible. It is obscured in the locus of politics (the locus in which parties compete and in which a general agency of power takes shape and is reproduced) which becomes defined as particular while the principle which generates the overall configuration is concealed" *Democracy and Political Theory* (Minneapolis University Press Minneapolis, 1988), p 11.

In order to refocus the question of the political the left would have to initiate a critique of the modes of instituting the modern society (which we have also been calling the social imaginary) in such a way that the principle itself is called into question. The task seems more plausible and necessary precisely because of the disintegration of modernity as a social imaginary. Let us remember that Marxism is indeed a critique of modernity and that there is nothing paradoxical in demanding that the Marxian concept of an immanent critique be extended to Reason itself. I develop this argument in my "Valorising the Present: Political Languages and the Left" (ms).

19 I am referring of course to Dipesh Chakrabarty's "Postcoloniality and the Artifice of History" *Representations* Vol 37 Winter 1992 pp 1-26.

20 Appiah never makes clear what he means by "non essentialist humanism or universalism". By the same token and with as much or as little justification one could argue for a "non essentialist nationalism". It is in any case a mistake to think that humanism or universalism is incompatible with nationalism. See Jacques Derrida "Onto-Theology of National Humanisms (Prolegomena to a Hypothesis)" *Oxford Literary Review* Vol 14 1992 pp 3-23.

21 S I Hurley has formulated this Wittgensteinian insight particularly well: "The existence of certain shared practices any of which might not have existed is all that our having determinate reasons to say or do anything rests on. Still it is compatible with their existence that other different forms of life also exist." *Natural Reasons: Person and Polity* (Oxford University Press New York 1989) p 37. Also see her discussion of theorising itself as a practice on pp 200-02. In a different but not unrelated, context, Anthony Appiah makes some philosophically subtle suggestions regarding how one might develop the idea of "noncoherence of practices". I am insisting that there is much to be said for the noncoherence of our different practices for the existence of theories that empower and illuminate certain projects in ways that simply say so what to the fact that they contradict other theories that belong to other projects. Once motivated this noncoherence can be seen as both necessary and desirable. Anthony Appiah "Tolerable Falsehoods: Agency and the Interests of Theory" in *Consequences of Theory* Jonathan Arac and Barbara Johnson (eds) (Johns Hopkins University Press Baltimore 1991) p 83. The remarks that I have offered are not to be taken as conclusions they are meant rather to indicate what seems to me to be a fruitful direction in which a theory of the Indian modern can be pursued as a problematisation of our modernity. There are I think clear affinities between what I say here and what I see as the approach underlying Partha Chatterjee's proposal for a critique of modernity in his *The Nation and Its Fragments: Colonial and Postcolonial Histories* (Princeton University Press Princeton 1993). However the idea of the fragmentary recommended by Chatterjee following Gyanendra Pandey remains too metaphoric its metaphorical charge even obscuring its conceptual reach. Furthermore Chatterjee seems to think the fragmentary needs no justification. That raises many complex questions which I shall take up elsewhere. In invoking the rhetoric of the fragment we should as Maurice Blanchot advises us heed Derrida's warning. "There is reason to fear that like ellipsis the fragment makes mastery over all that goes unsaid possible arranging in advance for all the continuities and supplements to come." Cited in Maurice Blanchot *The Writing of Disaster* (University of Nebraska Press Lincoln 1986) p 134.

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The NEP: The Dangers Ahead

Ramaswamy R Iyer

This article brings together in a broad synoptic overview a diversity of concerns relating to the NEP These include the danger of a deepening of the dualism that already exists in India, the possibility of the erosion of some of the strengths and capabilities built up during the last four decades, the need for wariness in dealing with MNCs, and the importance of safeguarding national interests in the face of the inequities of the global market and the pressures of the global political configuration The article argues against a feeling of helplessness and in favour of a constant endeavour to enlarge the space for independent decision-making

I

WHAT the New Economic Policy (NEP) is expected to bring about over a period of time may be summed up as follows a significant increase in the rate of economic growth a substantial expansion of exports large inflows of foreign investment and so on leading to an era of unprecedented prosperity In this article that proposition will be taken as given without further discussion it will also be taken for granted that the NEP will not be reversed to any significant extent and that the only course open to us is to make a success of it applying such corrective steps along the way as may become necessary It will be further assumed that certain common criticisms, such as those relating to the fiscal and revenue deficits the continuing problem of inflation, and the inadequacies of the infrastructure, will be duly attended to by the government What this article proposes to do is to outline briefly and in general terms certain dangers which are now incipient but which may become manifest as the NEP proceeds further Some of the points made here may have been made before by others in different contexts but this article seeks to bring a diversity of concerns together in a broad, synoptic view

A preliminary point needs to be made at this stage The tendency to use the words 'liberalisation' and 'deregulation' as interchangeable is dangerous Liberalisation is intended to mean the transition to a more open, market-driven economy With such a transition there will be need for more regulation, not less The regulation will of course have to be purposeful, efficient, constructive and non-dilatory Regulatory bodies will necessarily have their bureaucracies A distaste for bureaucracy in the pejorative sense of that word should not lead to a hostility to regulatory bodies under the mistaken notion that they are somehow inconsistent with the spirit of liberalisation they are in fact the *sine qua non* of liberalisation The point need not be laboured, as even the World Bank stresses the need for regulation the progress of privatisation in Britain was accompanied by the establishment of sectoral regulatory bodies and in the citadel of capitalism the US are to be found some formidable regulatory agencies such as the Securities and Exchanges Commission and the Federal Drugs Administration It is obvious that without regulation the profit motive and the entrepreneurial spirit – animal spirits as they are sometimes inelegantly and imprecisely referred to – may produce many more scandals like the infamous securities scam It is therefore a matter for some surprise that the distinguished former governor of the Reserve Bank of India should have seen fit in a recent article (*The Economic Times* June 1 1995) to deprecate talk of regulation and raise the bogey of bureaucracy The danger surely lies not in an overstressing of the need for regulatory bodies but in a disingenuous acknowledgement of that need (as a point that needs to be conceded in order to make the NEP acceptable) without any serious intention of providing for effective regulation and indeed with every intention of impeding the functioning of such regulatory bodies as are established (as happened initially with SEBI) Having got that point out of the way, this article can now proceed to its main theme

II

The first and most evident source of misgiving is the fact that while India may possibly become more prosperous under the NEP, it does not follow that it will become a more just and humane society, or that there will be a dramatic reduction of poverty The danger here is that the divide between the upper classes and the poor will widen further, sharpening the dualism that already exists in India The 'trickle down' effect, (assuming that it works) may take a long time Meanwhile as the lifestyles of the middle and upper middle classes change dramatically and begin to resemble the lifestyles in the affluent west or their images as seen on the ubiquitous TV, the drab lives of the poor will seem even drabber and harsher their poverty and deprivation will be accentuated by contrast Unless the policy-makers heed the needs of the vast masses of this country (around 700 million) and not merely those of the rich and the middle classes (estimated variously at 150 to 300 million), social unrest could take potentially dangerous forms While measures such as basic needs programmes, public distribution systems some forms of social security employment generation schemes and so on may mitigate hardship and improve the lot of the poor, the dualism in the country may still remain sharp One wonders whether anything can be done regarding this without invoking ideas which may run counter to the new philosophy

III

The second danger to take note of is the possibility of the gradual loss of strengths, capabilities and skills built up assiduously over four decades Whatever the errors and deficiencies of the old policies, it cannot be denied that they did result in the creation of a strong, highly diversified industrial base. A concomitant to this was the emergence of a fine skilled workforce and a strong body of industrial technological and managerial manpower These are the strengths of the Indian economy as it embarks on the new paths charted by the NEP these are among the features which interest the potential foreign investors and these are what enable us now to talk about collaborations and joint ventures With the dismantling of import, exchange and investment controls, and with the progressive reduction of customs duties, Indian industry will face severe competition Competition is one of the cardinal principles of the new philosophy it is expected to put pressure on the Indian industry for bringing about improvements in quality and cost-reductions and thus benefit the consumer. In principle that may be desirable, but we cannot ignore the fact that (apart from the time needed for adjustment and the stresses involved) the competition may in many cases be unequal and non survival may not necessarily warrant the conclusion of inefficiency Can Indian industry, however efficient take on giant MNCs with their command over astronomical resources, their vast R and D establishments their tremendous marketing strength and their global reach? Apprehensions on the part of Indian industrialists on these grounds are usually dismissed derisively as a hankering after the sheltered conditions of the past and perhaps there is a measure of truth in that criticism, but there is real problem here Unfortunately, there seems to be little concern among the policy makers and their academic supporters for the retention of the achieved strengths and capabilities

The question is not merely one of import liberalisation and its impact on Indian industry changes in internal industrial policies will also create some problems.

Earlier policies of reservations, soft loans, tax concessions, and so on, have contributed to a remarkable growth in the small scale sector There have been some related problems which we need not go into here The point is that small-scale enterprises are today important actors on the Indian economic scene, employ large numbers of people and contribute significantly to India's exports As the old industrial policies change, and some of the special measures favouring the small-scale sector disappear, small-scale entereprises will come under stress Some commentators fear that the competition from the Indian large scale sector and from imports may result in the decimation of the small-scale sector, such fears may be exaggerated, but there is hardly any doubt that the small-scale sector will face severe difficulties under the NEP While th old protective regime cannot be maintained indefinitely small-scale industries may need some assistance in making the transition to the new situation Similarly, dairy development (which has made remarkable strides in this country) has been deliberately brought about (largely) under a co-operative form of organisation Delicensing and the advent of the organised industry into this area may present severe challenges to the co operatives Another matter of special concern is the peculiar situation in which public enterprises as a class find themselves under the NEP and the indifference of the government to their problems, but that is too large an issue to be discussed here

The point that is sought to be made is that the strengths and capabilities already built up, whether in the organised industry (public and private), or in the small scale sector or in the co operative field, are in some danger of erosion and decay under the new dispensation, and that some care needs to be taken to avert that danger What is being advocated is not a return to old style policies but the kind of supportive relationship between the government and indigenous industry that has prevailed in Japan South Korea etc It is by now generally accepted that the 'East Asian Tigers' achieved their successes not through a blind faith in market forces but through a purposeful kind of state intervention

In passing it may also be mentioned that 'liberalisation freedom from red tape' 'the loosening of the bureaucratic stranglehold', etc, which are claimed as the great virtues of the NEP, are essentially meant for the organised (private sector) industry the NEP takes hardly any notice of those outside that charmed circle

IV

Another area of concern arises from the advocacy of agricultural exports The argument is that Indian agriculture has suffered because of low prices and movement restrictions and that the Indian farmer should be allowed to realise the benefit of the best international prices But what will happen to our food security under those circumstances? It may be argued that India can simultaneously export some agricultural products and import others We can of course export some superior varieties of rice (basmati) and import medium varieties, but this can only be a limited proposition Considering the projected magnitude of our future food needs, self-sufficiency in foodgrains makes some sense for India, we have to be careful about allowing exports of foodgrains freely and hoping to meet shortages through imports The export of vegetables, fruits and the products of agro-based industries is certainly a good idea but even here the needs of the domestic market cannot be totally ignored In the last year or two, a substantial part of Indian coffee production has been exported to fill the gap created by the failure of the Brazilian crop As a result there has been a shortage in the domestic market and coffee prices are very high the price today is about four times the price which was prevailing two years ago This is causing serious difficulty because in south India everybody (not merely the rich) drinks coffee it is regarded as a necessity of daily life It is hardly possible to tell them that coffee is not a necessity and that they could drink tea instead What has happened in the case of coffee can happen in the case of some other agricultural commodities as well, if agricultural exports were freely allowed At the same time, it may go against the grain of the new economic philosophy to impose any restrictions on exports There is no easy answer to this conundrum Suitable policy responses will have to be found to situations as they arise

There is also the question whether the free operation of market forces and the higher profitability of certain non-foodgrain crops (if that be the case) may lead to a diversion of acreage from foodgrains to those crops, whether this should be accepted as inevitable and natural, or whether such an eventuality can and should be obviated through appropriate policy measures, and if so what those policy measures may be Those questions will lead us into a full scale discussion of agricultural policy as a whole, which cannot be attempted here It needs to be said, however that in general the supporters of the NLP who advocate the extension of the market forces philosophy to agriculture do not appear to have thought through the complexities involved

The 'opening up' process renders India increasingly vulnerable to external financial turbulence In the past, the Indian capital market was relatively isolated If stock markets crashed in Japan or the US, there was no immediate impact on the Indian capital market That position has changed The Indian capital market will in future feel the effects of developments elsewhere Similarly the problem of 'hot money' flows was of no concern to India earlier, but today India is as vulnerable as any other country and this vulnerability will increase when the rupee becomes convertible on capital account in due course Further while we may take satisfaction in the increased inflows of foreign investment funds into India, foreign direct investment (FDI) is only a small part of this, a significant part of the inflows is in the form of portfolio investment, which is not real investment but merely the inflow of finance capital However, these are familiar points which do not need to be laboured The ministry of finance and the Reserve Bank of India may be presumed to be well aware of these matters

A more important question is one of control With the removal of the old restrictions on the extent of non-Indian equity in Indian companies, foreign principals have been increasing their holdings in many cases The control which had earlier been wrested with some difficulty from MNCs may now pass back into their hands Companies which are wholly Indian may also get foreign shareholders either through portfolio investment by FIIs or through equity subscription by the foreign collaborators Indian companies finding it difficult to compete with large and powerful foreign business houses may seek foreign collaboration arrangements including equity investments, on the principle of 'if you can't beat them join them' Over a period of time many Indian companies may become subsidiaries or even divisions of foreign companies or MNCs

MNCs are also being welcomed with open arms into crucial and sensitive infrastructural areas such as power generation hydrocarbon exploration and refining and so on Promising oil fields discovered by ONGC are being handed over to foreign companies for development and exploitation that is to say for making money without taking any risks Private including foreign investment in the power sector is being invited on terms and conditions which seem adverse to India's interests Even the World Bank has questioned the kind of tariffs, guarantees and counter-guarantees that India has been offering in order to attract foreign investment in power generation Apart from this, it is ironic that the 'commanding heights' of the economy which were once supposed to be occupied by the public sector and from which even the Indian private sector was excluded, are now being energetically and enthusiastically handed over to MNCs!

There are other issues relating to MNCs which can only be mentioned in passing here for instance, the questions which the entry of MNCs into the areas of agriculture and agro-processing gives rise to, the questionable social value of their entry into industries such as soft drinks, breakfast foods, potato chips etc, and the large outgo of profits which may arise from this, the lavish remuneration packages that MNCs offer to their employees, the enormous sums they are prepared to pay in urban areas for office and residential accommodation, and the impact these may have on salary levels, real estate values and rentals, and so on

Past Indian fears in regard to MNCs might have been exaggerated and might have resulted in control measures which stultified

cannot be dismissed as entirely imaginary. It was not merely India that feared MNCs a concern about MNCs was fairly widespread not very long ago, and there was even a move under UN auspices to formulate a code of conduct for MNCs One does not hear much about this any more but that concern has not ceased to be relevant Some wariness in this regard will not be out of place

Unfortunately, instead of wariness there is some danger of collusion The new beliefs in the inherent efficiency of the private sector the importance of FDI the imperative of globalisation and the desirability of inducting private capital (domestic and foreign) into the infrastructural areas provide wonderful opportunities for large-scale corruption, individual and political One of the criticisms of the old system was that controls tended to breed corruption but the new policies seem to offer scope for corruption on a scale unheard of before It may be argued that corruption is a separate phenomenon and not a concomitant of the NEP but it would not be unfair to say that the NEP increases the opportunities and the temptations

VI

Lastly attention needs to be drawn to a particularly insidious danger A naive belief in market forces and the virtues of international trade and the spell cast by the idea of globalisation should not hypnotise us into imaging that the global market place is characterised by equity or fair play or any special consideration for the needs and aspirations of the poorer countries The Brandt Commission the idea of a New International Economic Order the Cancun Conference the South Commission and so on have now become ancient history There has been a decisive reassertion of western and in particular American dominance over the World Bank and the IMF, and even in United Nations the third world countries have lost whatever little influence they had acquired the UN is in danger of becoming a body which ratifies and legitimises American decisions taken in America's interests (That at any rate seems to be the objective of the US) The functioning of the new World Trade Organisation is not likely to be very different Moreover, the US proposes to retain its own powers of unilateral action under its national laws such as the Super 301

India will be under constant and relentless pressure to open up its economy more and more, conform to American expectations on Intellectual Property Rights and so on at the same time India's access to the American and European markets will face all kinds of difficulties arising from matters unrelated to trade Legitimate concerns such as environmental protection human rights, labour standards, the protection of children from exploitation health and safety norms, and so on, may be misused as protectionist measures The political and security objectives of the US in regard to matters such as the nuclear non-proliferation treaty (NPT) ...ology Control Regime (MTCR) may also be pursued through pressures on the trade front Thus, the potential that the NEP may hold for bringing about an expansion of India's exports and an increase in prosperity is conditional on India's 'good behaviour' in the eyes of the US, Europe and Japan over a wide range of issues If India displeases them on any of these matters doors may be closed to India's exports and investment flows into India may dry up On the other hand, if India conforms fully to the expectations of the US and gains increased access to the American market and increased flows of American investment into India, that too is not without its dangers Indian economic activity will become crucially linked to the US, and the importance of the US connection and fears of jeopardising it may reduce India's capacity for independent action still further (To some extent that inhibiting factor is already in operation)

We must not forget that following the end of the Cold War and the emergence of the US as the world's single superpower, it is that country's declared policy to maintain American supremacy and to ensure that American economic and security interests in any part of the world are not threatened by the emergence of relatively strong regional powers 'Strong in this context refers not merely to military strength but also to economic strength Any country which becomes industrially and technologically strong has the potential of developing military strength it follows that control must be exercised not only over weapons capabilities but also over the growth of the industrial and technological base that provides the underpinning for such capabilities Serious impediments will therefore be placed in the way of technology development in India through stringent controls over technology transfers and over the exports of a wide range of equipment and materials to India, invoking the dubious concept of 'dual use'

Pressures of the kind mentioned would have been exerted on India anway, regardless of whether India had embarked on the NEP or not they have not arisen *because* of the NEP But the NEP with its stress on FDI and on globalisation and the abandonment of the old notions of self reliance as being autarkic , increases India's vulnerability to external pressure India will no doubt have to learn to live in an increasingly difficult world and safeguard her own interests to the best of her ability The short point is that a concern for national interests has not been rendered irrelevant by the idea of globalisation To echo Cromwell's famous remark "Put your trust in God in this case, the market forces philosophy' and keep your powder dry"

VII

To cautions and criticisms of the kind outlined in this article, there are certain standard responses The first is to ascribe them to an antipathy to the NEP That is not necessarily true Even some supporters of the NEP can and do share some of the concerns set forth in this article. The proper course is to look at the validity of the concerns and not at the putative attitudes behind them. The second response is to say that the fears are greatly exaggerated and that even if problems of the kind anticipated do arise they can be easily dealt with Possibly; but before we deal with them we must first fully understand and appreciate the incipient dangers This article is intended as a contribution towards that end

The third response, often accompanied by impatience, is that there is no alternative to the NEP and all that it entails This may be elaborated as follows What choice do we have? Can we opt out of the WTO? If we want infrastructural development and are short of capital, can we afford to drive a hard bargain with MNCs? May they not lose interest in India and go elsewhere? Can we afford to take on the world's single superpower? Should we jeopardise our exports to the US the flow of US investments into India and (given the influence of that country) even the flow of funds from or under the aegis of the World Bank/IDA/IMF? If we antagonise the US, is it not possible that we may even face the prospect of UN sanctions?"

To many that series of rhetorical questions will seem quite persuasive The temptation to succumb to the dictates of the powerful, accept subordinate position, abandon visions of industrial and technological strengths as being ideas above our station, receive the accolade of western approval, and reap the reward in the form of prosperity, will be very strong The pressure in favour of such a choice from those sections of our elites (bureaucratic economic industrial, intellectual) who cherish their sense of belonging to the corresponding international elites will be insidious

However one hopes that there are others in the country to whom such a feeling of utter helplessness such abject surrender, would not appear either acceptable or inescapable. Within the constraints and limitations of the present world situation, it should still be possible for us to try and safeguard national interest and honour, provided we are vigilant and make use of every opportunity of enlarging the space for independent policy formulation and decision making At any rate we have to keep trying to stretch the limits and not give in tamely through a mistaken sense of realism and occasionally we must be prepared to accept some disagreeable consequences Such an effort will not be easy but it needs to be made It is in the hope that such a point of view, if explicitly stated in simple terms, will find some response (not merely among the diminishing numbers of people who are opposed to the NEP but also among the supporters of the new philosophy) that this article has been written

[I am grateful to Chetan Vaidya for some useful comments on a draft of this article Needless to say he bears no responsibility for what has been written here]

REVIEW ARTICLE

A Marxian Social History beyond the Foucaultian Turn

Sumit Sarkar

The London Hanged: Crime and Civil Society in the Eighteenth Century by Peter Linebaugh Penguin, London, 1991, 1993

A STUDY of crime and capital punishment in 18th century London might seem to be of interest only for a very specialised readership Its appeal even within this limited circle may be in danger of diminishing further after the charges of factual inaccuracy made by Sir Keith Thomas Regius Professor of History at Oxford [1] Such constrictions of readership however would be extremely unfortunate, for *The London Hanged* happens to be a book of quite exceptional importance for historiography intellectual life in general and indeed contemporary politics The alleged errors concern matters of detail that must be left for evaluation to specialists of 18th century history though Linebaugh has come forward with what appears a convincing reply I feel, however that the importance of the basic arguments and hypotheses he has formulated would be little diminished even if some of the charges of inaccuracy be found valid Professional historians have found some factual errors and inadequacies in Foucault s studies of madness and incarceration without this seriously undermining the profound impact of *Madness and Civilisation* and *Discipline and Punish* (A comparison, or more precisely counter point, I intend to argue, that is particularly relevant because Foucault is the implicit interlocutor of much of *The London Hanged*)

Linebaugh had been a student of Edward Thompson at the Warwick Centre for the Study of Social History and some will remember him as a co author with Thompson of Albion s *Fatal Tree Crime and Society in Eighteenth Century England* (1975) That had been a significant landmark in the development of Thompsonian' social history, its point of entry together with Thompson s own *Whigs and Hunters* published the same year into an 18th century England so long construed in terms of unruffled paternalistic gentry rule or factional squabbles among the elite The British Marxian historiography of Hill Hobsbawm Hilton, and Thompson possibly the best and the most influential academic historical work produced by Marxists anywhere – had then been at the height of its prestige, providing inputs into the 'histories from below' that were coming into vogue in many parts of the world (It was an important impulse, for instance behind the formation of the Subaltern Studies project, even though the latter has acquired a very different dominant trajectory today) But intellectual moods are now qualitatively different so much so that the *Economic History Review* feels obliged to locate Thompson s *Customs in Common* (1991) as 'part of a romantic, empathetic historiographical tradition which is no longer useful" having become outmoded in the eyes of current students [in] the ideological and research climate of the Thatcher years "[4] It is symptomatic therefore that some of the hostile comments evoked by Linebaugh s book in reviews very different from Keith Thomas scholarly critique uses a cold war language that is triumphalist (Marxism surely being at last dead and gone safely buried with the Soviet Union) and yet curiously nervous in the very violence of its abuse Thus one reviewer is irritated by 'the introductory references to Marx and Malcolm X' and dismisses *The London Hanged* as 'relentlessly tendentious essentially an unsuccessful effort to reassert the discredited assumptions of an outmoded historiographical tradition "[5] Another a historian who is also a Tory politician, is angry because though Lenin's tomb may be under threat the historical certainties of Marxism lie undisturbed "[6]

The anger is understandable, for Linebaugh remains an unrepentant Marxist What is much more important he is an exceptionally creative one who has triumphantly vindicated the best kind of Marxian social history of the 1970s precisely by going beyond it appropriating themes and spaces which it had tended to neglect

The changes in historiographical moods have often had an appearance of naturalness, of an inevitable coming to terms with new circumstances and pressures The hopes of radical transformation through popular initiative once aroused by happenings like Vietnam May 1968 the Prague Spring or US anti war and civil rights movements had ebbed away by the late 1970s and early 1980s Interest and empathy for rebellions and transformations from below' now appeared excessively romantic and attention shifted towards studies of power structures and assumptions of inexorable all pervasive cultural hegemony a mood expressed most profoundly by Foucault Thus as Linebaugh points out in his introduction, the study of crime within a broader framework of social history that had started with Hobsbawm s social bandits' and Rude s crowd' was interrupted and reversed soon after *Albion s Fatal Tree* It was displaced by 'a conservative orientation that considered methods of preventing crimes rather than the circumstances giving rise to them that accepted the inexorability of the legal juggernaut that fascinated itself with state power and that doubted the existence of classes Resistance tended to be relegated to the domain of the purely fragmentary and episodic to carnivalesque moments of inversion and licence Crowd responses to the Tyburn public hangings in London for instance were interpreted as mere raucous spectacle a carnival that ultimately reinscribed a deeper community (pp xvii xix) In a parallel move, the necessary rejection of economic reductionism that Thompson had inaugurated was transformed into a holy fear of matters economic' and avoidance of questions of production and production relations Foucault's masterly studies of modern institutions of disciplinary power – asylums, clinics the army, schools, prisons – mentioned factories only in passing, and remained significantly silent about business firms and multinational corporations

Western', and eventually all Marxism simultaneously came under attack for its alleged Euro centrism' – a charge that could appear to be particularly damaging for a social history, the foundation-text of which

of the 'English' working class, written moreover by a historian who subsequently spoke with some pride in a famous polemic about the 'peculiarities' of the English Hobsbawm apart, the great masters of British Marxist historiography have admittedly written little on empire Such inadequacies came to be felt more deeply in the new era of vastly intensified globalisation resurgent neo-colonialism and racism and the rise to unprecedented prominence of expatriate third world intellectuals located or seeking location in, western universities There was, it needs to be emphasised a real absence here, which helps to explain what can be summed up in shorthand terms as the shift from Thompson, not just to Faucault but even more sometimes to Edward Said But the critique of colonial discourse' tends to be marred by displacements of its own, for which the old bogeys of crude Marxism and economic reductionism once again serve as justifications It has so far added little or nothing towards the understanding of the realities of contemporary transnational capitalism preferring to recite endlessly the grand narratives of 19th century western cultural domination through Macaulay and English education which at least in the Indian context should have become by now tediously familiar The old predominantly Marxist critique of imperialism has been replaced by a focus on race and culture, firmly abstracted from class and production It is tempting to suggest some broad correlations here with the lived experiences of migrant non resident intellectuals for whom racial discrimination and questions of ethnic identity tend to have greater immediacy than class[7]

The post modernistic moods that underlie Foucault, Said and a host of influential contemporary thinkers have often gone along with a subjectively radical orientation It is becoming increasingly clear, however that a narrow 'culturalism' which in effect detaches the critique of Enlightenment rationality and colonial discourse from the structures of capitalism and imperialism is 'inherently incapable' of resisting the current global advance of 'free'-market neo-liberalism, an ideology, incidentally, that can claim quite impeccable descent from the Enlightenment, but somehow manages to escape detailed critique in the anti-rationalism campaign[8] Empathy for the 'moral economy' of peasants and artisans, and projects that try to rescue the wretched and the defeated of past generations from "the enormous condescension of posterity", in Thompson's once oft-cited phrase, are likely to receive short shrift amidst today's hosannas for rampant consumerism and unrestricted *laissez-faire*

The London Hanged deliberately seeks to go against this tide of current orthodoxy it "gives us exceptional insights, pitiless and without moralising, into the conditions of labouring life among those whom the consumer society consumed"[9] Its principal data-base consists of the biographies of 1,242 men and women hanged at Tyburn, London, between 1703 and 1772 compiled and published by the jail official known as the Ordinary of Newgate, and cross-checked by Linebaugh against other judicial, parish and apprenticeship records The aim, as defined by the author in the 'Introduction', is to pursue the suggestion made in Thompson's *Making of the English Working Class* (1963) to follow the early history of labour 'into the annals of crime", investigating how in 18th century London the 'class war may have been fought out in terms of Tyburn the hulks and the Bridewells on the one hand, and crime riot and mob action on the other' (quoted in Linebaugh, p xvii) This then is not any narrowly-bounded social history of crime, but, as Linebaugh explains in his reply to Keith Thomas a 'book – about class Against the light of accumulated property is the dark figure of crime I write about the development of a relationship the class struggle and the wage"[10] The same point is made with true epigrammatical brilliance in the opening paragraph of *The London Hanged* where Linebaugh draws our attention to the obvious but seldom-noticed double meaning of capital' signifying both crimes punishable by death and the accumulation of wealth founded on the produce of previous (or dead) labour – this book explores the relationship between the organised death of living labour (capital punishment) and the oppression of the living by dead labour (the punishment of capital) (p xv)

Such remarkale widening of horizons becomes sustainable only if the sharp disjunction – of Victorian middle-class provenance but one that infiltrated Marxist language through the term lumpen-proletariat and lingers on at times even in some of Rude's work – between a 'criminal' subculture and the 'respectable' poor is abandoned as unhelpful for 18th century contexts[11] Statistical analysis of *The London Hanged* by occupation and parish origin alike, reveal little marked distinction from the overall profile of the London labouring poor,[12] and a similar conclusion emerges from the multitude of biographies extracted by Linebaugh from 237 issues of the Newgate *Ordinary's Account*. Relevant here – and crucial, we shall see, to the principal thrust of Linebaugh's argument – are the processes of criminalisation and vast extensions of capital crimes so central to English history during the century after the Restoration The bulk of the capital statutes, significantly, were oriented towards the defence of private property and a single legislation the Waltham Black Act of 1723 analysed in Thompson's *Whigs and Hunters*, created in theory 200 new offences that could be punished by death Of the 32 adjudged guilty at the Old Bailey session of January 1715, 29 had been charged with crimes against property mostly of objects of small value, rather than money – and in the early 18th century you could be whipped for stealing goods worth less than a shilling, burnt in hand for values between a shilling and five shillings and transported or hanged for higher valuations What was being criminalised, Linebaugh argues, is an enormous range of customary perquisites and appropriations of producers, at a time about which in the words of a historian not known for any particular radicalism 'historians have not been able to explain how the poor lived [13]

The London Hanged however, does seek to give a merely humanitarian account of the sufferings of the poor or the excesses of an oppressive legal system and its biographical sketches of the Tyburn han are presented in a deliberately unsentimental, often dead pan style Linebaugh is interested first in what he calls 'excarceration' resistance through seeking to run away escape justice the heartfelt longing for freedom the detestation of confinement, silent observation of gates locks and walls (p 12) which he finds to have been a experience common to those incarcerated in workhouses, manufactories and prisons This is counter-posed 'to a recent historiographical trend exemplified by Michel Foucault who stresses incarceration in the great confinement' and who makes the rulers of government and society seem all powerful (p 4) The book thereof begins with Jack Sheppard house breaker and gaol breaker whose repeated ingenious and daring escapes from confinement in the 1720s became a legend that survived in popular pantomime ballads songs plays, and vase paintings so much so that an official commission quoted by Engels' study of Manchester labour conditions in 1844 found his name better known among child labourers than Victoria, Wellington Nelson and Napoleon The 'growing propensity skill and su

of London working people in escaping from the newly created institutions – designed to discipline people", Linebaugh provocatively suggests, was one principal way through which the 17th century revolutionary traditions of liberty and the free born Englishman" were transmitted and developed, as 'the activity of freedom in contrast to its ideological or theoretical expressions "

But plebeian resistance is the least original of Linebaugh's new stresses It had been central to the many 'histories from below of the 1960s and 1970s as well as to Subaltern Studies in India in its early phase By itself, this would have been no more than a recuperation, necessitated by subsequent historiographical developments but otherwise not all that remarkable Far more striking is the international dimension that Linebaugh has opened up, in which crime and punishment in London becomes the entry-point for a study of the Atlantic economy 'from below – and here he goes decisively beyond his teacher, E P Thompson We are introduced first (Chapter Four) to the deep-sea world of ships and sailors, that linked up "the handicrafts of India to the plantation in America to manufactures and putting-out in London Labour aboard the ship "combined the necessities of large scale co-operation such as was found on the plantation with the intricacies of the division of labour such as was found in manufacture and the versatility of individual skills such as might be found in handicraft' (p 66) Above all, "the ship was not only the means of communication between continents it was the first place where working people from the continents communicated (p 134) Linebaugh goes on to note that a by product of the centrality of the slave trade to the 18th century Atlantic economy was the growth of a substantial population of slave and ex slave Afro-Americans in its metropolis London, consisting of drummers horn-players, fiddlers prostitutes cooks boxers and writers (p 355) Of the six men tried for leading roles in the successful attack on Newgate prison during the Gordon Riots of 1780, two were Afro American ex slaves (pp 348-56) Throughout Linebaugh tries to highlight the scattered evidence of solidarities of common oppression and class across racial divides Out of the necessities of communication aboard ship developed creole and pidgin, going into the formation of "an 'oppositional culture that expressed its own motive of justice Crucial for Linebaugh's argument here are the two London-based pioneer Afro American writers and activists, Ottobah Cugoano, who combined calls for the abolition of trade with a kind of proto-pan-Africanism, and Olaudah Equiano, active in the early 1790s helping the radical English artisan Thomas Hardy organise the London Corresponding Society [14]

Linebaugh at one point suggests that by the 1790s the coloured population of London was ' posing a significant political challenge to the ruling class, whose ideology consequently needed to be reformed" (p 355) Though an element of exaggeration may be suspected here, there are still traces in this part of Linebaugh's book of what could have been developed into an alternative way of looking at western racism which, notably through the major impact of Said's *Orientalism*, has tended to acquire the characteristics of a transhistorical constant totally detached from class and production relations Linebaugh s comment seems to suggest that the popular – quite often working-class – racism of the 19th century may have been in part an ideology which developed as a counter to incipient alternative solidarities across racial divides The point has a potential relevance that goes beyond the purely historical or academic for globalisation today is creating a much more internationalised labour-force in the metropolitan countries amidst conditions of growing white racism that is often sought to be countered purely through forging ethnic or religious solidarities of specific immigrant groups Linebaugh s then, is an interesting hint unfortunately it remains no more than that Said is not referred to anywhere in *The London Hanged*, and Linebaugh appears unaware of the current vogue in third world history-writing and cultural studies for colonial discourse analysis abstracted from class

Linebaugh s handling of Foucault however is fully self conscious, and what he has achieved is masterly dialectical transcendence His is far from being a simple rejection, for Foucault s central theme of growing disciplinary authority and interest in the micro physics of power is very much also Linebaugh's concern with the very major difference that *The London Hanged* has been able to bring out brilliantly the connections between many of the changes noted by Foucault and specific processes of labour, profit, and class struggle Thus Linebaugh applauds Foucault's insight (notably in his *Discipline and Punish*) that the legal and penal reforms at the end of the 18th century represented not a new sensibility but another policy towards the tolerated illegalities of the Ancien Regime' Yet his phrase tolerated illegalities' prejudges a relationship in which e aggressively attacked, and in the end successfully expropriated, rights and usages that employees had customarily practised' (p 404)

The basic contribution of *The London Hanged* is to extend to trade, urban crafts and manufacture the theme of whittling down of customary rights and perquisites of toilers through the development of absolute property rights, which Thompson, notably had opened up for the English countryside through *Whigs and Hunters*, followed by a series of powerful and eloquent essays [15] Long distance trade without uniform standards of measurement or containerisation and the dispersed location of units of production in handicrafts putting out and heterogeneous manufacture could lead to confusion as to the ownership of the means, materials and products of production (p 65) leaving wide spaces and times not fully and directly under entrepreneurial supervision This enabled the persistence of what from one point of view would increasingly be considered pilferage embezzlement and inefficiency but from another were defended as perquisites both customary and needed for sheer survival under conditions of very low wages (Moral judgments at this point incidentally have to take due cognisance of the well-established fact that the biggest thieves and swindlers of 18th century England came from the most exalted circles one need only recall the South Sea Bubble and prime minister Walpole himself) [16] Linebaugh s framework is able to relate the progressive criminalisation of customary appropriations of the poor through tightening up of laws of private property penal codes and police bureaucratic authority with rational technological innovations and the transition to factory production for both processes were intimately bound up with changing forms of capitalist extraction of surplus The end results in other words were the modern state and the factory, the latter defined, strikingly, as 'a place where the principles of production and punishment can be united ' (p 285)

What makes Linebaugh so important it needs to be emphasised is not any reiteration of an abstract or generalised 'base-superstructure formula, but a brilliantly-original series of detailed histories bringing out specific interconnections in wholesale ge of 18th century trading operations and production processes He begins with the international trade in tobacco so central to the pre-cotton Atlantic economy, linking-up slave traders in Africa with Virginia

plantations and London shipping, docks and consumers (Chapter V). 'Socking' – London's plebeian slang for pilferage and illicit trade in tobacco – was customary, widespread, and impossible to stop as long as tobacco was shipped and unloaded in unenclosed bundles From the 1690s onwards, repeated efforts were made to safeguard and enhance profits through standardised and secure containers ('hogsheads'), and two meanings of 'customs' came into direct conflict with each other customary practices of sailors, dock-hands and porters which were being criminalised, and the official Customs bureaucracy, which soon revealed itself to be corrupt on a vastly enhanced scale The interconnections unravelled by Linebaugh in this chapter ran right across 18th century society Walpole's effort in 1733 to safeguard the profits of tobacco planters and the revenues of the state by replacing customs duties by excise almost brought down his government, and so a chapter which begins with the hitherto unknown figure of James White, a London porter transported for stealing tobacco and eventually hanged, can end with a new look at a well known political crisis

"Bejewelled by the watchmaker, grounded by the shoemaker, elevated by the hatter, the 18th century personage was 'made' by the tailor' and had his/her needs cared for by a growing army of domestic servants (p 241) The theme of curbing of customary perquisites through tightening up of notions and legal definitions of private property is worked out in illuminating detail by Linebaugh for these "five trades" (Chapter VII) The argument attains its climax in the chapters devoted to silk and ship-building (IX-XI) Silk, concentrated in the East London region of Spitalfields where so many immigrants have settled through the centuries, Linebaugh reminds us, was for the 18th century 'the fabric of power and class command" the language, simultaneously, of 'haughty command', and "a labour of cringing subservience" (pp 257, 9-10) The analysis of criminalisation of customs gets linked up here with a transition from putting-out towards the factory Spitalfields silk-weavers had survived through customary appropriation of wasted raw materials, recycled through plebeian 'rag fairs' They were also exceptionally militant – "heirs to a history of heresy that included the Lollards, the Anabaptists, the Familists, as well as the egalitarian and millenarian sects that had burst forth during the English Revolution" (p 11) – and their resistance during the 1760s won for them, briefly, certain collective bargaining rights. The employers hit back through numerous parliamentary enactments reducing and tightening controls on "the interval between putting out materials and their return" (p 268), and then, far more decisively, by shifting textile centres to the Midlands and the North, moving from silk to cotton – and introducing the spinning jenny, for which Arkwright took out a patent in 1769 " the divisions of labour", Linebaugh argues, had earlier "been reconnected by activities in the street into an open system of assembly Afterwards assembly became increasingly closed behind factory walls Where once the little producer and the poor consumer met in Rag Fair in a thick economy of their own 'underworld', later they would find that the wastes that had sustained them were becoming distinct branches of a capitalist trade in by-products" (p 286)

Chapter XI goes still further, for here Linebaugh takes on directly Bentham – and Foucault's – central metaphor of the Panopticon "the simple idea in architecture' which Bentham had claimed would provide 'a new mode of obtaining power of mind over mind, in a quantity hitherto without example – of punishing the incorrigible, guarding the insane reforming the vicious, confining the suspected, employing the idle, curing the sick, instructing the willing" [17] Using Bentham's correspondence, Linebaugh is able to establish the striking fact that the idea had actually originated with Jeremy Bentham s brother Samuel, in the specific context of the latter's abortive efforts to instill discipline and efficiency in the naval dockyard being built by Catherine the Great's favourite Potemkin on the Black Sea Returning to England, Samuel busied himself constructing models of the Panopticon, while Jeremy drafted revisions of the plan and wrote letters advancing the idea to influential people" (p 373)

The fully elaborated model of centrality of control, apparent omnipresence of inspection as guaranteed by the invisibility of the ispector (he can see all but none can see him), and total isolation of those confined, has always remained, perhaps, a little beyond reach though 20th century concentration camp authorities have tried their best But the Bentham brothers did get a chance of implementing some of their ideas through Samuel's appointment as inspector-general of Naval Works in 1795 at a critical moment in Britain's war against Revolutionary France, and at a site where capitalist innovation and the vital interest of the English are intertwined in inseparable ways. 18th century naval dockyards on the had balanced a regime of very low irregular money-wages by tolerance practice of 'chips' customary appropri of wood scraps and waste created during as yet physically discrete work of hew chopping, and sawing ship timbers The naval disasters of the American war led to repeated efforts to reduce what the authorities now felt were intolerable levels of waste and inefficiency Samuel Bentham played a crucial role in this process, in particular through innovations like the floating dam which enabled the dock to receive fully loaded ships (thus locating unloadi operations within a controllable space), planning a gradual transition from timber iron The central thrust, Linebau emphasises was in every case di towards 'crushing the power of shi workers" through establishing effect supervision and control over the details the labour-process, and for this he w to replace the ship workers' apprenticeship system by Naval Seminaries "that would divide knowledge according to class: the common workman and the 'superior officers' would attend different branches (p 399) Like Frederick Taylor a century later what Samuel Bentham wanted was "to take all the important decisions and planning out of the hands of the workmen', endi a situation in which the technical organisation of production was not sep from the forms of workers self organisation" through evolving systems of management that would "complete the despotism of capital in the process of production" (p 400)

The curbing of the autonomy of the pro industrial workforce through disciplinary and technological innovations was evidently bound up with specific kinds and uses 'reason through which science command became allies, and "cl despotism was grounded less on f than on rationality' " (p 400) Linebau takes up this theme again in his concludi chapter, 'Sugar and Police the Working-Class in the 1790s, which is the taming of the London waterfront throu enclosed docks and the foundation of Marine Police Office in 1798 the very fi centrally-directed and paid London poli force The key figure here was Patri Colquhoun Scottish textile manufacture agent of British sugar plantation owners i the West Indies, principal organiser of 1798 river police, client of Home Secret Henry Dundas and friend of Ed Burke, Edward Gibbon, and Adam S He was also the author of numerous

which pointed out that the "progressive increases of crimes" is "the constant and never-failing attendant on the accumulation of wealth" and so the organisation of the police "as a new Science" was vital 'for the well-ordering and comfort of civil society" (p 427)

As with the Foucaultian theme of surveillance, though in less elaborated or explicit ways, Linebaugh is engaged in such passages in modifying and appropriating into a renovated Marxian framework elements of the critique of Enlightenment rationalism which has become so ubiquitous in recent times Integrated into the study of changing labour processes and class conflict, that critique itself becomes much more discriminating and precise Enlightenment ceases to remain a homogenised, abstract label, nor is its counter-point sought in any undifferentiated, pre modern 'tradition' What men like Samuel Bentham or Patrick Colquhoun were trying to destroy were quite specific artisan skills and expertise, 'rational' in their own way, while simultaneously establishing monopoly controls over the new forms of knowledge in the interests of capitalist property Linebaugh's approach here comes close to the notions of artisanal 'counter-enlightenment which E P Thompson had touched upon in his posthumously published study of William Blake [18]

Linebaugh's last chapter is marked by a note of pessimism which seems a bit out of tune with the rest of the book If the escapes of Jack Sheppard had epitomised the vigorous independence of the 'picaresque proletariat' of the 18th century, the transition to the industrial working class governed by the money-wage is symbolised for him by the Punch and Judy pantomime, which became popular from the 1790s, during the industrial revolution Punch is able to hang the hangman, as the London crowd in 1780 had destroyed Newgate prison but otherwise Punch is shown busy beating up everyone, friend and foe alike Discipline was becoming internalised, the new wage-labourers were starting to do the hangman's job for him for the imposition of wages erected hierarchised distinctions between the respectable and the criminal poor, regularly-employed, casual, and unemployed, men and women, free and slave (p 441)

But then . was Foucault right after all, and not just for industrial society, but maybe earlier, too? For if we are to judge by consequences, surely the picaresque proletariat had also failed, and their escapes, riots and violations of property rights had achieved nothing substantial, had indeed furthered in a way the capitalist production-processes, property laws, and state power And if wage-labour created divisions, the plebeian survival through 'crime' of the 18th century must have often been at the cost of those only a little better-off than they themselves as Linebaugh himself recognises in his analysis of the Old Bailey jury There is, further, the question of gender divides and oppression within plebeian communities, which Linebaugh discusses only briefly at the end of his chapter on the sailors as a picaresque proletariat, and does not handle in ways that can be considered adequate [19]

I do not think such unmitigated pessimism is called for by the overall tenor of Linebaugh's data and analysis In his closing chapter, Linebaugh, for once, seems somewhat undialectical, leaving no space for the possibilities that were also opened up by the transition to factory labour So much of the real history of the development of democratic institutions and social welfare structures in developed capitalist societies is bound up, after all, with the pressures and struggles of organised labour Conversely, now that the concentration of workers in huge factories that had provided the bedrock for the labour movement from the 19th century seems to be in decline, the opening up by Linebaugh of the possibilities of resistance in more heterogeneous conditions acquires considerable contemporary relevance Capitalism, it is true, has not yet produced its definitive grave-digger what it has never failed to provoke into existence and struggle, throughout its long and ever changing history, are what Thompson once called 'armies of redressers'

Notes

1 *New York Review of Books*, November 19 1992, May 13, 1993

2 'Days of Villainy a Reply to Two Critics *International Socialism* 63, Summer, 1994

3 Linebaugh, for instance, does seem at times a bit cavalier about his footnotes thus on p xviii a criticism of a recent survey of the workhouse' lists five titles, leaving it unclear which one of them is being referred to Yet even Keith Thomas after drawing up a formidable list of alleged inaccuracies, adds that he would like to "stress that none of this detracts from the larger intellectual interest of Linebaugh's book, which is considerable Historians will continue to discuss the many important general issues which he raises" *New York Review of Books*, May 13 1993

4 Pat Hudson in *Economic History Review*, Second Series, XLVI 4, 1993

5 J S Cockburn's review in *Journal of Interdisciplinary History* 1994

6 Sir Ian Gilmour, Lord Privy Seal in Thatcher's first government, in *London Review of Books*, December 5, 1991, Linebaugh's *Days of Villainy* is in part a scathing and brilliantly entertaining comment on Gilmour reminiscent of his teacher's best polemical vein

7 My argument here obviously owes much to Aijaz Ahmad *In Theory Classes Nations Literature* (London 1992 Delhi 1993) Chapters I, II and passim

8 In a hard hitting recent critique Steve Vieux has described post modernism as at times a path of least resistance for many left intellectuals One may sing the praises of resistance and contestation without committing oneself even theoretically to challenge the most heavily defended ideological positions of the right on the virtues of the free market and the vices of the people and the state In the Shadow of Neo Liberal Racism in *Race and Class* 36 1 July September 1994

9 This is E P Thompson's comment about Linebaugh's book as quoted in the back cover of the Penguin edition of *The London Hanged*

10 *Days of Villainy*, op cit, *International Socialism* 63 p 120

11 See *The London Hanged* p 107 for Linebaugh's rejection of a deep rift between artisans apprentices and journeymen and – vagrants criminals and riff raff', assumed at times in Rude's pioneering studies of 18th century crowd action

12 Ibid Chapter III *Ethnography The Sociology of the Condemned*

13 David Ogg quoted in Linebaugh p 55

14 Linebaugh notes that Thompson for whom the Corresponding Society was a crucial step in the making of the English working class fails to mention Equiano See also Linebaugh's earlier article All the Atlantic Mountains Shook in Geoff Eley and William Hunt (eds) *Reviving the English Revolution Reflections and Elaborations on the Work of Christopher Hill* (London 1988)

15 See particularly E P Thompson, Custom Law and Common Right', in his *Customs in Common* (London 1991, 1993)

16 Linebaugh, interestingly finds Werner Sombart's insight that the spirit of trade and colonial conquest was the same as the spirit of robbery' very helpful for understanding the 18th century (p 3) more, perhaps, than the Protestant ethic of the small producer growing in a capitalistic direction as emphasised by the much more influential Max Weber

17 Jeremy Bentham *Panopticon or the Inspection House* (1791), quoted by Linebaugh p 371

18 E P Thompson, *Witness Against the Beast* (Cambridge, 1993)

19 What for instance, are we to make of a phrase like 'the work of his hands and the labour of her body'? (p 152)

Foreign Direct Investment
A Solution to BOP Problems?

Pronab Sen

This paper addresses the central problematic: Do FDI inflows improve the short-run balance of payments or do they require additional foreign exchange funding in the form of foreign borrowings or through depletion of foreign exchange reserves? The answer to this question is crucial not only for formulating a policy structure for foreign investments but also in determining the position that developing country governments should take with regard to pressures for liberalising controls on foreign equity.

I
Introduction

IN the aftermath of the 'debt crisis' of the early 1980s, the view that 'foreign direct investments' (FDI) have a more salutary effect on the balance of payments (BOP) of developing countries than debt finance has become widespread. This is quite apart from the other benefits of FDI, such as greater productivity, better quality, lower costs, etc, which are taken to be axiomatic. The obvious outcome of such a perception has been a sustained pressure by the multilateral aid agencies and OECD governments on developing countries to actively encourage FDI as an integral part of their BOP management strategy.

In recent years, however, the lustre has worn somewhat thin on this prescription, principally due to emerging empirical evidence which suggest that FDI may have a more positive impact on the BOP of the originating country than on that of the recipient country.[1] As a consequence, even the World Bank has muted its otherwise enthusiastic advocacy of FDI by conceding that "...the empirical observation that profits on FDI often climb quite steeply after an initial period of unprofitability ...suggests that FDI should not generally be viewed as a means of financing balance-of-payments needs over the medium term".[2] Theoretically of course this is nothing new,[3] but the evidence had finally become too compelling to ignore.

Despite the more pessimistic view of the medium-term effects of FDI that has come about recently, it continues to be heavily touted as a solution to short-term BOP management problems. Interestingly, this assertion has really not been subjected to rigorous and critical scrutiny either empirically or theoretically within a macro-economic framework – which is the appropriate domain of analysis. There is of course an enormous body of literature on the micro-economic dimensions of FDI, particularly on the behaviour of trans- or multi-national corporations, but this is of limited relevance to analysing the BOP implications. In its modest way this paper seeks to fill a part of this lacuna by examining the short run BOP repercussions of FDI within the framework of a simple pedagogic macro-economic model.

Before entering into the analytics, however, a few definitions need to be established. Total foreign investments, as an item in the capital account, can conceptually be divided into two components: (a) foreign direct investments (FDI); and (b) foreign portfolio investments (FPI). The definitions of these two forms of investment are not the same to all people, and hence a semantic problem may arise unless these are clarified at the very outset. Three definitions are in fairly wide currency today. These are:

(a) FPI is the acquisition of domestic non-equity instruments; whereas FDI involves equity participation, whether in new or existing companies.

(b) FPI involves the acquisition of existing financial assets, whether debt or equity; whereas FDI leads to an expansion of the equity base either in a new or an existing company.

(c) FPI involves the acquisition of claims on existing real assets, whether in the form of debt or equity; whereas FDI leads to the creation of new real assets through equity participation.

The first definition, although attractive from the point of view of financial management and corporate law, is much too imprecise in its economic content for the kind of analysis being contemplated in this paper.[4] As far as the other two definitions are concerned, it should be clear on reflection that they differ only with respect to one specific form of foreign investment – namely, the inflow of foreign equity capital for augmenting the equity base of an existing company which is used to retire existing debt. Such investments would be treated as FDI under definition (b), but as FPI under definition (c).[5]

Although the two definitions differ only on this one count, the difference is significant. Definition (c) is more precise in that the distinction between the two forms of foreign investments is couched in terms of whether or not the capital inflow directly leads to an expansion of the real productive capacity of the country. Under definition (b) a grey area remains, which can cause some analytic problems. Moreover, the third definition is also closer to the common or popular understanding of FDI, which is always a desirable characteristic of any definition. In this paper, therefore, the term FDI shall be used in the specific sense that it represents an equity investment which is directly related to the creation of new real capacity.

In dealing with the BOP effects of FDI, care needs to be taken in defining the time dimensionality of the analysis. This paper, as mentioned earlier, is concerned primarily with the role of FDI in short-run BOP management. The 'short-run', in this usage, refers to the period in which the economy's productive capacity and structure are assumed to remain constant. Thus a convenient cut-off point for the analysis is the time at which the company or project embodying the FDI comes into production. Prior to this point in time, the BOP effects of the FDI are limited to the foreign exchange inflow arising out of the capital transfer and that outflow the occurs as a direct consequence through the current account. Subsequently, however, a number of other considerations become much more important – such as export earnings from the FDI, import intensity of the project, reinvestment and repatriation of profits, etc.

While these latter effects are certainly important in assessing the worth of FDI to the national economy, and therefore to the issue of whether FDI should be encouraged or not, they are incidental to the central problematic that is being addressed here: 'Do FDI inflows improve the short-run balance of payments, or do they require additional foreign exchange funding in the form of foreign borrowings or through depletion of the foreign exchange reserves?' The answer to this question is crucial not only for formulating a policy structure for foreign investments but also in determining

the position that developing country governments should take with regard to pressures for liberalising controls on foreign equity

II
Analytical Framework

Consider a small open economy which produces two goods (a) an export product which is not consumed domestically and (b) a composite home good which is used for both consumption and investment In addition, it also imports a consumption good and, if necessary capital goods from abroad The country is assumed to pursue a free trade policy with a fixed exchange rate [6] It does not however have an open capital account, in the sense that foreign financial capital cannot flow in freely but requires government clearance on a case by case basis, and that domestic capital cannot flow out at all

It is further assumed that there is unemployment in the economy so that domestic factors are available at fixed nominal prices The production of the home good is assumed to be unconstrained by capacity so that its supply exhibits constant returns to scale in the neighbourhood of the initial equilibrium Its output is therefore determined by the aggregate demand facing it The export good on the other hand is assumed to be capacity constrained in the sense that internal diseconomies of scale have set in thus giving rise to an upward sloping supply curve even with constant factor prices

With these assumptions the formal model may now be specified Consider first the export Under the samll country assumption and with fixed exchange rates the demand curve facing the industry is infinitely elastic at a particular domestic currency price Its output is therefore determined entirely by its production conditions With constant input prices, this implies that the volume of exports and the export earnings are fixed *ex ante* Thus, using appropriate normalisation the total export earnings in terms of the home good may be specified as

$$X = \bar{X} \qquad (1)$$

As far as investments are concerned the 'closed capital account assumption frees the domestic investment demand from international influences As a result the animal spirits" of the domestic entrepreneurs can find free play in determining the level of investments In a typically Keynesian manner, this may be written as [7]

$$I = \bar{I} \qquad (2)$$

As is usual in such models, aggregate consumption demand is assumed to depend only on the level of real income Since terms of trade changes and international transfers have been assumed away real income is identical to the real output (GDP). Thus the aggregate consumption function specified in terms of the home good is

$$C = C(Y) \quad C' > 0 \text{ and } C'' < 0 \qquad (3)$$

where C – aggregate consumption demand Y – real GDP

Normally the imported component of consumption would be determined by aggregate consumption dermand and the relative prices of the import and the home good Under the assumptions of constant production cost of the home good constant price of the import and a fixed exchange rate the relative price between the two goods can also be treated as fixed Therefore the demand functions for the import with appropriate choice of units and the home good can be specified as [8]

$$M = F(C) = M(Y) \quad M > 0 \qquad (4)$$
$$D = C - M = D(Y) \quad D > 0 \qquad (5)$$

As can be seen the model conforms to the most elementary 'extbook version of an open economy Keynesian macro economic system Proceeding in the usual manner the national income accounting identities are

$$Y = C + I + X - M \qquad (6)$$
$$Y = C + S \qquad (7)$$

From (6) and (7) the trade balance of the economy can be written as

$$T = (X - M) = (S - I) \qquad (8)$$

Equations (6) and (8) are the two basic equations that will be used in this paper These may be respecified by adding the structure from the other equations as

$$Y = C(Y) + \bar{I} + \bar{X} - M(Y) \qquad (9)$$
$$T = \bar{X} - M(Y) \qquad (10)$$

From (9) and (10) the effects of an exogenous change in I on the trade balance (T) can be derived as

$$\frac{dT}{dI} = \frac{\partial T}{\partial Y}\frac{dY}{dI} = -M \qquad (11)$$
$$\frac{}{} \qquad\qquad S + M$$

where M = marginal propensity to import
S = (1 – C') = marginal propensity to save

Having done the ground work, the effect of FDI on the economy can now be considered Assume an initial equilibrium where the savings and investments are such that the trade balance is zero [9] Suppose now a new investment is planned by a foreign investor of a domestic currency value Z Of this, a fraction d' is for the purchase of the home-good and (1 – d) is to be imported Of the total project value let 'f' represent the percentage which is brought in equity by the foreign investor in the form of foreign exchange Thus (f Z) represents the additional inflow in the capital account whereas [(1 – d) Z] is the corresponding payment for imports appearing in the current account [10] Therefore the net foreign exchange inflow directly on account of the FDI is

$$[f - (1 - d)]Z$$

Notice however, that the amount 'd Z enters the market for the home good as an additional item of investment demand, which means

$$\Delta I = d\,Z$$

Therefore from equation (11) the effects of this increased investment dem ind on the trade balance may be specified as

$$\Delta T = \frac{-\,d\,M}{S + M} - Z$$

The total balance of payments effect of the new investment is given by the difference between the inflow in the capital account and the total outflow in the current account

$$\Delta B = \left[f - (1 - d)\frac{d\,M}{S + M} - 1\right] Z \qquad (12)$$

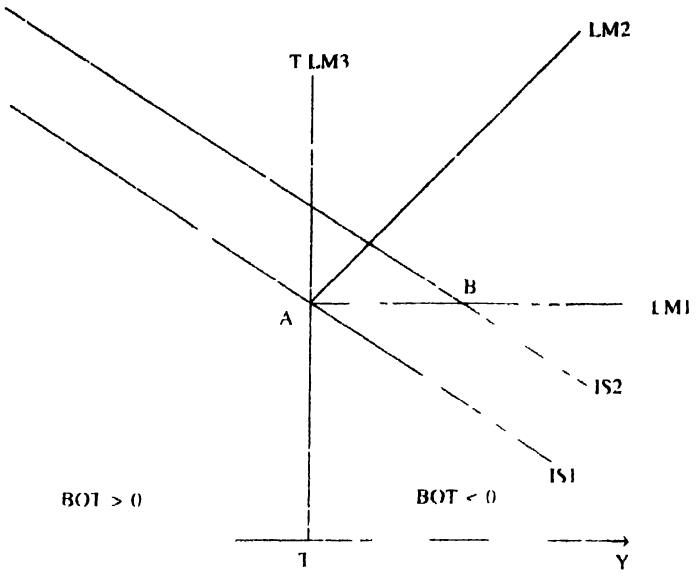
It is quite obvious from equation (12) that unless the capital inflow is actually substantially higher than the value of tied imports (i e f > 1 – d), the BOP must necessarily worsen in the short run as a result of the FDI In order to appreciate the magnitudes involved consider the relevant parameters for India which are (a) M = 0 15, and (b) S = 0 27 Substituting into equation (12) yields

$$\Delta B = [f + 0\,64d - 1]Z \qquad (13)$$

As can be seen even if the project involves no import of real capital (i e d = 1) the equity inflow must exceed 36 per cent of the total project cost for it have a neutral effect on the BOP In other words any FDI which involves a debt equity ratio of above 1 8 1 will always make the BOP worse [11] This maximum debt equity ratio will decrease sharply as either the direct import increases or foreign equity share drops or both

This is such an obvious result that it cries out for an explanation of any contrary position One equally obvious explanation is that the condition for a positive BOP effect is almost always satisfied, that is FDIs normally have a significantly higher capital account entry associated with them than the corresponding current account entry This is clearly an empirical issue, but the weight of common perception, for what it is worth, is firmly against it Moreover, some scattered evidence for India strongly suggests that the foreign exchange component of FDIs does not

FIGURE 1



ed the stated value of the real capital
nted for the project [1]

ic other possible explanation is that the
le minded model used above does not
ire some important institutional and
vioural factors which if taken into
unt would reverse the prognosis There
of course a number of lacunae in the
el but the most significant of these for
urposes of analysing BOP effects is the
ice of the monetary or financial sectors
h has been the basis of the criticism of
sic Keynesian system by the monetarist
ter revolution

III
Credit Market Complications

the model described in the previous
on the crucial assumption that drives
sult is that the additional demand for
domestic investible resources arising out of the FDI is reflected only in the commodities market, but not in the credit market Indeed the credit market is altogether ignored It should be apparent, however that if the domestic currency value of the foreign liquid capital is less than the value of the project, as has been assumed then financial resources must necessarily be raised in the domestic capital market This would presumably have some repercussions over and above those already taken into account

The Keynesian justification for ignoring these repercussions is that the the economy is caught in a 'liquidity trap' whereby any increase in demand for financial resources is met through corresponding increases in the availability of credit and not through interest rate adjustments [13] Thus, in terms of the familiar IS-LM framework, the LM curve is assumed to be infinitely elastic at a given interest rate over the relevant range

The monetarist counter revolution selected the 'liquidity trap' as the central weakness of the Keynesian analysis It was pointed out that the credit market, like any other market cannot be presumed to follow a pure quantity adjustment mechanism at all times but should have at least some price adjustments as well Thus an excess demand for loanable funds should give rise to an increase in the interest rate If investments are interest rate sensitive to any extent and this is pointed out as another extreme assumption in the Keynesian framework then the new investment demand will force out some existing planned investments Thus the net increase in the level of investment demand will be less than the value of the new investment This phenomenon is referred to as 'crowding out' [14] At the limit when there is pure price adjustment in the credit market there would be complete 'crowding out' in the sense that the real value of the investments driven out would exactly equal the value of the new investment [15] Within the IS-LM framework these possibilities are reflected in the slope of the LM curve, which would not be horizontal as assumed earlier but upward sloping and at the limit may even be vertical

For the purpose of this paper it is not necessary to explicitly specify the LM curve, but only to retain awareness of its character and its determinants In the rest of this paper it is assumed that the reader is familiar with the basics of the IS-LM model In order to recast the model in the IS-LM mould some changes have to be incorporated in the earlier equations Consider first the IS curve in this case It is simply equation (9), respecified to make investment demand sensitive to the interest rate (r)

$$Y = C(Y) + I(r, \theta) + \bar{X} - M(Y) \qquad (14)$$

where θ = a shift variable representing the FDI project thus, $dI/d\theta = d\,Z > 0$
$dI/dr < 0$

It is easy to verify that this IS curve is downward sloping in the (Y r) plane

The trade balance effect in this framework can be represented by another curve (call it the TT curve), which is the locus of all (Y r) combinations at which the trade balance is zero This is derived by evaluating equation (10 at T = 0, yielding

$$\bar{X} \quad M(Y) = 0 \qquad (15)$$

Clearly equation (15) defines a vertical line originating from the Y-axis in the (Y, r) plane All points to the left of this line are associated with positive balance of trade, and those to the right with negative BOT

In analysing the effects of FDI in this framework the focus is on the secondary BOT effects which arise from the increase in investment demand for the home-good (d Z) The objective is to examine whether or not the FDI needs to have a capital account entry (f Z) greater than the value of the direct imports for the project [(1 – d) Z] in order to prevent a deterioration in the short-run BOP The situation is depicted in Figure 1 The initial position is shown at point A where the goods market (represented by IS1) the money or credit market (represented by LM1 LM2 or LM3 each representing different assumptions regarding the adjustment mechanism) and the trade balance (shown by TT) are all at equilibrium [16]

The effect of the FDI is to shift the IS curve to IS2 the horizontal shift being [(d M Z)/(M + S)] The trade balance effect is given by the horizontal distance between the TT curve and the new internal equilibrium (the intersection of the IS and LM curves) Note that LM1 represents the earlier "liquidity trap scenario It is obvious that with the LM curve being upward sloping, the trade balance effect will be less negative than derived before (AB in the diagram) The important point, however is that the effect continues to be negative except with complete 'crowding out' (LM3) where it is exactly zero There is no possibility of a BOT improvement, unless the LM curve is downward sloping – which would make the system unstable

It should be clear then that pure crowding out does not provide an adequate justification for believing in a positive BOP effect of FDI Something more is needed In the recent literature this 'something more' is the sensitivity of savings, and hence of consumption demand to changes in the interest rate [17] Introducing this assumption into the model changes its character quite

substantially Returning to equation (3), it has to be respecified as follows

$$C = C(Y, r) \quad C1 > 0 \text{ and } C2 < 0 \quad (16)$$

As a direct consequence equation (4) changes to

$$M = M(Y, r) \quad M1 > 0 \text{ and } M2 < 0 \quad (17)$$

Thus the IS curve now becomes

$$Y = C(Y, r) + I(r, \theta) + \lambda \quad M(Y, r) \quad (18)$$

and the TT curve

$$\bar{X} - M(Y, r) = 0 \quad (19)$$

It can be easily verified that the following slopes hold

$$\left.\frac{dY}{dr}\right|_{IS} < 0 \text{ and } \left.\frac{dY}{dr}\right|_{TT} \geq 0$$

The effect of FDI in this case is shown in Figure 2 The first result that is apparent from the diagram is that if M2 is strictly negative i e the TT curve is not vertical then complete crowding out is sufficient to ensure a positive BOT effect of the FDI This is intuitively obvious in that a rise in the interest rate in this case not only crowds out investment it crowds out some consumption as well Therefore if complete crowding out gave rise to a zero BOT effect earlier it must necessarily yield a positive BOT effect here By the same logic if consumption is sufficiently interest rate sensitive then complete crowding out is not necessary for a positive BOT effect This possibility is shown by the T1 T1 curve *vis a vis* the LM2 curve

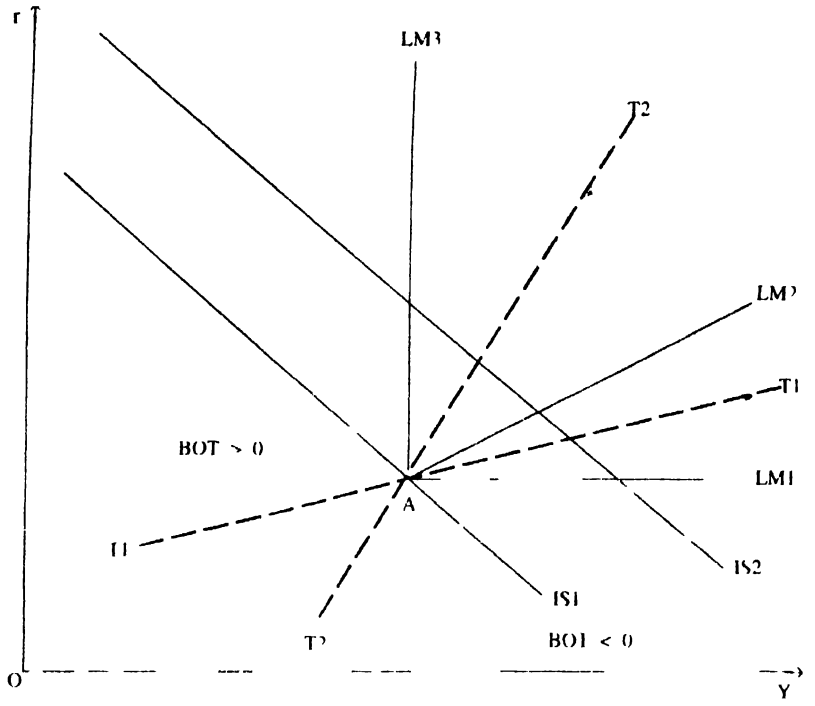
A much more important point that emerges however, is that the positive BOT effect of FDI is contingent upon a particular relationship between the LM and TT curves This may be seen from Figure 2 by noting that if the liquidity trap holds (i e LM1 is the relevant representation of the credit market) then the BOT will always worsen regardless of the position of the TT curve More generally if the behavioural parameters are such that the TT curve intersects the LM curve from below (which is depicted by the T2T2 curve relative to LM2) then the BOT effects of FDI are always negative It is clear therefore that for a FDI to have a positive BOT effect the following relationship must hold

$$\left.\frac{dY}{dr}\right|_{LM} < \left.\frac{dY}{dr}\right|_{TT} \quad (20)$$

For condition (20) to hold it is necessary that the demand for loanable funds be less sensitive to interest rate changes than the demand for imports The intuitive explanation of this requirement is that unless 'crowding out involves substantial rise in the interest rate the expansionary income effect of increased investment demand will dominate the contractionary interest rate effect on the demand for imports

Thus the basic message of the analysis presented in this section is that the belief that

FIGURE 2



FDI improves the short run BOP position requires its proponents to not only have a specific set of behavioural relations in mind but that they must also hold some a priori views on the values taken by a few key parameters The latter is of course an empirical matter and requires rigorous estimation but the former may be subjected to critical evaluation on the basis of existing empirical and theoretical literature

IV
Realism of Behavioural Assumptions

In the preceding section it has been shown that for a FDI to have a positive BOP effect two conditions must obtain (a) There must be crowding out of investments and (b) Imports should be negatively related to the interest rate

Therefore the argument centres around the effect of the FDI on the domestic interest rate and its repercussion on the other macro variables Granting that the economy is not in a liquidity trap so that the FDI will tend to raise the interest rate the issue is whether the effects of this interest rate change on the micro-economy that have been assumed are both correct and complete It is not at all clear that they are particularly in the context of developing countries

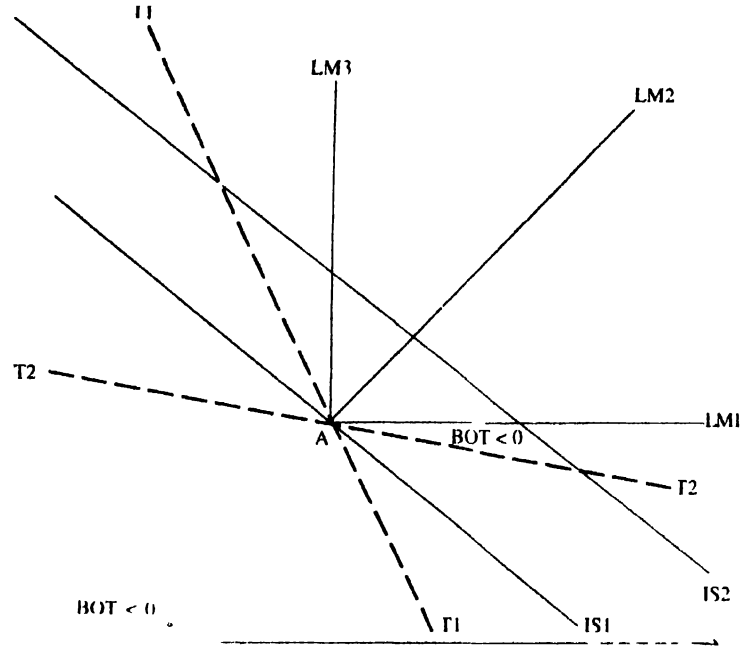
Consider first the role of interest rates Thus far it has been assumed that the only function performed by the interest rate is in determining inter temporal allocations via savings and investments [18] This may be acceptable in the case of standard closed economy models where relative prices are assumed to have virtually no role to play It may also be acceptable in the case of countries which employ relatively capital intensive production technologies since the dominant form of capital would be fixed capital whose short run return is not necessarily the prevailing interest rate For the average developing country, however interest rates have an additional role to play which cannot readily be ignored they are intrinsic in determining the relative cost of production of domestic goods *vis a vis* foreign prices

The effect of interest rates on domestic costs and prices as has been well established in the literature on price formation in developing countries operates through the cost of working capital which forms a substantial proportion of total capital in labour intensive production processes In particular working capital has a very significant role to play in the cost of exports, where the time duration between production and sales realisation can be fairly long Therefore in a situation where the interest rate is assumed to change endogenously, the export function would have to be appropriately modified to take this factor into account

$$X = X(r), \quad X \leq 0 \quad (21)$$

As far as the import demand function is concerned, the interest rate affects it through two distinct mechanisms The first is through the relative price between the import and the home-good, which declines as the interest rate increases The second is through the sensitivity of savings, and hence consumption, to interest rate changes as embodied in equations (16) and (17) These

FIGURE 3



two influences operate in opposite directions The former tending to increase import demand as the interest rises and the latter tending to reduce it However the latter effect is also open to question in the case of developing countries

The standard arguments in support of including the interest rate in the consumption function arise out of the Permanent Income hypothesis of consumption demand as distinct from the usual Keynesian Absolute Income hypothesis It is widely recognised that in order for the permanent income hypothesis to hold the domestic credit market has to be extremely well-developed, particularly with respect to consumption credit [19] The credit markets in developing countries are rarely so well developed [20] In some countries specific segments of the economy may exhibit permanent income type behaviour, but these usually represent only a small fraction of total consumption demand The empirical literature on consumption functions in India bear out these assertions Most studies have shown that the Indian consumption function is completely insensitive to the interest rate [21] A recent study, however, demonstrates that the permanent income hypothesis does obtain for the urban sector, but not for the rural [22] Therefore the theoretical and empirical underpinnings for inclusion of the interest rate as an argument in the consumption function are very weak in the case of developing countries Thus for these countries equation (3) is probably a better representation of reality than equation (16)

If the interest rate has only a minimal role to play in determining the consumption levels in developing countries, as has been argued above, then it will tend to be dominated by the relative price effect in the import demand function Therefore, although the general form of the import demand function will continue to be the same as in equation (17) the sign of the derivative with respect to the interest rate should be quite different This function may then be specified as

$$M = M(Y, r) \quad M1 > 0 \text{ and } M2 > 0 \quad (22)$$

Finally the Indian empirical evidence also does not lend strong support to the view that investment demand in developing countries is interest rate sensitive [23] The evidence however is mixed Most studies have found no significant relationship between investments and interest rates but a few have noted that there is a significant negative relationship with respect to nominal interest rates, but not with real interest rates On the other hand real output has almost always turned out to be strongly significant, implying the existence of an "accelerator' mechanism Although it is clearly not possible to generalise from the Indian experience, there is a fair likelihood of such behaviour being replicated in other developing countries as well This would argue for a respecification of the investment demand function in the following manner

$$I = I(Y, r, \theta), \; I1 > 0, \; I2 \leq 0, \; I3 > 0 \quad (23)$$

Putting all these observations together a possibly more appropriate version of the model for developing countries emerges This model is characterised by the following IS and TT curves.

$$Y = C(Y) + I(Y, r, \theta) + X(r) - M(Y, r) \quad (24)$$

$$X(r) - M(Y, r) = 0 \quad (25)$$

It is easy to verify that under reasonable assumptions the slopes of these curves are [24]

$$\left(\frac{dY}{dr}\right)_{IS} < 0 \text{ and } \left(\frac{dY}{dr}\right)_{TT} < 0$$

The impact of FDI in this model is shown in Figure 3 The single most important result that emerges is that if the TT curve is downward sloping in the (Y r) space, then a FDI will always lead to a deterioration of the trade balance regardless of the position and shape of the LM curve The only issue left open to question is whether or not the 'crowding out" effect helps matters at all

As can be seen from the diagram, the answer clearly depends upon the relative slopes of the TT and IS-curves If the TT curve intersects the IS curve from above (as shown by T1T1) which requires that investment demand be more sensitive to interest rate changes than exports and imports, then the existence of crowding out' does reduce the negative BOT impact If, on the other hand the intersection is from below (as with T2T2) then the rise in the interest rate actually makes the BOT even worse than what it would have been with the liquidity trap in operation Therefore, if domestic investments are insensitive to interest rates as has been argued the FDI-induced rise in the interest rate will inevitably lead to a very substantial worsening of the trade balance [25]

Horns of Dilemma

In the preceding sections it has been shown that FDI will almost always lead to a short-run trade balance deterioration greater than that implied by the direct imports associated with the project particularly in developing countries It should be clear therefore that FDI should not be treated as a short run BOP management device The real benefit of FDI lies in augmenting the level of investments in the economy and thereby contributing to output expansion and growth However given the negative BOP effects, the government has to take collateral steps to ensure that the economy does not run into a serious foreign exchange problem The choices available to the government for effectively countering this prospect are (a) Increase planned foreign borrowings (b) Implement appropriate macro economic adjustments (c) Ensure that the foreign investor remits sufficient foreign exchange as equity to cover not only his direct import, but also the additional imports that arise through the macro economic repercussions

The first is clearly not an option since it merely involves the redesignation of what would have been an ex-post outcome as an *ex-ante* decision.[7] The only condition under which this would not be true is if these additional foreign borrowings are provided at appropriately low interest rates by the concerned international agencies for the specific purpose of meeting such FDI-induced trade gaps.

The second option is the most likely one, but great care needs to be taken in determining what the proper policy response should be. The standard prescription in such situations as any one familiar with the orthodox balance of payments policy literature knows is to impose a contractionary monetary policy. This measure supposedly allows the new investment to be incorporated by driving out less capital-efficient projects without any real loss to current output. In terms of the IS-LM framework this means an upward shift in the LM curve. In the situations depicted in Figures 1 and 2 this supposition holds true and a contractionary monetary policy does prevent a BOP deterioration. But what of the situation prevailing in developing countries as shown in Figure 3?[8]

Clearly, if the parameter values are such that T2T2 obtains then a contractionary monetary policy will lead to an even further worsening of the trade balance position. In such cases the heterodox prescription of an accommodating monetary stance is always to be preferred. On the other hand in cases where T1T1 is the applicable balanced trade locus a contractionary monetary policy will be effective in closing the trade-gap. But there is a cost: current output would have to be driven below its pre-FDI equilibrium level. The presumed long run benefit of FDI would have to be high indeed if it is to outweigh the necessary reduction in both current consumption and domestic investments. Thus a contractionary monetary policy is in general an inappropriate response for such a situation in developing countries.

An alternative response would be for the government to reduce its public investments by the same quantum as the domestic component of the FDI and thereby bring the IS curve back to IS1. As can be seen this device corrects the BOT effect in all cases. There are, however, two drawbacks to this prescription which need to be taken into account. First, in most developing countries the bulk of public investments go into creation of infrastructure and there is very little possibility of private substitutes. There is growing evidence that public infrastructural investments are complementary to private investments and any reduction in the former tends to reduce the latter. Therefore the use of such policies for short run BOP management can lead to serious long run consequences. Second, given the finite level of any government investments, such a device is of necessity only of limited applicability. As the volume of FDI increases this possibility will shrink rapidly.

The third possibility is for the government to depreciate the currency so that the negative effects of the rise in interest rates on domestic production is offset. In terms of the model a depreciation of the currency can be depicted by a rightward shift in the TT curves. Although the IS curves too will move in the same direction the magnitude will be lesser than that of the TT curves. Thus in all cases the possibility exists that the negative BOT effect of FDI can be corrected by this measure without loss of current production and consumption. Of all the possible macro economic adjustments this appears to hold the most promise.

The final option namely, requiring the foreign investor to remit more foreign exchange in the form of equity than is required for his direct imports raises the most interesting issues for further research. In the first place such a requirement may frequently run counter to basic commercial principles. As has been computed in the Indian case (see equation (13)) if a FDI project has say 30 per cent direct imports then the maximum permissible debt equity ratio is 0.8:1 even if 100 per cent foreign equity is allowed. Such a stipulation in all probability will discourage almost all potential foreign investors from investing in the country.

The problem gets further compounded when the desirability of permitting 100 per cent foreign equity is taken into account. On one hand short run considerations demand that the foreign investor brings in as much financial resources as possible. On the other hand longer run considerations require that foreign equity holdings be restricted to the minimum feasible particularly when the expected return to equity is substantially higher than the existing international rate of interest. These considerations underlie much of the policies targeted at FDI control in a number of developing countries. The analysis presented in this paper suggests that this trade off may not be trivial and the inter temporal welfare effects of equity based control of FDI are not at all obvious.

There is of course an obvious way around this problem and that is through permitting selected inflow of FPI to cover the short-run foreign exchange outflow arising from FDI. This option however raises a number of other issues which cannot be handled in the present framework.[9] The limited objective of this paper was to clear up certain misconceptions regarding the effects of FDI and to raise the issues for further work. It is hoped that this preliminary analysis is of sufficient interest to provoke further research into this important but neglected area of open economy macro economics.

Notes

[This paper is dedicated to the memory of N C Ray who taught the author the most valuable lesson that useful insights into economic processes do not necessarily require complex modelling but can in fact be obtained from fairly simple frameworks. The paper reflects the personal views of the author and not those of the organisation to which he belongs.]

1 See Reddaway et al (1967), Hufbauer and Adler (1968), Bergsten et al (1978), Swedenborg (1979), Lipsey and Weiss (1981 and 1984), Blomstrom et al (1988) and Bergsten and Graham (1994).

2 World Bank (1993) pp 29-30.

3 The debate surrounding the transfer problem in the 1920s had as its essence the issue of whether the capital outflow necessitated by the reparation payments by Germany to the Allies would lead to an export surplus in Germany's merchandise trade. The later formalisations of this issue in the Heckscher-Ohlin-Samuelson type of trade theoretic models also suggested similar results. See Meade (1951) and Modigliani and Neisser (1953).

4 The imprecision arises from the lack of a well defined linkage between the financial flow and the real economy. Such imprecision inevitably leads to a very wide taxonomy of results and dilutes the focus of the analysis.

5 It may be noted that in India definition (b) is used by the government in its classification of FDI/FPI. It is for this reason that non capacity creating investments such as foreign companies increasing their equity share in existing subsidiaries and GDR issues by Indian companies are routinely classified as FDI.

6 The free trade assumption has been made for expository convenience since it allows the analysis to proceed without explicitly bringing in the government's fiscal actions. The analysis however carries through so long as trade is restricted by tariffs and not quotas.

7 It may be noted that the import of capital goods by domestic entrepreneurs has been assumed to be zero. Some generality is lost by this assumption but similar results could be obtained by making imported capital goods a fixed percentage of investments.

8 Given that the relative price between the import and the home good is fixed it is possible to specify these demand functions in an even simpler way by making them each a constant fraction of the consumption function. The versions given in the text are used because they conform to common usage and are slightly more general in that homotheticity is not assumed. It should be remembered however that the concavity of the aggregate consumption function $(D + M)$ requires that $(D + M) > 0$ and $(D' + M') < 0$. The second argument for this specification is that the import does not necessarily have to be a final good but can be an intermediate in the production of the home good.

9 This assumption can be made without loss of generality since it accommodates an initial trade deficit with an equivalent quantum of foreign borrowings.

10 The 'real' capital brought in by the foreign investor does not necessarily have to be in the form of plant and machinery, which would appear in the merchandise account but can include such proprietary capital as blue-prints, goodwill etc, which would be captured as 'invisibles'

11 This maximal debt-equity ratio is derived from equation (13) by setting d = 1 and assuming 100 per cent foreign equity holding

12 This data has been collected by M Saqib of the Indian Council for Research on International Economic Relations (ICRIER) for an empirical study of FDI in India

13 The standard explanation of the liquidity trap may be found in any textbook on macro economics The later and more sophisticated explanations may be found in the literature regarding the debates surrounding (a) inside money vs outside money and (b) new view vs old view of banking

14 Crowding out does not really require the interest rate to go up Much the same effect is obtained in the recent literature on rationed credit markets

15 This of course includes the possibility that the new project itself may be crowded out if it is the marginal project If not then the FDI would have the effect of raising the marginal efficiency of domestic capital

16 This model belongs to the class of open economy macro models pioneered by Mundell (1968)

17 For an exposition and references see Dornbusch (1980)

18 This assumption is common to virtually all existing open economy macro models of the Mundellian genre of which the model presented in Section III is also a member

19 See Friedman (1957)

20 Although a fair amount of consumption credit is extended by moneylenders and other informal credit market operators in developing countries it is doubtful whether the interest rate prevailing in the organised credit market would have very much impact on their behaviour

21 See Krishnamurthy and Saibaba (1981)

22 See Madhur (1984) This finding however runs counter to the theoretical proposition of Modigliani and Blumberg (1954) that the rural sector is more likely to exhibit permanent income behaviour than the urban

23 For instance see Chakrabarty (1977)

24 The possibility exists that if the accelerator parameter dominates the marginal propensity to save, the IS-curve may be upward sloping The likelihood of this, however, is remote and it is therefore assumed away It should be noted, however, that the accelerator term will make the IS-curve flatter than it would otherwise be

25 The slopes of the IS and TT curves in this case are

$$\left.\frac{dY}{dr}\right|_{IS} = \frac{(X' - M2)}{(S' + M1 - I1)} < 0$$

$$\left.\frac{dY}{dr}\right|_{TT} = \frac{(X' - M2)}{M1} < 0$$

It should be clear from the above expressions that the latter will be flatter than the former

26 Since the balancing item in balance of payments is either a draw down of the foreign exchange reserves or increased borrowings from abroad, the effect is the same whether the borrowings are planned or not

27 This phenomenon is referred to as 'crowding in' in the recent neo structuralist literature

28 In order to take the effects of FPI into account, the monetary/financial side of the model will have to be expanded substantially This is not a trivial exercise and will have to be taken up in future research

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INFRASTRUCTURE LEASING & FINANCIAL SERVICES LIMITED

ANNUAL GENERAL MEETING: STATEMENT OF DEEPAK S PAREKH, CHAIRMAN.

ECONOMIC REFORM: THE NEW AGENDA



Deepak S Parekh

LADIES AND GENTLEMEN

It gives me great pleasure to welcome you to the Annual General Meeting of Infrastructure Leasing & Financial Services Limited. The financial results of IL&FS are with you, and with your permission, I will take them as read. You would observe that IL&FS has fared well last year: net operating profit reached the level of Rs 397 million for the 12 month period, as compared to Rs 251 million achieved in the preceding 18 month accounting year. Comprehensive coverage of operations is provided in the Directors' Report, and I will not cover the same ground

SUCCESS OF THE ECONOMIC REFORM PROGRAMME

Economic policy, over the past four years since the process of liberalisation commenced, has resulted in a rapid restructuring of the economy of the country, much more in tune with global trends. Successive Union Budgets during this period have for the first time defined medium and long term objectives over successive years and followed this through with consistency and imagination. As a result, fiscal imbalances have been reduced, and the external accounts position is comfortable. There is scarcely a sector from which private investors are now excluded. Tariffs have been systematically reduced across the board, convertibility has been established on current account, and it is likely that we would participate fairly soon in the global forum of nations who enjoy convertibility on capital account. India today, as a result of this courageous process of renewal, is in a far stronger position than at any time in recent memory

IL&FS finds itself in a unique position, as it is the only Institution structured to address some of the most important priority issues facing an economy in transition: infrastructure development, its financing and the process of financial sector deepening. All three processes offer exciting avenues for growth, and unprecedented opportunities stemming from the economic reforms that have been initiated. Privatisation, public private partnerships and Joint Ventures with strong international partners are some of the more promising initiatives that come to mind

I would hence like to take this opportunity to share with you my perspectives on the reform programme and our operating environment. I would also like to address specific issues and recommend concrete steps that the Government could consider as critical components of a new agenda

THE NEW AGENDA

The reform programme stemmed from a crisis where our country was on the verge of an international default. All consequential actions have arisen from the foregoing, including our drive to target Foreign Direct Investment (FDI) and increase exports

It may now be appropriate to consider the new direction we need to take. I do not refer to the so-called unfinished agenda, but I would like to formulate key components of the new agenda that we need at this stage in our development efforts

(1) Whilst dealing with an array of projects and the financial sector, I am confounded by the absence of adequate rupee resources. This situation is peculiar as India boasts of the 16th largest GNP in the world, although the per capita GNP remains low. Simply stated, there are finite limits to our absorption of international debt. If we are to fulfil the productivity target that we have set for ourselves, it is critical that we now focus on generating domestic resources

(2) Government intervention will still be required to direct resources into the infrastructural sectors of the economy given the fact that we lag far behind our real needs. Without adequate infrastructure, productivity gains will remain marginal, and private capital will flow to other reforming countries where the quality of living and the range of amenities are substantially better

India today, as a result of this courageous process of economic reform and renewal, is in a far stronger position than at any time in recent memory

The new agenda must primarily focus on methods to raise domestic resources by creating a buoyant debt market and successfully channelising these funds into the infrastructure sector.

In order to achieve the foregoing, a number of steps need to be concurrently considered by the Government in its role as a facilitator

SAVINGS, DEFICITS AND INSURANCE

Contemporary literature highlights the importance of improving the rate of public savings and reducing the deficit. This is a valid concern as public savings (the excess of Government revenues over current expenditure plus gross profits of public enterprises) have reduced to levels close to zero. It is obviously important that we correct this situation and create the capacity for additional investment. The Government has rightly enunciated unequivocally that all Institutions, including public sector organisations, need to compete in the market place. Winding up procedures under the BIFR are now equally applicable to public sector enterprises, and budgetary support has been reduced to the bare minimum.

The present state of affairs in some of our public sector enterprises is the cumulative effect of poor management, apathy and bureaucratic interference, that has been suffered by them over several decades. It would be naive to expect wonders to be achieved in increasing public savings (as defined) in the near or even medium term. Some enterprises would continue doing well, the weaker ones would either close or be absorbed by others. Clearly, we cannot depend wholly on public savings to boost our capacity to invest. I would hence recommend an alternate and quicker solution. We must open up the insurance sector to domestic and international private sector sponsors

The insurance sector remains closed and appears to be the last bastion of bureaucratic hegemony. There has been significant debate on this subject, and the Malhotra Committee appointed by the Government of India undertook an exhaustive review of the sector. No action has been taken on the Malhotra Committee Report, though it was submitted to the Government over a year ago

The reform programme stemmed from a crisis where our country was on the verge of an international default. All actions have arisen going, including our drive to target Foreign Direct Investment (FDI) and increase exports. I would now like t components of the new agenda that we need at this stage in our development efforts

To my mind, discussions on the insurance sector appear to be distorted and confused, and seem to focus on our obligations under GATT. There is an implicit and underlying sentiment that the international community is forcing us to open up the insurance sector. I believe this approach to be quite misplaced and erroneous. It is more valid to view the insurance sector from two perspectives:

(1) The State-owned Corporations engaged in insurance have for far too long been the instruments of Government's own directed credit system-mobilisers of capital for "priority sectors" at the expense of the insurance industry and the consumer at large. Direct control of these enterprises have made them far too unwieldy for the emerging market economy. The return on life policies is well below what the real actuarial value would require, as a result of the pre-emption of funds for low yielding investments. In general insurance, customers are provided with few options, inadequate realisable insurance claims, and premia which are unreasonably high. The motor sector continues to be a drain. It is only by creating a competitive insurance industry that the consumer will receive a fair deal

(2) The unfortunate focus on GATT obscures the fundamental feature of insurance as a major mobiliser of public and private finances. India today has a per capita insurance premia of US$ 5. This compares unfavourably with Thailand which has a per capita insurance of over US$ 15, Korea at US$ 700 and Japan at US$ 2500. A doubling of per capita insurance is eminently feasible, and would result in an unprecedented savings flow of an estimated Rs 10,000 crores per annum

IL&FS is currently working with the American International Group (AIG) to raise resources for the infrastructure sector through a speciality Fund. A number of Off-shore insurance Companies are seeking investments in the Fund, as the nature of their business requires investments in long term assets. There is thus a close connection between the development of infrastructure, the mobilisation of savings and their flow into core sectors of the economy. Regrettably, the premia collected by our own insurance companies have largely been pre-empted by the Government for its own priorities

Finally, the opening of the insurance sector can be a key stimulus to the mobilisation of long term domestic savings. I would also recommend legislative change to permit brokers in this sector. I am afraid it is intellectual arrogance that has caused us to look upon brokers as avoidable middlemen. In fact, brokers play an invaluable role in putting together contracting parties in conventional brokerage services. This is also true in real estate brokerage, and it is true as far as insurance business is concerned. In the UK, insurance brokers are extremely sophisticated and bring to bear well honed technical skills to carve out complex and tailor-made policies. In the absence of such brokerage houses, it would be next to impossible to formulate policies relating to residual value, disaster coverage, and a host of infrastructure projects

ENCOURAGEMENT FOR NBFCs

The establishment of new private sector banks is a step in the right direction. Prudential regulations have been introduced, and banks now have greater discretion in their lending decisions

However, financial markets will never come into their own until there is initially a recognition by the Reserve Bank of India (RBI) of the complementary roles of diverse players. The perspective of the RBI

we are to fulfil the productivity target that we have set for ourselves, it is critical that we now focus on generating domestic resources

It would be useful if the RBI could recognise the legitimate role played by NBFCs in the stock markets. Unfortunately, we have chosen to kill the messenger rather than heed the message. It is true that a few brokers and intermediaries illegally channelised money from the banking system to the stock market. However, it is retrograde to deny brokers working capital and timely access to the desired quantum of funds from the banking system

The present artificial divide between the monetary system and the capital market will not facilitate the management of the economy. In the US, an increase in interest rates results in a perceptible and virtually overnight shift from the equity to the bond markets. If money supply and interest rates are to be the key instruments for monetary management, such an artificial separation does not provide the managers of money the requisite flexibility and tools that they require

DEBT MARKET

Every forum dealing with capital markets inevitably focuses upon the need for developing a long term debt market in India. IL&FS was actively involved in the promotion of the National Stock Exchange (NSE), and pioneering efforts are being made by the NSE to develop a debt market. These efforts are, however, yet to make tangible progress:

(1) We do not have adequate players in the debt market, and existing players are uni-directional in their trading strategy. The RBI has recently introduced an innovative auction system for primary dealers. However, telephone broking continues with its attendant lack of transparency. A significant fillip would be provided to the debt market if the primary dealers auction is mandated to the screen

(2) There is a continuing ban on Re-Purchase Agreements or REPOS as they are commonly known. Every developed market, including the UK, today regards REPOS as a fundamental mechanism for roll over of long term debt on a short term basis. We will simply not be able to develop a long term market if this ban on REPOS continues. This ban was first instituted following the detection of irregularities in the securities market in 1992, and the ban remains in effect to this day. The fact that a product was misused by a handful of brokers and errant banks does not render the product deficient to a degree that deserves its total elimination

The new agenda focus on methods to raise domestic resources by creating a buoyant debt market and successfully channelising these funds into the infrastructure sector.

(3) Market making is a critical prerequisite for the creation of a long term bond market. Our brokerage houses are inadequately capitalised in relation to the size of the debt market, and the nature of financial commitments that they are now required to undertake. It is essential that back stop liquidity be provided to market makers to cross the hump of illiquidity that periodically plagues our money market. The operations of the Discount and Finance House of India and Securities Trading Corporation of India could conceivably be enhanced to provide back stop liquidity to eligible market makers

LEVEL PLAYING FIELD

In 1991, the aggregate Foreign Direct Investment (FDI) was limited to a paltry US$ 150 million. The RBI has reported the aggregate FDI to be in the region of US$ 756 million upto December 1994 and the quantum of FDI is bound to increase. The flow of FDI has been facilitated by imaginative steps taken by the Government to position India as a beneficiary of the international capital markets

A doubling of per … insurance … is eminently fea… ld would result in an unpre… flow of an estimated Rs … crores per annum

There has been a lengthy debate on the introduction of scrip-less trading, but legislative enactments to introduce scrip-less trading are yet to see the light of day. The existing system of settlements and share transfers is not only cumbersome, but prone to misuse and loss of physicals. The appalling settlement process remains a major deterrent to attracting incremental investments from Foreign Institutional Investors

(1) International capital will flow to countries and projects that provide the best terms. We need to compete for capital. Understandably, overseas investors need inducements including fiscal concessions and tax elimination mechanisms of the type offered through our double taxation agreement with Mauritius. At the same time, it is simply not rational for domestic investors to be taxed at a rate higher than that applicable to international investors

(2) Off-Shore Funds have been provided comprehensive tax exemptions using prevailing dispensation. Regrettably, this mechanism is not available to domestic fund structures which envisage domestic investors joining on a pari passu basis with international investors

LEGAL ISSUES

IL&FS has pioneered commercialisation of surface transport and is currently working closely with the Ministry of Surface

Transport and the National Highway Authority of India to develop projects and bring them expeditiously to a financial close. The Government has today created an environment that is conducive to attracting private sector investment. The legislative framework allows private concessionaires to levy tolls, and specified fiscal incentives are available in relation to infrastructure projects

We have a well developed legal system, but the efficacy of the system leaves much to be desired. Much of our legislation was drafted in the mid 19th century when the sharing of responsibility between the State and the Private Sector was very different. Some legislation like the Indian Electricity Act is truly incomprehensible. There are two suggestions that can be made in this regard:

(1) We need to enact legislation that specifies commercial interests to be intrinsic to implementing infrastructure projects on a commercial format. Other Governments in the Asean Region have introduced such legislation to attract long term investors and project sponsors. It is time that Government took on this task and reformulated the principal elements of a commercial code that are presently embodied in diverse Acts such as the Negotiable Instruments Act, the Contracts Act, the Indian Telegraph Act, the Indian Toll Act, the Sale of Goods Act, etc

(2) We need a system for expeditious and transparent settlement of disputes. In a typical toll road project or in a water supply project, disputes could arise during construction and thereafter. The present judicial system for settlement of disputes is lengthy and tortuous. For this purpose, I would suggest that for the surface transport sector, an authority like the National Highway Authority be vested with the power of a Tribunal to adjudicate disputes. Similarly, the proposed Telecom Authority could be vested with comprehensive powers to take decisions on all disputes relating to the telecom industry

POWER

The Government has acted with imagination and courage in opening up the sector for private investment. Inevitably, the initial response was lukewarm, and concerns centered around the poor financial condition of the State Electricity Boards (SEBs), and practical issues in realising proceeds from sale of power in a timely and efficient manner. The issue of sovereign guarantees for securing investments in this sector has been well debated and I will not dwell on it further. However, I believe there are alternative credit mechanisms that could be developed

> The present artificial divide between the monetary system and the capital market will not facilitate the management of the economy. If money supply and interest rates are to be the key instruments for monetary management, such an artificial separation does not provide the managers of money the requisite flexibility and tools that they require

Whilst considering new power projects, an analysis is typically made of the projected demand-supply of power in the State in which the IPP is sought to be established. This approach is erroneous and steeped in historical thinking. Not so long ago, when an Indian entrepreneur analysed prospects for a new unit, the tendency was to look at demand and supply on a domestic basis. Today, with tariffs crumbling, the demand-supply estimates are almost always made on a global basis. Similarly, we need to move away from the SEB structure and instead examine the aggregate demand for power on a regional basis, and eventually on a national basis

The Government of India is presently implementing an HDVC project at Chandrapur which will permit the transmission of power between the Western Grid and the Southern Grid by synchronising the frequency cycles of the two Grids. Ideally, power could be sold by IPPs to a central agency such as The Power Grid Corporation which has the ability to shunt power on a nation wide basis. The IPP could sell power at the market price through the Power Grid to users of power who are willing to purchase it at these rates. Such a structure would also serve to shift the focus from SEBs to willing and creditworthy purchasers of power on a nation wide basis

SEBs AS PARTNERS

A study of the SEBs would reveal that some of the SEBs are in fact fairly well managed. Unfortunately, State Governments frequently subsidise their constituencies at the level of the SEBs, rather than at the level of the user. A chronic problem is the paucity of funds to implement even current projects. In hydro-electric projects, it is not unusual to find projects languishing for over a decade

The SEBs along with NTPC and NHPC have installed as much as 86,116 MW of capacity. This is not a small achievement, and one that cannot be wished away merely because we desire to attract FDI into the sector. An imaginative policy needs to be formulated to enhance the working of the SEBs and bring more productive capacity on stream quickly. A number of SEBs have either semi-finished projects that are languishing for want of funds, or could have additional capacity installed in the same location. It would be appropriate for the Government to formulate policies whereby specified assets of the SEB concerned are hived off into a separate Company with market consideration being paid. Part of this consideration could be through issue of equity in the new Company. A joint venture partner – either domestic or international – could then be inducted and additional capital raised to facilitate the early completion of the project. Three advantages would accrue under such a strategy:

(1) Existing SEB projects could be implemented

(2) The SEBs would continue to grow

(3) Employees of the SEBs would be protected as they could be gainfully employed in the new venture

We have mooted proposals of this nature to two State Governments, and are hopeful of receiving positive responses very shortly

TELECOMMUNICATIONS

Significant changes have been brought about in the telecom sector and it is likely that an apex Telecom Regulatory Authority will soon be created. Timely steps have also been initiated by the Department of Telecommunications (DoT) to make the bidding process and tenders more transparent. Telecommunications is a field where India can rapidly create infrastructure on par with facilities the world over.

There are two initiatives that need the special consideration of the Government:

(1) It may be useful to consider a merger of common interests between the Ministry of Information and Broadcasting, the DoT and the Ministry of Communications. As technology progresses, the dividing line between these Ministries would become increasingly blurred

Our current deficit in infrastructure is enormous and we no longer have the luxury of extended time frames to upgrade our existing infrastructure to global standards

(2) The boom in cable TV operators and satellite controlled TV clearly indicates that multi media is here to stay. It is thus appropriate for the Government to consider initiatives to usher in a high technology multi media environment as painlessly as possible. We need to bring together diverse agencies to work with each other to create a backbone optic fibre link that would serve as the base for an Information Highway. IL&FS has mooted a proposal to the Government to consider such a link using right of ways available with the Ministry of Railways as well as submarine optic cables. Base infrastructure of this nature would not prove to be overly expensive, and would inter-connect India globally

OPTIMISATION OF INFRASTRUCTURE

Little attention is being paid to optimising existing infrastructure. It is certainly exciting for Government and sponsors to establish a global size plant. It is less appealing to focus on optimising existing infrastructure

The low plant load factor of our SEBs is a common knowledge. A few agencies – notably the National Thermal Power Corporation – have taken strides in examining existing power plants and modifying them to achieve higher levels of productivity. In the process, the incremental cost of power generation is but a fraction of the cost of establishing a new power plant. The time frame for the increased productivity is also much less than that is possible through a green field project

Similarly, there is scope for optimising infrastructure across other sectors. There is a fair degree of dark fibre in our telecom infrastructure sector. We have networks which by themselves are a useful demonstration of what can be achieved, but regrettably our networks do not talk to each other. The co-ordination between the Ministry of Railways and the urban authorities for optimising urban traffic systems leaves much to be desired. Optimisation of existing infrastructure including development of inland waterways is thus a task that the Government needs to focus on with great urgency

PROJECT DEVELOPMENT

Encouraged by the initial responses received from domestic and international sponsors, several Union Ministries have offered to privatise a number of projects within their control. State Governments have also announced privatisation of projects ranging from power plants to projects in the mining industry. The Government is well intentioned, but is today criticised for lack of transparency in choosing its partners, or in permitting construction contracts to be awarded without a tender

It is possibly a retrograde step to insist on global competitive bidding for all projects. Our current deficit in infrastructure is enormous and we no longer have the luxury of extended time frames to upgrade our existing infrastructure to global standards. Two possibilities could be examined:

(1) There is a need for initial project development to be undertaken to define the project in its entirety. The preliminary project cost, the conceptual basis for privatisation – be it user charges, real estate development, etc – the environmental constraints, if any, and the rate of return to the investor must be defined. Once this project development exercise is completed, it is fairly easy for potential sponsors to respond to tenders on the basis of common assumptions In the absence of such project development, tender responses vary tremendously

(2) The Government could also consider making a distinction between project sponsorship and award of contracts relating to procurement. Not so long ago, it was common for the State Industrial Development Corporations to invite an industrial partner for a project on a bilateral basis. Subsequent to the foregoing, Financial Institutions and IDCs together ensured that procurement was undertaken through competitive bidding procedures in order that project costs were maintained at reasonable levels"

There is no reason why we cannot adopt a similar process. I see no difficulty in any State Government or local authority bilaterally choosing a credible sponsor. It will be up to the sponsor and the local authority to ensure that the subsequent procurement process is conducted in a transparent manner

CONCLUSION

India is on the move; we will need to enter a period of accelerated growth if we are to tackle the formidable challenge we face of improving the living conditions of our people across the country. Initiatives taken by the Government have produced tangible results, though we now need to be carefully strategising this growth process over the next decade. The financial sector and the infrastructure sector will be the heart of this process of stimulating growth as they both are critical sectors; they determine the pace of growth of every other economic activity. IL&FS has only just made a beginning; it is my fervent hope that in the years ahead we will be able to contribute as a major player in both these markets

Thank you



Deepak S Parekh
Chairman of the Board

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Joint Forest Management

Superior Property Rights?

Shashi Kolavalli

The forest departments in several states are collaborating with communities to regenerate forests by giving a share of the rights to revenues. This paper argues that high costs of excluding unauthorised use has compelled forest departments to accept this change in rights to forest lands. But we cannot expect forest departments to grant a meaningful role for the communities in forest management because their primary motive is to reduce their costs.

JOINT forest management (JFM) is a new approach to forest management which forest departments in several states are employing to rejuvenate forests with the participation of the communities living nearby[1]. The essence of JFM is forest departments' alienation of some of the rights to forest produce to the communities. In exchange for participating in the management of forests the communities gain the right to minor products of the forests and a share of the revenue from timber sales. Alienation rights to land remain with the forest departments; the communities are given only the usufruct rights. The participation expected from communities merely entails protection of forests in most cases. In some cases the communities may be given the opportunity to participate in decisions regarding how the forests are jointly managed. The most significant aspect of JFM is that by alienating some rights to forest lands which are vested in them to be managed in the national interest, the forest departments induce the communities to aid them in their management of forests.

Although experimentation in management through benefit sharing has been going on for several years in a few states such as Orissa and West Bengal, participation of people in forest management was legitimised only in 1988 by the national forest policy. Some of the basic objectives of the 1988 policy are: "Meeting the requirements of fuelwood, fodder, minor forest produce and small timber of the rural and tribal population. Creating a massive people's movement with the involvement of women for achieving these objectives and to minimise pressure on existing forests." [GOI 1988: 2]. The 1988 policy recognised severe depletion of forest cover since 1952 although the forest policy of 1952 had set a target of increasing forest cover to one-third of the country's land area. It attributed the depletion of forest cover to pressure on forests from increasing demand for fuelwood, fodder and timber, inadequate protection measures, diversion of forest lands to non-forest uses, and a tendency to look upon forests as revenue-earning resources [GOI 1988: 2]. The 1988 policy emphasised meeting local needs even at the cost of the protective function of forests because of growing pressure on forests from increasing population [Chaturvedi 1992: 187].

In June 1990 the secretary, environment and forests in a circular to forest secretaries of all states and union territories, further clarified the policy relating to people's involvement in forest management. The circular stated:

> The national forest policy 1988 envisages people's involvement in the development and protection of forests. The policy document envisages it as one of the essentials of forest management that the forest communities should be motivated to identify themselves with the development and protection of forests from which they derive benefits.
>
> the need for working out the modalities for giving to the village communities living close to the forest land usufructuary benefits to ensure their participation in the afforestation programme was emphasised.
>
> the beneficiaries should be given usufructs like grasses, lops and tops of branches and minor forest produce. If they successfully protect the forests, they may be given a portion of the proceeds from the sale of trees when they mature. [GOI 1990: 9-10]

The nature of community participation envisioned in JFM is quite different from participation accommodated in earlier programmes. Forest labour co-operatives, for example, were initiated to put an end to illegal harvests by contractors [GOI 1988: 6]. Forest labour co-operatives supply labour against wages and also receive a small share of the net proceeds from produce marketed through their own depots. They are not residual claimants to forest revenues. Therefore, they may not have any interest in the long term development of forests. JFM, on the other hand, grants certain rights to benefits from the forests to participating communities because of which they have an interest in enhancing forest productivity.

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Property Rights and Their Enforcement

Property rights over assets consist of rights, or the powers, to consume, obtain income from, and alienate these assets [Barzel 1989: 2]. A person's ability to realise the potential value of his or her property depends on the nature of rights and the extent to which his or her rights can be protected. The ability to exclude others prevents the property from becoming an open access resource and the ability to alienate and to derive income permits the owner to realise gains from exchange [Barzel 1989: 85]. The extent to which the rights to a property remain undiluted is dependent on the efforts made by the owner to protect them, efforts made by others to capture the asset, and protection provided by the government [Barzel 1989: 2]. Protection of one's rights involves considerable costs. When protection costs are positive, rights to assets cannot be perfectly delineated [Barzel 1989: 3]. This provides an opportunity for others to benefit from the property.

Forest departments though legal guardians of forest with powers to exclude people from making certain uses of the forests cannot effectively do so. They could exclude people by constructing physical barriers. Costs make this option rarely feasible. The other option is to deter encroachment by making it costly for the offenders. Adequate deterrence can be created only by maintaining the probability of capture, prosecution, and harsh punishments at fairly high levels. All this requires information which is costly to gather. Ineffective laws and faulty legal systems dilute deterrence. Moreover, some encroachments may take place in collusion with the staff of forest department in which case the incentives to protect the department's rights themselves may be weak.

In the absence of effective protection, forest departments rights over forests are not fully delineated In order to economise on monitoring or guarding costs forest departments may prevent only those encroachments which are not costly to prevent thereby providing open access to some benefits from forests As an example forest departments may choose to ignore illegal grazing and firewood collection because they are numerous and difficult to prevent The rights which cannot be fully protected become available for others to capture This affects the forest department's ability to realise the full potential from forest lands

The most numerous encroachments are made by those who depend on forests for their livelihood Their encroachment may take the form of livestock grazing, firewood and fodder collection and harvest of non timber and timber products both for domestic use and sale The forests in which such encroachments occur are likely to be degraded Grazing and firewood collection in excess of sustainable capacity of forests are considered to be the major causes for forest degradation Grazing in forest lands is extensive nearly all forest lands in Rajasthan are grazed UP grazing takes place in 83 per cent of forest land in West Bengal over 70 per cent in Sikkim, over 75 per cent and in Nagaland over 53 per cent of forest lands [Lal 1992 42] There is considerable pressure on forests because of the large gap between demand and supply for firewood The estimated total quantity of wood cut in excess of silviculturally permissible limit was 3 245 million cubic metres in the 35 years between 1953 and 1987 This was estimated to have resulted in total destruction of 3 million hectares and in the reduction of growing stock in 27 million hectares [Lal 1992 40]

Less numerous are encroachments intended for harvest of valuable forest products primarily timber They may be less numerous than livelihood based encroachments but their contribution to degradation is not any less They generally take place in forests which still have valuable timber They are also likely to take place in forests which are isolated from the communities They are easier to control But these encroachments may be facilitated by collusion among encroachers politicians and forest department staff

Encroachments could also take place due to political reasons Forest policies create conflict between national and local needs The 1952 policy states that the accident of village being situated close to a forest does not prejudice the right of the whole country as a whole to receive the benefits of a national asset [GOI 1952 419] 'Rural communities also see little coming back to them from their neighbourhood forests managed by the forest departments in the national interest This conflict was particularly strong during British rule when forests were exploited for the benefit of the empire As a result, there was a general defiance of forest laws and forests were set on fire during the movement for home rule in 1916 Resentment from forest related conflicts with the government 'lent inspiration to freedom struggle in Uttar Kannada [Nadkarni 1988 30] In Puri, for example villagers on several occasions raided nearby forests to cut down trees [FRI 1961 79] More recently large scale fellings by Jharkhand activists in Singhbhum is believed to be a protest against the government's apathy towards the region [Chatterjee 1933]

The costs to the forest department of preventing encroachments also differ among different kinds of encroachments The costs include monitoring prosecution and political costs The more numerous encroachments such as grazing firewood collection and harvest of products needed for subsistence which take place in degraded forests are costly to prevent The information costs are high because they are numerous More importantly the political costs are high The communities may view these encroachments as being moral in the sense of communities having a right to a living to the extent local resources permit' [Scott 1976 176] Smuggling and poaching related encroachments should be easier to exclude because they are less numerous, and such efforts are also likely to receive popular support But political support may be weak The potential for large profits and the possibility of collusion as is evident from sandalwood smuggling for example, make such encroachments difficult to control The collusion may be so powerful in some cases that the forest department may lack the incentive to protect its rights [4]

The forest departments have adopted different measures to discourage encroachments One of them is to reduce pressure on forests to meet grazing firewood, and timber requirements of communities One of the objectives of social forestry is to meet these requirements through promotion of forestry in private and village lands The recent forest policy is clear that sufficient fodder fuel and pasture should be provided especially in areas adjoining forests to prevent depletion of forest beyond the sustainable limit [GOI 1988 3] Policing powers of the forest departments also have been strengthened The 1980 forest bill spells out a number of prohibited acts in preserved and protected forests and prescribes punishment for committing these prohibited acts The bill also has provisions for the seizure of implements used in committing these acts Forest officers were given very wide powers of arrest and of seizure of property to deal with forestry related offences [Kulkarni 1989 150] In Gujarat, the forest department has the authority to seize trucks used for transporting illegally cut timber [5] The intention of granting such powers to forest departments is to make punishment more likely, severe and swift As a result, policing has emerged as one of the primary functions of foresters

Forest departments policing has resulted in high political costs particularly when it deprives the locals of their livelihood Conflicts have taken place as far back as 1772 [Troisi 1978 15] The forester is perceived to be an enemy of the people in many places In Gujarat, for example each year an average of 18,000 forest offences are recorded These include 10 000 cases of timber theft, 2 000 for grazing, 700 for fire and 5 300 others [Pathan et al 1991 3] Since the formation of Gujarat 20 forestry officials have been killed in confrontations Between 1985 86 and 1989 90 there were 376 incidents of assaults in which 383 forest officers were injured and four died [Pathan et al 1991 3] Clashes between individuals and foresters occasionally turn into broad-based conflicts between communities and foresters Given the potential for conflicts the forest departments are not capable of effectively excluding people from making what they consider to be illegal uses of the forest

Joint Management

That punitive measures alone were not adequate for excluding people from the use of forests was realised in the 60s itself [FRI 1961 99] The experience of the West Bengal forest department also suggested that traditional methods of surveillance and policing 'led to a complete alienation of the people from the administration resulting in frequent clashes between the forest department and the communities' [WBFD 1988 113] Having realised the futility of protecting the forests armed with only punitive measures, some forest departments began experimenting with involving communities in forest management [Kant et al 1991 2-3, Pathan et al 1991 3] In West Bengal, Gujarat, Haryana, and Himachal Pradesh some foresters began discussions with communities to encourage them to organise and protect forest lands from further degradation People themselves took the initiative in Orissa Bihar and Madhya Pradesh

Communities themselves, particularly through voluntary organisations, have brought pressure on policy-makers to recognise that they are also interested in conservation and that they ought to be involved in forest management [Bhatt 1987] These pressures may have contributed to changes in policy which have accommodated community participation in forest management But the principal factor which has led many forest departments to experiment with community involvement in forest management and also become receptive to joint management is their inability to prevent encroachments so as to be able to put forest land into productive uses as they perceive

them. The need to involve people in forest management was recognised in the 1952 policy itself. The policy stated

> No forest policy however well intentioned and meticulously drawn up, has the slightest chance of success without the willing support and co operation of the people. The recognition of their rights to forest produce at concessional rates, or, free or royalty is not by itself enough. What is necessary is to instill in the people a direct interest in the utilisation of forests. [GOI 1952 427]

However, mechanisms necessary to instill direct interest were not introduced by the forest departments. But as exclusion costs progressively increased because of the rising number and the severity of infringements the forest departments have become more receptive to creating a direct interest in the communities. The shift in policy towards joint forest management has been primarily to find a property rights structure which would make exclusion more feasible and less costly to the forest departments. This is fairly evident from JFM policy statements of various states which have made some progress in implementing JFM.

Bihar

> It is necessary to rehabilitate these forests and increase their productivity. After serious deliberations the government has reached the conclusion that the management and protection of forests close to the villages must be done with the co operation of the village people. [GOB 1990 11]

Gujarat

> Responsibility of the village community are (i) To protect forest land from encroachment cultivation fire felling and grazing. (ii) The community through its members will prevent any damage to the forest area allotted by any unauthorised persons and will inform the forest officers concerned for taking necessary action. [GOG 1991 16]

Haryana

> Presently one of the major roles of the forest department is to police the surviving forest resources. This results in a continuous confrontation between local villagers who need to exploit these resources for survival and the forest staff who are duty bound to protect them.
>
> The essential learnings from Sukhomajri and Nada were the following: that social fencing by village communities can be more effective in protecting forest areas than any amount of policing by the forest department.
>
> The basic philosophy underlying the proposed policy is to link the economic interests of villagers adjacent to forest areas with sustainable management of those areas. [GOH 1990 18 19]

Jammu and Kashmir

> Whereas active participation of local people is vital for regeneration, maintenance and protection of plantation done for afforestation and rehabilitation as aforesaid, [GOJK 1992:26].

Karnataka

> In spite of several measures like increase in staff communication network and increased intensive patrolling, etc, the desired results have not been achieved. Keeping this in view the state government desires that people living in the villages adjoining the forest areas should be actively involved in the conservation planning and protection regeneration of degraded forests. [Karnataka government order quoted in Hegde 1994]

Madhya Pradesh

> It has been noticed by the government that damage to the government forest is increasing day by day due to illegal cutting and encroachments by some organised gangs. It has been brought to the notice of the government that in spite of adequate measure taken in such sensitive areas such as increasing the number of forest officials intensive patrolling and other arrangements satisfactory results have not come so far. Keeping this in view the state government has now come to the conclusion that until residents of villages adjoining the forest area is sensitive to damage give their active co operation to the forest department in the protection of forests it would be impossible to protect the forest areas fully.
>
> In order to get the co operation of the villagers in the regeneration of such forest areas it is essential to give them incentive by way of a share in the forest produce. [GOMP 1991 38]

Maharashtra

> The illicit cutting of trees from the area is increasing for various reasons. The relevant laws and regulations imposed by the government are not sufficient to prevent the destruction of forests. People's co operation in protecting the forest is very essential. [GOM 1992 44]

Orissa

> After careful appraisal the government is of the view that the task of protecting forests is so urgent and so enormous that the rural community should be fully and actively involved in it.
>
> The assigned villagers shall be responsible for the protection and prevention of illicit felling thefts of forest produce and encroachments in the assigned reserve forest areas. [GOO 1988 50]

Rajasthan

> Since the task of regeneration of such forest lands by afforestation is quite voluminous the success of the efforts made through the state government's resources and manpower has been limited. It has been decided after thorough discussion of the subject at central state and other levels that for the conservation, development and management of such degraded and denuded forest land co operation and participation of the local villagers and voluntary agencies through gram panchayats may be sought from this year. [GOR 1991 52]

Tripura

> Whereas active participation and involvement of local people is vital for regeneration maintenance and protection of aforesaid forests/plantations and successful implementation of the programme.
>
> Now therefore the governor is pleased to decide that forest protection and regeneration committees shall be constituted for this purpose and beneficiaries acting as members of such committees shall be allowed as a measure of incentive usufruct defined herein after para 4 subject to observance of the conditions provided in this resolution. [GOT 1991 57]

West Bengal

> Whereas active participation and involvement of local people are vital for regeneration maintenance and protection of aforesaid forest/plantations and successful implementation of the programme,
>
> Now therefore the governor is pleased to decide that forest protection committees shall be constituted for this purpose and beneficiaries acting as members of such committees shall be allowed as a measure of incentive 25 per cent of the usufruct subject to observance of the conditions provided in the resolution. [GOWB 1989 62]

The perceptions and intentions of policymakers in various states are explicitly stated in their policies. The forest departments have failed to maintain forest cover or improve degraded forests. They will be able to do so only if they involve the communities in forest management. Social fencing is more desirable and effective than policing. Protection from thieves requires the co-operation of the people living nearby these forests they can assist the forest departments by providing information. A direct interest in forest development can be instilled in the communities by giving them a share of the forest revenues.

As the principal motive of the forest departments in promoting JFM is to arrive at a property right structure which reduces their exclusion costs there may be a basis for understanding the reasons for differences in the enthusiasm with which the forest departments are initiating JFM in different states and the types of the forests which have been brought under JFM. Forest departments are least able to exclude people without antagonising the communities where pressure on forests is high because of livelihood-based encroachments. Therefore forest departments in states where there is considerable forest dependent population with degraded forests in the vicinity of communities are likely to be most enthusiastic about JFM. Where theft of high value products is the primary problem punitive measures are likely to be more effective as they would not be objectionable to communities and the forest departments are less and likely to enter into JFM.

Along the same lines one can also hypothesise that forest departments would like to bring under JFM only forest lands which they cannot manage single handedly. Only those degraded lands whether forest depart-

ment or community owned which have the most potential for improving productivity under shared rights will be brought under JFM In Gujarat, for example only forests which are heavily degraded in terms of tree cover) are available for JFM The legal status and the condition of these lands may vary from state to state The states are clearly not interested in sharing rights to productive forests.

Appropriate Property Rights

As property rights to an asset influence how it is utilised one can think of one set of rights being superior to another in terms of the potential of the asset realised According to Barzel (1989 5) maximisation of the net value of an asset requires an ownership pattern which can most effectively constrain uncompensated exploitation As there are costs associated with rights protection and these vary from one situation to another the nature of property rights which prevail vary according to the nature of assets and the uses to which they are put In the case of land they may vary according to the use resources or circumstances involved [Baily 1992 195] To explain the transition from common lands to private lands in New England agriculture Field (1985 364 65) argues that the optimal commonness for using a natural resource is determined by changes in (i) exclusion costs (ii) total value of common property externalities in the communities and (iii) transaction costs of reaching agreements among users Changes in exclusion costs from technological development for example can lead to changes in rights The potential for reducing exclusion costs possibly through changes in the rights themselves provides an opportunity to enhance the value of an asset

A property rights structure which vests the rights to revenues from major products of the forests with forest departments alone may yield less than the potential benefits from forests Forest departments inability to exclude resulting in open access to forests may lead to the unsustainable harvest of forest It can also influence how they manage the forests They may develop forests which yield only timber This is done through planting of what are known as defensive species which can withstand grazing and are unsuited for fodder The consequence therefore of current rights which lead forest departments to pursue timber production is a gap between the potential and actual value of output from forests Forest lands could be put to better use when they are managed to meet both timber and non timber needs such that the total value of output is high Forest management decisions under the current right structure overlook the value of non-timber benefits to communities

A change to a more productive set of property rights may come about when the prospects of getting a share of the benefits from doing so provide incentives for interested parties to reassign property rights [Libecap 1989 15] The interested parties who may influence policies affecting rights are (i) communities which traditionally have had access to forests (ii) the forest department and (iii) industry The communities have faced both an erosion of their rights to forest products and reduced flow of benefits to which they have rights They often attribute decline in productivity to forest policies and demand transfer of rights to communities to enable local management of forests as common properties The industry would like greater direct control of forest lands so that supply of their inputs becomes more secure The forest departments/government have come under increasing public scrutiny and pressure to increase tree cover following the realisation through satellite imagery that forest cover in the country is much less than actually believed Between 1972 75 and 1980 82 the forest cover had actually gone down from 16 9 per cent of geographical area to 14 1 per cent [Nadkarni 1988 160] All parties have an interest in changing property rights But the interest that is of most consequence in reassigning the rights to the forests is that of the current holder of the rights the forest department

An optimal bundle of rights from the point of view of the forest department is one in which its power to put the land to uses which it perceives are in the national interest is not diluted and its revenues remain the same if not grow One option available for the forest department is to lease degraded forests to industries for captive plantations But leasing forest land to commercial firms is not always acceptable to the public The decision of the Karnataka state government to allot government land for developing a captive plantation was challenged in the courts [Gadgil and Guha 1992 192] The forest departments themselves may oppose captive plantations when they diminish their control over forest resources and warrant scaling down of their operations Moreover they enjoy the current position of being monopoly suppliers of scarce industrial inputs at controlled prices

The other option is to involve communities A desirable bundle of rights from the point of view of the communities is one which gives them the access to forests which they have traditionally had and a share of revenue if not a complete control over forests which would give them the incentive to invest their resources in forest development However it may also be wrong to assume that people always want forests to be developed as forests or that they should be managed by communities Even tribals traditionally presumed to favour collectivist traditions may desire to become private landowners and therefore seek regularisation of 'illegal' cultivation of forest lands [Shah 1994]

A set of rights which would encourage co-operation between the forest department and the communities is one in which the communities feel that they have a fair share of the revenues which is commensurate with the efforts that they put into joint management, and the forest department feels that its own revenues and powers are not diluted while maintaining or improving tree cover The requirements of the two parties can be the basis for determining an optimal share of rights between the two parties in JFM A share acceptable to the communities is one which they feel is (i) at the least commensurate with additional efforts that they put forth, (ii) fair If the share is not fair by the standards of the community, they will perceive the agreement to be exploitative The conflict between a community and the forest department regarding sharing of benefits is akin to one between a landowner and a tenant

Because of historical ownership patterns, the relationship between the forest department and the community has come to be that of a patron and client This view may not be acceptable to those who consider communities to be the legitimate owners of forests But it is only in this context that we can examine whether the relationship under JFM is exploitative or an unfair distribution of efforts and rewards The existence of injustice or exploitation implies that there is a norm of justice But the difficulty is to come up with an acceptable norm which is also consistent with the subjective feelings of the exploited [Scott 1971 158 59] Two principles that seem to underlay what is moral are the norm of reciprocity a notion of equal exchange and right to subsistence (1971 167) As Scott suggests one must examine the notion of justice and values of real actors rather than begin with abstract normative standards [1971 160] Community perception of what is fair is reasonable Folk conceptions of justice do have a rational and realistic basis, and arrangements that depart from this basis are likely to need deception and force the more they do depart [More quoted in Scott 1971 171]

Even from a limited perspective of the forest department to buy protection through social fencing from the communities an optimal share for the communities is one which is congruent with what is considered to be moral by communities Unless the communities consider the shares offered to them to be fair or moral, they would have an incentive to cheat on the agreement Unlike Scott's view that peasants are concerned only with what is left to them in a relationship, they are also interested in what is taken away A decent return to efforts that they put forth provides only a lower estimate of what is considered moral by the participants Our case studies in Gujarat suggest that the communities feel that a 50 per cent share of the forest department is unjust as the communities put

for much of the effort and the forest department earns by merely being a landowner

The sharing of revenues is not the only aspect of joint management that is of concern to communities The right to derive income from a property also includes the right to decide what to do with the property This is the empowerment' for which social activists are calling To instil a sense of ownership the communities should be given an opportunity to participate in planning as well The legislation in some states Bihar, for example is clearly intended to 'use people to meet the objectives of the forest department and not engage in joint management in any meaningful sense The societies established by the district forest officers are expected to assist the forest departments The do not even have the freedom to decide what they do with their share of benefits Such legislation is hardly likely to instil direct interests

When the terms of contract are conducive to instil a sense of ownership in the communities the bundle of rights inherent in JFM result in a better alignment of incentives and information about the scarcity of the resource It will permit greater realisation of the land potential compared to state ownership The increase in the value of output will come from (i) sustainable harvests of timber and non timber products of forests in existing forests (ii) increase in the value of outputs through planting of species valuable to the communities and (iii) increased investments in new forests On the cost side protection costs will come down as community participation increases As communities develop institutions to govern their behaviour social fencing will replace policing by the forest department The total protection costs per unit value of output should also come down It will enable development of lands which would not have been developed otherwise Without joint management the forest department can only retreat back to forests which it can protect effectively

There are several reasons to expect productivity of land to be higher under JFM compared to forest department ownership All grazing of forests particularly unlimited or uncontrolled grazing is considered to be incompatible with scientific forestry [GOI 1952 424] That the forest departments consider controlled grazing to be important for increasing land productivity is evident from the fact that JFM agreements in most states insist that communities control grazing The total value of products produced from forest land could be significantly higher under JFM when what is of value to the community and the land capability become the prime considerations in the selection of species Our case studies of JFM in Gujarat show that choice of species for planting has been done in consultation with the communities, production of timber has not been the only consideration.

The states also recognises that even with sharing of output with the villagers, their revenues will not be reduced as increase in productivity will more than compensate the loss from sharing with communities Moreover what the communities will get is a share of output from forests which were not productive prior to JFM the forest departments are not giving up their revenues The policy statement of the government of Haryana is explicit

> For the state government there will be no loss in existing revenues (if any) from the concerned areas The present levels of revenue will be maintained and in certain cases there will be increase over a period of time Simultaneously through the government's adoption of the policy of sharing the bulk of the increased production resulting from villagers participation the villagers economic status will improve substantially without any additional cost to the government Further with the villagers accepting responsibility for protection and management of forest areas near the villages the department's future costs for protection and rehabilitation will be substantially reduced [GOH 1990 19]

The gist of this policy statement is that under JFM an increase in the value of production and a decrease in the transaction costs of enforcing rights can be expected When forests are developed with the involvement of people the potential for increasing the value of forest output would be significant Property rights modified for joint management make it possible to invest in land improvement or afforestation hitherto considered unviable because of high protection costs JFM also provides a means for the state to create social capital utilising labour in rural areas

Open Access to Common Property via State Control

The state's involvement in forests began with Chandra Gupta Maurya (300 BC') when there was a superintendent of forests part of whose duty was to protect wild life in forest areas [FRI 1961 72] The forests under the Hindu rulers were classified for various purposes with limitations placed on their use Subsequently, during the Muslim rule only specified species of valuable timber were proclaimed by local rulers as 'royal trees' and royalty was collected for their extraction Property rights were developed only for valuable species Otherwise, the forests were open to everyone But there was customary regulation of rights over forests [Kulkarni 1989 140]

Subsequent to appointment of a commission to enquire into the availability of teak in Malabar forests in 1890, regulations prohibiting the felling of teak below [illegible] inches in girth were introduced In 1805 forest committee was constituted to enquire into the capacity of forests and the status of proprietary rights in them The committee found that the more accessible forests had been overworked A proclamation declared royalty rights over teak trees in the south and prohibited unauthorised harvesting of teak [FRI 1961 73] As population pressure increased, forests which were open access resources were brought under state control Even under state ownership communities had free access to forest lands

Private ownership of forests was also not considered to be in the interest of the state In 1864 the governor general suggested to the secretary of state that allowing proprietary rights to forests to individuals should be abandoned as such rights were almost certain to lead to destruction of the forests He also suggested that all government forests should be strictly set apart and made inalienable, some provision should be made for existing private rights and it would be good policy to extinguish even those rights on equitable terms wherever possible [FRI 1961 76] State control was used as a solution to forest degradation under both open access and private control of forests

Though forest lands were brought under the state control to be managed by forest departments district administration or village panchayats they effectively became open access resources to various degrees because of high protection costs JFM is an attempt now to make them common properties of communities with clear boundaries to exclude non members and institutions which govern how members use the resources The institution of common property is being employed as a solution to degradation of forests due to open access [Ciriacy Wantrup and Bishop 1975]

JFM may be a step towards the development of forest policy as if people mattered, balance of power and people's power as a check for bureaucratic power" as articulated by Baxi (1983 103) The evolution of JFM, particularly in terms of changes in the position of the forest departments, is not driven by any desire to bring about participation in any sense larger than building social fences Therefore it is perhaps too much to expect JFM to meet the criteria of participation along the lines suggested by Arora (1994 697), viz, principles of empowerment, autonomy, self-realisation, and effectiveness [p 697] In a recent case in Karnataka where the forest department is implementing joint management with the support of ODA, the forest department fenced off the forest and terminated the involvement of a community which was not pliable [Hegde 1995] Even under the proposed bill, the communities will play a subservient role [Kulkarni 1994] The forest departments' alienation of some rights to communities in exchange for their participation is not an act of generosity The forest departments would retain all the rights if they could regenerate forests without co-operation of the people, they have no choice given the current technology of exclusion.

Notes

[Rolf Mueller made valuable comments on an earlier draft of this paper I have also benefited from discussions with my colleagues Samar Datta, Gopal Naik and Devi Tewari Responsibility for deficiencies still lies with me]

1 The number of forest protection committees or community organisations engaged in joint management in different states were as follows 413 in Bihar 200 in Gujarat, 36 in Haryana, 272 in Jammu and Kashmir, 1,181 in Orissa and 2,110 in West Bengal The area under protection in Orissa where joint management has been in practice the longest is about 3 per cent of the total forest area [SPWD 1992 83 87]

2 The performance of these co operatives has not been consistent The societies have difficulty working with the forest departments as the forest departments prefer to work with contractors Control of many societies has also been seized by unscrupulous elements They have worked satisfactorily only in a few places such as Dangs district in Gujarat where all timber extraction is done through these co-operatives [Gadgil 1983 124]

3 There can be legitimate conflict between local and national needs when there are externalities For example, Himalayan forests are treated as national assets whose degradation have serious consequences for agriculture in the plains

4 In such situations, some communities in Assam have taken it upon themselves to protect the forests [see Raju et al 1993]

5 Timber from four good trees can be expected to yield Rs 1,20,000 [Sainath 1993] Small fines alone cannot deter activities which have high expected returns

6 Forest protection committees are also effective in assisting the forest departments in controlling smuggling Recently a forest committee in Palamu area apprehended a forest officer smuggling timber [Sainath 1993] The forest departments are finding effective allies in people Tribals have been hired as forest watchers in forest reserves in Tamil Nadu They have used to their advantage tribals' understanding of forests, ability to endure long hours of work, familiarity in dealing with wild animals and knowledge of poaching [Padmanaban 1993]

7 This has the potential danger of creating incentives for communities to hasten degradation of forest which they would like to have brought under joint management

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Agrarian Forces and Relations in West Bengal

J Mohan Rao

IN a paper candidly acknowledging the rural rides' rather than extended research on which its conclusions are based, John Harriss ('What Is Happening in Rural West Bengal? Agrarian Reform, Growth and Distribution' *LPW*, June 12 1993) has nevertheless put us in his debt by providing a sweeping interpretation of the changes occurring in the Bengali countryside over the period of Left Front rule. He squarely confronts the Marxist/ social-democratic /reformist government's claim that the significant improvement in West Bengal's agricultural performance and in the living standards of its rural poor are due to the structural changes in agrarian relations brought about by its reform policies. And in arriving at his negative verdict Harriss finds reason to set aside previous diagnoses of the causes of agricultural stagnation based on the distribution of rural property and power and the modes of surplus appropriation they support.

This much in his paper is quite clear. On the positive side however, there are discordant notes within the paper. West Bengal's own belated 'green revolution', he contends in the concluding section, is less the result of state initiated reforms of the relations of production than of the state's 'focus on the expansion of the productive forces' (p 1246). That is to say, state policy was an element in the success even though the state itself is unaware which of its policies proved successful. Yet the bulk of the paper leaves the impression that even this compliment is not seriously meant. By registering considerable scepticism about the channels through which the state's focus on the productive forces might have taken effect, Harriss ends up arguing that private initiative and investment were largely responsible for the breakthrough.

This note seeks to draw the reader's attention to Harriss' questionable interpretation of the record (based principally on field observations on village Jungul in 1982 and 1991 but buttressed in various places by references to macro and secondary sources) and suggests why the interpretation he rejects deserves far more serious scrutiny. To be sure, Harriss is only too well aware that state policies may have worked in both direct and circuitous ways. This awareness allows him to nuance his main conclusion (not to say confound the reader). It is useful therefore to begin with a summary of his main arguments together with their qualifications.

Jungul changes. There was a breakthrough in agricultural production and an improvement in rural living standards in West Bengal which was also clearly observable in Jungul. *Reform efficacy*. Prior change had robbed tenancy reform (Operation Barga) of its potency, land redistribution was insufficiently deep to make a significant dent on land inequality or associated relations of power and dependency, credit programmes oriented to the poor have helped but probably much less than changes brought about by the growth of production. *Irrigation growth*. The expansion of production is the result mainly of investments in shallow tube-wells (STW) coupled with increased use of fertilisers and new HYV and complemented by some growth in the use of tractors as well. *Growth effects*. While there has been all round output expansion, its main manifestation has been the growth of 'boro' season cultivation through short term leasing of land which has become an important source of income for the poor. This source of income has in turn financed the purchase of land by the poor with a consequent reduction in land inequality. Both these developments contributed to the decline in paddy loans and the control exercised by rich peasants through command over credit. Thus, the growth of production led the major observed changes in wealth distribution and in land and credit relations (not the other way around). *Growth causes*. Panchayati co-ordination and organisation proved to be neither barriers nor facilitators of STW investments nor did state (panchayati) subsidies figure importantly as a factor, therefore, private initiative and private investment, private informal land consolidation and the development of water markets have been responsible for irrigation development. The driving force behind the growth of irrigation was its new profitability induced by the availability of a suitable HYV and a more favourable nitrogen fertiliser/paddy price ratio (sustained, it should be noted, by central government fertiliser subsidy and price policies).

These arguments together add up to the main conclusions reached by Harriss that reforms were neither deep nor effective in changing power and property relations, that private investment has transformed the productive potential and led to major changes in living standards and most importantly, that the groundwater puzzle – the recent exploitation of a long unfulfilled potential – is sufficiently resolved by reference to technological and price factors thus dispelling the hypothesis that productive forces were impounded by production relations. Harriss' perspective may not be 'classical' and productionist (p 1244), a charge Harriss (perhaps rightly) levels against the official view however it certainly appears to be a singular example of the trickle-down and technocratic model of growth.

The most important of these is his observation for Jungul that significant wage increases were brought about by direct CPM-led actions that contributed to improving or at least maintaining living standards (given that wage employment per worker fell at the same time). He believes that this effect was decidedly more important than the direct effect of the land reforms while allowing that reforms may well have contributed to the political support which has made action on wages possible (p 1243). Another concession Harriss makes to the view that 'politics are important' (p 1243) is that labour actions prompted landowners to operate land in the boro season through short term leasing, virtually a form of piece-rate system, rather than with wage labour. In short grass roots labour organising contributed directly or indirectly to the rise in living standards. Notably however these did not contribute to the production breakthrough itself at best they affected the choice of production organisation to serve as the vehicle for new production. At the same time, the government's 'focus on productive forces" as a contributory factor remains a largely empty declaration by Harriss given that he assiduously undermines it.

Hence, despite Harriss express scepticism about the feasibility of quantifying the relative contributions of the determinants of growth, the unqualified arguments stated above still represent a fair picture of Harriss' position. In fact, it is hard to see how Harriss can make any of the basic claims he makes without at least an implicit hierarchy of relative contributions of the various growth factors. The clear 'line (of causality and political evaluation) that emerges proceeds as follows: technology and price factors →→ private initiative and investment→→boro-season leasing→→increased poor peasant incomes→→reduced land and credit inequalities (I hasten to reiterate that there

is enough in the paper to confuse even the careful reader Thus, Harriss states clearly that the successful change in Jungul in the 1980s did not result at all directly from the agrarian reforms (p 1243) leaving open the possibility that these reforms may have contributed indirectly)

II

Grounds for scepticism about Harriss hypotheses are best stated seriatim as follows

(1) Did price *and* technology variables increase the gross profitability of capital investment? Harriss identifies the availability of suitable HYV (IR 36) and a more favourable N fertiliser/paddy price ratio as the prime movers of the green revolution (though STW investment was a crucial element – least oil powered engines were of a new technological element) Between 1982 and 1991 the fertiliser/paddy price ratio had fallen by a third But according to his own data the wage/paddy price ratio had risen by two thirds (p 1243) Harriss insists on the significance of both of these numbers the first as a spur to irrigation investment and the second as a cause of rising living standards of the poor Yet these numbers work in opposing directions as far as the effect on private profitability is concerned For a given level of yield the share of surplus in output would have fallen if the fertiliser share was no more than twice as large as the wage share – a condition that must have undoubtedly held If profitability rose nevertheless which Harriss central thesis requires, this must have been due to higher productivity from the new varieties sufficient to compensate for the unfavourable movement in relative prices and wages

(2) Did changes in capital markets (or credit relations) raise the net profitability of capital investment? During the decade, paddy loans declined substantially and poor peasants accumulated enough funds even to purchase some land The peak season paddy price premium fell from 51 per cent in 1982 to only 22 per cent in 1991 Evidently, the control of rich peasants on capital declined significantly Harriss seems eager to attribute all of these changes to the increase in investment and production He does not entertain the *reverse* line of causality with falling returns on loans and stocks stimulating productive investment It is at least possible that the effective opening up of formal credit (including that due to poverty-oriented rural credit programmes) and wage actions served to improve the net profitability of irrigation investment in the first place (by reducing its opportunity cost in the form of returns to loans and paddy holdings) and that this then set up a virtuous cycle of rising production, declining credit dependence (and interest rates), a further rise in productive investment and so on By Harriss' own reckoning rich peasants appropriated significant amounts of surplus (both directly in interest charges and, more so indirectly through the seasonal premium in the product market) owing to their control of paddy lending prior to the recent changes

(3) Even if it turns out that the fertiliser/product price relative and technology variables were exclusively or principally or at all responsible for the rise in groundwater investments does this prove that politics or production relations were irrelevant to that extent, i e, can variations in technology and prices be separated from political economy considerations? The institutionalist or political economy perspective is not a straitjacket No doubt in some interpretations, the stagnation imposed by production relations is an absolute constraint that can only be relaxed through changes in production relations (call this a classical or 'productionist' perspective if you like) In reality the price of investment and of changes in technology may vary over time and it is naive to suppose that they only occur in discrete jumps each entailed by a rupture of some sort in production relations A more sensible interpretation will therefore allow that price configurations may change sufficiently to render previously unprofitable investment profitable But this does not render the price configuration exogenous to political economy The fertiliser subsidy and food pricing policies that underlie Harriss' priest' claims were of course not creations of Jungul production relations or even of the West Bengal government but they certainly were the artefacts of the central government These policies have been at the centre of the political economy of state interventions in agriculture for well over two decades now This is not the place to delve into an analysis of the issues this poses and how they might impinge on the question at hand (the West Bengal green revolution) Suffice it to note that the Left Front government's role will be accordingly devalued (though not rendered irrelevant) in such an analysis By the same token, however our understanding of the economics of the green revolution in West Bengal must remain incomplete without consideration of the political economy of interests and state policy in the Indian economy at large Prices are not separable from production relations, in this sense, within West Bengal and without

(4) How important and effective were state efforts ('focus on the productive forces') to improve the irrigation situation? Harriss wants us to take at face value his claim that irrigation investment subsidies were of little importance Similarly, he dismisses the role of village electrification or electricity subsidies while characterising Lieten's view that the panchayati mechanism worked well as unsupported by data His claims are not any better supported Considering that state initiatives in this area however 'inefficient' they might have been appear to have been effective in relaxing constraints on private investment elsewhere, a more thorough investigation is clearly required

(5) Since the debate over technological stagnation/dynamism in general (and the West Bengal 'groundwater puzzle' in particular) is conventionally framed in terms of the forces/relations link it is important to be clear what is to be included in the relations of production Harriss' pronouncements on this debate are conceptually ill founded Ordinarily the state's direct involvement in a private property economy is ignored as of secondary significance But in the present context this may not be warranted The state is an important agent (for better or for worse) in production just as the economy is ridden with political practices The political basis of the state is therefore part and parcel of the relations of production as they impinge on technology Harriss seems to accept the relative autonomy of the Left Front government from the dominant classes because it rests on classes other than the propertied At least to the extent that points 2 and 4 above are borne out it is inappropriate to separate the state from production relations This means that in resolving the groundwater puzzle, we must consider the *potential* for a breakthrough created by the coming to power of a relatively autonomous state and consider that this in itself may constitute (at least) a potential change in the relations of production'! Insofar as improved performance has depended on the actions of such a state, whether by altering agrarian relations in the narrow, productionist sense or by tapping existing production potentials, *ipso facto* the improvement is attributable to a change in property relations in the broad sense To claim otherwise would be to maintain an artificial separation between the political and economic realms which is unsupportable

These questions constitute no more than working hypotheses concerning the Bengal breakthrough It is not only that these hypotheses run counter to Harriss' key conclusions We hope this note has also served to show that the evidence that Harriss presents supports his conclusions no better than they do our alternative hypotheses

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BALANCE SHEET AS ON 31ST MARCH, 1995

	As on 31 03 95 (In Crores)	As on 31 03 94 (In Crores)
CAPITAL AND LIABILITIES		
Capital	12 00	12 00
Reserve & Surplus	32 81	25 74
Deposits	1431 52	1103 76
Borrowings	102 07	20 64
Other Liabilities & Provisions	55 58	51 90
TOTAL	1633 98	1214 04
ASSETS		
Cash & Balance with R B I	228 49	269 44
Balance with Banks & Money at Call & Short notice	38 70	25 48
Investments	463 33	338 07
Advances	772 73	531 67
Fixed Assets	43 71	17 60
Other Assets	87 02	31 78
TOTAL	1633 98	1214 04
Contingent Liabilities	332 52	272 92
Bills for Collection	150 97	83 30

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995.

	Year Ended 31 03 95 (In Crores)	Year Ended 31 03 94 (In Crores)
I INCOME		
Interest earned	137 95	110 72
Other Income	25 97	19 16
TOTAL	163 92	129 88
II EXPENDITURE		
Interest expended	87 78	73 77
Operating Expenses	38 80	30 80
Provisions and Contingencies		21 45
TOTAL		126 02

	Year Ended 31 03 95 (In Crores)	Year Ended 31 03 94 (In Crores)
III PROFIT		
Net Profit for the year	10 23	3 86
Profit brought forward		
TOTAL	10 23	3 86
IV APPROPRIATIONS		
Proposed Dividend	2 64	1 84
Transfer to Statutory Reserves	7 51	2 02
Transfer to Other Reserves	0 08	
TOTAL	10 23	3 86

Place SATARA
Date 19th June 1995

CHAIRMAN

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ECONOMIC AND POLITICAL WEEKLY

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ENRON AND THE HIGH COST OF MNCs

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At a Dead-End?

The Tenth Finance Commission has received quite deservedly, handsome compliments for its crisp, concise and highly readable report But the pertinent question is do the commission's innovations and new formulations help to address better the basic tasks which every large federation has to face and which constitute the rationale for the creation of the Finance Commissions under the Constitution viz redressing the vertical and horizontal fiscal imbalances inherent in the distribution of powers and functions among the centre and the states and the disparate levels of income and development across regions' **1985**

Civil Society and Its Enemies

The relative autonomy of civil society that is communities and collectives of the people often informal and inarticulate within a particular political structure – is being perceptibly eroded by the advancing process of overbearing economic political and cultural influences of remote forces beyond their palpable reach How to defend civil society against these encroachments in order to expand the space for the people's own articulation and action this is the problematique of the new interest in civil society and its role **2005**

New Agenda for Kerala

While the experience of Kerala shows that the mass of the Indian people do not have to necessarily wait for an indefinite future for the hump of economic growth to be crossed for schooling housing primary health care adequate food and so on the contemporary crisis the state faces also underlines the limitations of what can be achieved within the present system and how difficult it is to sustain much less expand welfare gains in the absence of growth The challenge is to enlist the increased political consciousness and organised strength of the people as an instrument to accelerate economic growth in a democratic fashion and correct the distortions in the social and cultural areas **1993**

Lessons of Enron

The Enron episode has brought out the high cost to the nation not of just this particular deal had it gone through but of the open door policy towards multinational corporations and foreign capital which is such a vital part of this government's economic reform **1953**

Law and Society

As social change/reproduction is not affected by any single social stratum in isolation different strata perceive social forces differently depending on their location in the existing order and attempt to modify them Law and its evolution is part of this social process but the task of integrating social relations and legislation in a unified field remains unattended **1974**

At Market's Mercy

Development planners pleading for marketisation of the social infrastructure and basic necessities admit the possibility of, and perceive no great danger in, allowing the parameters of physical existence to be determined by what individuals and communities can afford This is to make a conscious, if unproclaimed, choice to allow the majority of the people to live in a manner that degrades human life slowly but systematically **1955**

Unconcerned

The issues which provoked the Gowari tribals in Maharashtra to mount their large scale protest last year which caused a large number of deaths in the police lathi charge are yet to be addressed by the state government **1959**

Ernest Mandel

What was remarkable about Ernest Mandel, who died last month at the age of 72 was that he could inspire great respect at both levels – as an exceptionally gifted intellectual, particularly in the domain of economics and as a revolutionary theorist **1956**

Rebel in Saffron

In the death of Thiru Kunrakudi Adigal, Tamil Nadu has lost a prominent public figure for whom religion signified a celebration of the human will and spirited engagement with this worldly inequalities **1957**

Egypt's Troubles

The compulsions of accelerating developments in West Asia and North Africa are demanding a reorientation of Egypt's political and economic relations and a reassessment of its role in the region **1960**

LETTERS TO EDITOR

Dalitbahujan Intellectual Forum

FOR perhaps the first time in the intellectual history of India, an organisation of dalitbahujan intellectuals has been formed at a two-day conference held at New Delhi in May The conference was attended by 150 scholars, writers, thinkers academics civil servants and activists belonging to SC, ST, OBC and minorities The thematic agenda for the two day deliberations was (a) historical, philosophical and ideological aspects of the dalitbahujan alternative, (b) alternative socio economic and political programme, and (c) strategy and tactics of dalitbahujan movements

S K Biswas and A K Biswas made brief presentations on the first theme The main points that came up for discussion were that so far Indian history and philosophy reflected two schools of thought – Hindu nationalism and brahminical marxism The third alternative of dalitbahujan thinkers and researchers should be based on Buddha, Phule Ambedkar and Periyar's thought However this era could be called the era of Ambedkarism which combines in itself the democratic aspirations of marxism as well Since this is a period of dalit democratic revolution the principal contradiction locates itself in a struggle between the dalitbahujans on the one hand and the brahminical upper castes on the other In other words the principal fight is between dalitism and brahminism Though there are contradictions among different castes within the dalitbahujan forces which got hierarchised because of brahminical casterism the contradictions among different dalitbahujan castes are friendly contradictions that constantly get mediated by the labour process A serious attempt to reconstruct Indian history philosophy and ideology in the context of the ongoing dalitbahujan political movements to unite dalitbahujans is a must

Thomas Mathew and Kancha Ilaiah made a brief presentation on the possible socio economic and political alternative While the achievement of state socialism, as suggested by Ambedkar is the transformatory programme of the dalit democratic revolution the ultimate aim is to establish a casteless classless and propertyless society on the model of the Buddhist sangha In the immediate context, dalitbahujan movements and governments should focus their attention on drastically restructuring land reform laws so that the dalitbahujan are able to get land for cultivation and housing In order to strike at the roots of brahminical patriarchy, land rights must be given to dalitbahujan women on a priority basis Further, all those who have taxable incomes should be alienated from land ownership rights because the multi-source incomes of the brahminical upper castes are primarily responsible for increasing and sustaining their hegemony and control

The dalitbahujan masses particularly SCs and STs have no share in business, banking and financial capital at all The dalitbahujan movements must isolate the bania businessmen by encouraging the dalitbahujan youth to enter business Such a change in the market system requires a massive political campaign to educate the dalitbahujan masses because today philosophically and psychologically they do not see business as their task at all It is important to encourage them to form dalitbahujan syndicates and enter into banking and finance capital In order to de casteise private industry, the state must be forced to give licences only to the dalitbahujan to start new industries Higher educational institutions must be restructured to improve the productive skills of all masses

T Rajashekhar and Ram Nath made presentations on strategy and tactics of dalitbahujan movements Brahminical forces were adopting treacherous strategies and tactics to perpetuate caste oppression and the need to search for much more powerful dalitbahujan strategies and tactics to defeat brahminism was stressed

An organisation called the Dalitbahujan Intellectual Forum of India (DIFI) was formed By a majority vote it was agreed that the word 'dalitbahujan' (as one word) gives conceptual clarity for the emerging unity of the exploited and oppressed majority It was important to use the word 'intellectual' in the name of the organisation in view of the dalitbahujan being seen as having no intellectuality' Indian brahminism has played a more dangerous role than colonialism in destroying the people's intellectual base Brahminical intellectuality of all varieties must be buried and dalitbahujan productive intellectuality has to be promoted

KANCHA ILAIAH

Hyderabad

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People-Oriented Packaging

POLICY changes in parliamentary democracies like India do not occur in direct response to popular critiques alone. The ruling classes have to make accommodation for numerous pressures, often contradictory, in a manner as to protect their own interests and consolidate their dominance over the political and economic system. This much has to be accepted as a constraint of the system. What is happening today, especially with regard to the social sector is even more demoralising than having to contend with a ruling class long grown complacent, obdurate and unmoving in the face of a weak challenge to its continued rule. Popular critiques of the government programme, grounded in the reality of the growing economic burden and social distress are being taken over, absorbed by international agencies and regurgitated as elements of a radical new prescription for the ills of the third world. Having taken control of the direction of economic development, it has now become necessary for international agencies to ensure that third world nations can deal with the 'social' problems and especially that the recipients of the proliferating economic goodies emerging remain limited in numbers. The World Bank's policy prescriptions on India's family planning programme is a typical case of taking the opposition by the horns, reining it in, and using it to propel changes in public programmes which will increase social distress in the long run.

It is not of course the first time that international agencies have sought to give direction to population policies. It was in fact at the prompting of western interests that India's family planning programme grew as it did in the late 1960s and up to the mid-1980s. Population targets have not been set in terms of what the country can afford, but according to notions of how much India can be permitted to contribute to the world's population. The choice of contraceptive methods introduced in the programme from time to time has been overwhelmingly led by funding agency requirements. Many of the grants-in-aid for the family planning programme, for instance, were partly in the form of supplies including contraceptives. There is considerable truth in the general opinion that most of the committees set up to review the family welfare programme or the country's population policy have been overwhelmingly influenced by international opinion overriding people's concerns. Even today a large proportion of the central expenditure on family welfare comes from international aid. The current World Bank report abandons the subtleties of earlier directions and sets about instructing the government of India, in no uncertain terms, to be, ironically enough, more people-oriented.

Why has the World Bank found it necessary to review the family planning/welfare programme at this particular juncture? By its own assessment, it is not as if the Indian programme is particularly unsuccessful. The report points out, for instance, that the programme has contributed greatly to the "health of mothers and children and providing family planning services"; that contraceptive prevalence is 40 per cent of eligible couples; that India has achieved 60 per cent of its goal of replacement fertility (2.1 births per woman), fertility having declined from 6 to 3.4 births per woman; the programme has been able to avert an estimated 168.8 million births in 1992 as against 44.2 million a decade ago. These are not mean achievements by standards the programme has itself set. The report also points out that the government of India has taken concrete steps towards reviewing and reorienting the family welfare programme, expanding the so-called maternal and child health component. So why has the Bank felt the need to undertake a review and make specific recommendations? One stated objective is to effect the transformation of the programme from family welfare to 'reproductive and child health'. But even this is not new; the reproductive health approach evolved in the late 1980s in response to the growing international awareness, particularly in the women's movement, of the devastating impact of west-directed and funded family planning programmes in third world countries and of the long-term and unacknowledged effects of many new and currently used contraceptives. Since then it has been systematically promoted not only by international agencies including the WHO, but by a section of the women's health movement who see in it the only available space for garnering significant gains for women's health. The Indian Council of Medical Research had in fact prepared extensive material on the strategy of introducing reproductive health, including cost considerations several years ago, and has made clear its objective of reconceptualising family welfare as reproductive health.

The significance of the report lies not so much in the policy recommendations that it makes on the components of the programme. These in summary are: (i) moving away from the method-specific contraceptive targets and incentives system; (ii) expanding the use of male contraceptive methods; and (iii) improving the breadth, availability and quality of services. These clearly are not of serious import, for they have already been implemented. The family welfare programme is already moving towards a 'client-centred approach' and has initiated, as the report concedes, "before the Cairo conference" discussions with "women's groups, NGOs and other experts regarding alternative performance goals". The ministry has already instructed the states to begin the process by eliminating targets in one district from April 1995. Improving the quality of services becomes imperative in the context of ground level

realities: for one, it is no longer possible to bring down fertility rates by resorting to terminal methods (which it has always been assumed, do not require follow up), two, tubectomies have always formed a major proportion of sterilisation indicating a failure of the programme to persuade men to opt for it and three the National Family Health Survey data are showing that a large proportion of women who need contraception are those who have completed their childbearing but are too young (or too aware of the ensuing problems) to opt for sterilisation (that is if they are given a choice) Given this the target groups will remain women in the younger age group So while making gestures towards introducing male methods the stress has to continue to be on long term spacing methods This inevitably means that availability and quality of services become important The suggestion for including male methods is really a peg for suggesting the broadening of contraceptive choice by, as the report strongly recommends including highly controversial injectable like Depo Provera No mention is made of the substantial well documented worldwide opposition to it

How is all this to be achieved? (i) By strengthening the role of the private sector in FWP and (ii) assuming adequate funding for the current programme and future expansion It is this which reveals the intentions of the report The document is emphatic in its concern for what it terms the extremely poor public spending on family welfare It points out that the annual allocation for FWP is about Rs 19 per capita per year less than in many developing countries In fact it [India] spends less on maternal and child health and family planning than the Rs 28 recommended for family planning alone by the World Bank's 1993 *World Development Report* In order to help India achieve the required spending the report identifies various gaps in service and infrastructure and proposes two scenarios for priority spending one filling staffing gaps creating new subcentres, upgrading referral particularly for obstetric care and providing transport two all of this plus creating new PHCs In addition of course is the suggestion to involve and strengthen links with the private sector

The fact that the family planning programme has dominated the health care set up both administratively as well as in financial terms appears to have quite escaped attention Nor for that matter, is the fact that health expenditure on public health has been progressively going down acknowledged The *WDR 1993* recommendations on spending was it must be remembered, based on the assumption that significant health and medicare services would be privatised, with the public sector focusing on the most cost effective' interventions In sum the review of the family welfare programme and the recommendations is a single-minded attempt to sell the World Bank's prescriptions for health privatise medicare, focus on 'essential care', progressively push the state into jettisoning health care responsibilities and give high priority to reducing numbers paying sufficient lip-service to sensitive issues such as health care for women The fact that the prescriptions are as uncaring about women's needs viewing as they do women narrowly only as reproductive beings, should not of course come as a surprise After all it is through the use of such 'people oriented' packaging that the new goods of a transforming economy can be sold

WORLD ECONOMY

Lessons of 1994

THERE was a sharp expansion of economic activity in all the regions of the world in 1994 the industrial and developing countries alike according to the annual report of the Bank for International Settlements (BIS) for 1994 95 Real GDP of industrial countries grew by 3 per cent on average against 1 1 per cent in 1993 Particularly impressive was the growth of the developing countries with output rising by 6 per cent While the Asian continent has been in the forefront of growth for the past decade and a half it is the emergence of Latin America Africa and even eastern Europe on the growth map that was most striking Growth in Latin America rose from 1 8 per cent per annum during 1982 1991 to 3 per cent in 1993 and further to 4 5 per cent last year while the Asian developing countries recorded their third successive year of growth of over 8 per cent compared to an average of 7 per cent per annum during 1982 91 Countries with growth rates above the regional average were China (11 8 per cent in 1994 against 13 4 per cent in 1993 and 9 3 per cent during 1982 91), South Korea (8 4 per cent against 5 8 per cent and 9 5 per cent) Thailand (8 5 per cent against 8 2 per cent and 8 1 per cent), Malaysia (8 7 per cent against 8 3 per cent and 6 1 per cent) and Singapore (10 1 per cent same as in 1993 and 6 8 per cent during 1982 91) In Africa there was a modest growth of 2 3 per cent in 1994 compared with 0 4 per cent in each of the preceding two years and 2 5 per cent per annum during 1982 91 Amongst the economies in transition however, only those in eastern Europe showed positive growth in 1994 – compared to -1 8 per cent per annum during 1982 91 6 7 per cent in 1992 and -2 2 per cent in 1993 The Russian Federation and Ukraine continued to experience massive output losses ranging from 12 per cent to -19 per cent and from -17 per cent to -23 per cent respectively, in the past three years However, studies apparently not noted by the BIS have shown how conventional measures tend to overestimate the decline in production in the Russian Federation due to [illegible] factors as the rise of production in the defence industries.

All the same, the world economic recovery in 1994 had a tenuous quality about it because it was essentially export-led The progressive internationalisation of economic activity reached a high pitch last year when the volume of merchandise trade grew by 9 per cent that is, more rapidly than for nearly 20 years The generalised trade liberalisation, increased trade within trade blocks and relocation of production across national borders by multinational corporations provided the impetus for growth of trade in 1994 Dependence on trade has also made world economic growth desynchronous In the current cycle the major European economies lag behind the US by more than six quarters compared with an average lag of one to two quarters in the 1970s and early 1980s Continued growth in the US and the south east Asian countries provided the foundation for the export led recovery in most of Europe in 1994 US expansion gave the impetus to Latin American growth, while western Europe helped a number of east European countries to register positive growth for the first time after the collapse of their communist regimes The African continent benefited from the pick up in world demand and the rise in commodity prices

There are however serious misgivings about the sustainability of the high growth of 1994 The US growth of 4 1 per cent the highest in a decade is believed to have peaked While US exports grew by 9 per cent underpinned by the continued weakness of the dollar they were outpaced by the rise in imports by 13 4 per cent The restraint on inflation is also wearing thin The rapid rise in exports have substantially raised capacity utilisation rates in the US and several other countries and inflationary pressures are raising their head in the manufacturing sector in these countries The phase of low rise in nominal wages has come to an end, particularly in the European countries despite high rates of unemployment The US remains an exception in that nominal wages have remained subdued in spite of relatively low unemployment and high capacity utilisation Growth of part time and piece rated employment has been responsible for the unusually low rise of 2 2 per cent per annum in nominal wages in the US during 1990-93 against increases ranging from 4 to 5 per cent per annum in Japan Germany and the UK However, the concerted attempts at the OECD and the European Community level to achieve labour market flexibility brought unit labour costs down in 1994 not only in the US (–1 9 per cent) but also in Japan (–0 4 per cent), Germany (–6 1 per cent) and the UK (–0 1 per cent) Currency depreciation in a number of countries other than Germany and Japan has also helped manufacturing firms to reduce real producer wages which, combined with faster productivity growth, has improved profit margins

There has been heavy labour-shedding in the manufacturing sector in the industrial countries. For these countries as a group, the average rate of unemployment was 7.3 per cent during 1983-92 which rose to 8.1 per cent in 1993 and 8 per cent in 1994 and in the first quarter of 1995 was only marginally lower at 7.7 per cent. The BIS annual report tries to play down fears of a jobless economic recovery as being exaggerated, pointing to some countries outside Europe where unemployment rates have declined rapidly. Nevertheless it acknowledges serious structural problems on the employment front. First, whatever fall in the unemployment rate there has been in some countries like the UK has occurred not so much due to rise in employment as decrease in the proportion of the population offering itself for employment reflecting demographic factors as well as a 'discouraged worker' effect. Second, there has been over the past 20 years a ratchet effect in every business cycle raising the rate of structural or long-term unemployment. The BIS report's explanation of these developments runs on very conventional lines: relatively high unemployment benefits, loss of skills during periods of unemployment, strength of unions and labour market regulations on hiring and firing etc. These factors have, according to the report, resulted in a rise in what has come to be known as the non-accelerating inflation rate of unemployment (NAIRU), a corollary of the rigid anti-inflationary stance of macro-economic policy in the industrialised countries. Also, with the increasing dominance of financial transactions, the recessionary phase gets elongated in certain sectors as low inflation results in asset price deflation and large non-performing assets. The BIS report cites the cases of countries such as the UK, Canada, Italy, Finland, Sweden and Spain which have combined in the current business cycle a vibrant manufacturing sector with a service sector that is still subdued after its earlier excesses. The BIS report draws attention to a number of structural problems which could bring recovery in some countries to an early end while delaying it in countries which are lagging behind in the cycle, particularly when export demand slows down. Among these are the negligible or nil growth in household income and purchasing power, particularly in western Europe as a result of stubbornly high unemployment rates, rising debt service charges and persistent government deficits, decline in saving rates and sharp rise in long-term interest rates adversely affecting both non-residential investment and investment in interest sensitive residential property.

As for the developing countries, their general favourable picture was clouded by unprecedented interest rate and exchange rate fluctuations followed by recurrent financial market turbulence. The so-called emerging markets felt, in varying degrees, the fall-out of interest rate increases by the US, rapid depreciation of the dollar *vis-a-vis* the yen and the deutsche mark and much more powerfully the liquidity crisis in Mexico.

What marks out this report of the BIS from earlier ones is the cautious note it strikes on financial sector reform. The turbulence that the financial markets went through in the wake of the Mexican crisis in late 1994 and early 1995 has cast its shadow on the report. On the Mexican crisis itself the report is wishy-washy about what went wrong, though enough is said to underscore the lack of wisdom of the radical stabilisation policies launched in the late 1980s. Maintenance of the exchange rate as a nominal anchor, freeing of capital flows, substantial appreciation of the peso's real exchange rate, unsuitability of the dollar as an anchor for tight monetary control, phenomenal increases in bank credit following banks' new found freedom particularly for consumption purposes, drastic fall in private saving rate, replacement of peso denominated government debt by short-term dollar linked securities (tesobonos) and large dollar dominated borrowing by the banks – all contributed to the fragility of Mexico's financial system so that when the crunch came in the form of the Chiapas rebellion there was a run on the currency and the country's much vaunted reserves evaporated into thin air.

The Mexican episode has induced the BIS to deal with the world financial system itself in some length but the final position it takes is an ambivalent one – as it is only to be expected of a body controlled by the central banks of the G-10 countries. Though it brings out the systemic risks inherent in market participants trading 'larger amounts more frequently through highly leveraged positions in a greater number of markets and across a larger set of national borders', the BIS views the emerging situation as undoubtedly of great benefit. However, the data that the BIS report itself provides and the specific observations it makes on the implications of the turbulence in the financial markets are at sharp variance with this rosy view. First, the report acknowledges that the risks of financial sector reform had been amply exposed by the deregulation of the 1980s in the industrial countries including those with well-established financial markets and institutions. Almost everywhere a surge in credit resulted and ultimately debilitated parts of the banking system. Alongside there was 'excessive real estate trading, asset price inflation and in some cases, loss of monetary control'. Second, interest rates tended to rise and also to fluctuate more violently after financial liberalisation. Third, by opening the financial markets to foreign influences, financial liberalisation increased the vulnerability of the economies and the domestic financial markets to disturbances originating abroad and to changes in sentiment in foreign capital markets. Finally, financial liberalisation has also adversely affected government finance. As demonstrated by the Mexican crisis, large increases in domestic interest rates can lead to a bulging of the budget deficit. This experience should drive home the lesson that before financial markets are liberalised and opened up by developing countries, India included, a sound current account on balance of payments, a level of domestic saving high enough to meet the investment needs of rapid and orderly development and reasonable fiscal balance must be ensured. In any case, the reforms have to be gradual and carefully sequenced.

The BIS report presents telling statistics on the turbulence in bond markets and on capital flows into the developing countries. The turbulence in bonds market in early 1994 following the tightening of monetary policy by the US Federal Reserve in early February marked a sharp reversal of fortunes with an unexpected surge in bond yields almost everywhere. The flow of portfolio investment into the emerging markets from the industrialised countries dried up. Also exploded, the BIS admits, was the long cherished hope that low inflation and a rigid commitment to anti-inflationary policies will make for stable yields on bonds and equities. Huge cross-border transactions and enormous use of leverage permitted at the margin are inherently vulnerable to developments such as the Fed actions and the Mexican crisis. The rise in bond yields the BIS report brings out resulted in some of the largest portfolio losses in the post-war period, put at the order of $1.5 trillion, equivalent to almost 10 per cent of the GDP of the OECD countries, and severely destabilised equity markets both in developed and developing economies. Among the factors responsible for the extraordinary volatility in bond prices two stand out: (1) heightened uncertainty about the economic environment generally, notably inflation, output growth and monetary policy and (2) globalisation of financial dealings as a result of which developments in the US rapidly spilled over into other markets.

Developments in 1994 are significant also in respect of capital flows into the emerging markets. It was confidently expected that there would be a massive influx of foreign capital into these markets once the governments of these countries carried out policy reforms such as trade liberalisation, deregulation, privatisation of the domestic economy, freeing of the financial markets and instituting controls on foreign investment. However, what the experience of 1994 marked by stagnation of net capital inflows into Asian countries and a drastic fall in inflows into and even capital exodus from the Latin American countries, underscores is that capital flows

are decisively influenced by external factors, such as interest rates and cyclical conditions in the industrial world over which the LDCs have no control

MAHARASHTRA

Watery Thoughts

THE Maharashtra government says it has decided to give top priority to solving the drinking water shortage in the state The decision to create a separate ministry to deal with the subject has been announced The government has also issued a white paper which proclaims the government s resolve to end the present pro-urban bias in the distribution of drinking water Excess water from major irrigation projects like Jayakwadi in Marathwada and Ujni in western Maharashtra is proposed to be released to meet rural drinking water needs The government has also decided to do away with the condition that municipal water supply schemes must raise 10 per cent of their cost by way of public contribution because of which many such schemes remain pending Instead the government will provide the amount as loan According to the white paper the state government proposes to spend Rs 6 700 crore over the next five years on solving the drinking water problem in about 40 000 villages

While water supply is a vital issue in Maharashtra s socio economic development the white paper is mainly concerned with administrative bottlenecks in the implementation of water supply schemes Thus besides promising harsh steps against corruption in the field and stressing the need to improve the efficiency of existing schemes the document mentions few other measures to conserve the state s scarce water resources There has been no perceptible change in past few decades in the annual rainfall the state receives and yet the state has been facing a recurrent problem of drought indicating serious deficiencies in water distribution and utilisation policies The white paper proposes a compulsory levy on industrial units which pollute water sources but is silent on the state s lop sided cash crop biased cropping pattern The problems of the Konkan region which receives the most rainfall in the state but faces severe water shortage in summer also go unmentioned

A major gap in the white paper is the absence of reference to the need to increase the forest cover in the state so as to replenish water sources in the long term The forest cover in many parts of the state is extremely scanty It is just 0 4 per cent of the total land area in Osmanabad district In Latur and Ratnagiri districts it does not go beyond 1 per cent while in 10 other districts it is not more than 5 per cent In the absence of adequate forest cover the water table has been receding and cases of bore-wells having to be sunk to depths of 500 metres have been reported

The white paper talks of the importance of inculcating in people sound health and hygiene practices so as to keep drinking water clean, but leaves untouched the issue of how this is to be done Most importantly, it has very little to say on what the government intends to do to generate people's participation on an issue which is of intimate concern to them The involvement of NGOs is sought, but the emphasis seems to be more on privatisation of water supply schemes And on the crucial issue of decentralisation of water management the white paper has few measures to suggest

SRI LANKA

Advantage Colombo

THE resolution of the continuing conflict in the north east was a major issue in the elections last year which saw Chandrika Kumaratunga become prime minister and later, president of Sri Lanka And certainly she has done more towards tackling the Tamil problem as well as addressing the demands of the LTTE in these months than others before her Each of her initiatives has expanded the ground for dialogue and the emergence of a solution The lifting of the embargo on the movement of selected everyday goods and consumption articles early on gained much ground for Colombo and forced the LTTE to come to the discussion table Similarly the cease fire and the proposal to have an international team to monitor it were so effected that the LTTE could not reject them out of hand but did so nevertheless on the ground of choice of participants in the international group The unilateral opening of the pass facilitating movement to and from the north east for the first time in long years was again a measure directed at building the confidence of the people in the government The failure of these efforts to make much real headway towards resolving the conflict has been partly because of the internal problems of the government - differences between the government and the military authorities but mostly the result of the LTTE's obduracy One thing however is clear Kumaratunga's efforts have expanded the format of conflict-resolution by attempting to go beyond the immediate concerns of the military engagement

Her latest proposals, the most sweeping so far not merely make special concessions to the northern and eastern regions, but are directed at transforming Sri Lanka from a unitary to a federal system enlarging on the changes that the India-Sri Lanka accord had proposed The existing provincial council system is to be replaced by regional councils with exclusive executive jurisdiction Every council will have a chief minister elected for a five-year term, with a governor to appointed by the president in consultation with the chief minister Executive powers are to be divided between centre and the regions and with no 'concurrent list' The centre will retain control over defence, foreign affairs, national security, currency, monetary policy, airports, etc, while the regional councils will have control over education, local government, housing and construction, agriculture, health, industries and fisheries The regional councils will have a separate police force headed by a regional police commissioner, but there will also be a national police The regional councils will have the power to set up their own financial institutions and even seek foreign loans

These changes are to apply to all regions and not only to the north and the east Politically, this is the crucial feature of the package On the one hand, the Kumaratunga government is making it clear that it recognises the real problems of the regions, especially the north and the east but on the other, it is also underlining the fact that the Tamil areas are as much a part of the country as any other In other words, the attempt is to resolve the fundamental problems which have over the years provided the base for the political movement for an eelam The government is sending out a clear signal that a separate Tamil homeland is an unacceptable proposition

It is not surprising that the LTTE has rejected the proposals although several Tamil parties in parliament have welcomed the package The advantage appears to be with Colombo now This is perhaps the most comprehensive proposals which have been put forward by the government in all these years with greater appreciation of the need for regional autonomy than ever before Moreover for a drained economy such as Sri Lanka's it is an alternative which seeks to distribute the burden of administration of a multi-ethnic state to its components This also addresses an issue which will undoubtedly come up in future – Sinhala resentment of concessions' to the north east By devolving powers to all regions, the Sinhala-dominated regions have also been given the power to redraw the contours of development according to their own priorities

These facts will not be missed, either internationally or nationally The LTTE appears to have been driven into a corner at least on the diplomatic front, though it is fairly clear that militarily there is little that the Sri Lankan army can do to counter it What is not clear so far is how the army has responded to the moves In the past and even recently, the Sri Lankan army has opposed moves which may proffer an advantage to the LTTE Any attempt to persuade the LTTE to consider the new proposals by, say, withdrawing the army from strategic areas or calling off the operations now in progress, will hardly be accepted gracefully

CENTURY TEXTILES

Thrust on Exports

CENTURY TEXTILES AND INDUSTRIES a BK Birla group company with diversified interests in textiles rayon, tyrecord, chemicals, shipping, cement and paper and pulp, has posted a 17 per cent increase in turnover, from Rs 1,182 crore to Rs 1,386 for the financial year ended March 1995 Other income has risen from Rs 50 crore to Rs 70 crore a rise of 39 per cent Gross profit has risen by 19 8 per cent but a faster rise of around 56 per cent has been recorded in net profit as a result of a very small tax provision and lower growth in depreciation The directors have proposed a dividend of 55 per cent against 47 per cent for the previous year

According to the company s management the cement division contributed roughly 33 per cent to turnover in 1994 95 riding on a bouyant cement market An average rise of about 12 per cent in cement prices in 1994 95 (against a fall of 1 per cent in the previous year) made a major contribution to the higher turnover The textiles division which includes cloth and rayon yarn contributed about 50 per cent to turnover and the paper and pulp division about 11 per cent The rise in prices of cotton in the last financial year is expected to continue to adversely affect the performance of the textiles division in the current year

The cement division comprises three plants namely Century Maihar and Manikgarh Century Cement is expanding its clinker capacity by 2 lakh tonnes by installing a precalcinator system in the kiln The expanded capacity is expected to go on stream by the end of 1996 The company has become one of the largest cement producers in the country with the commissioning of a one million tonnes unit at Maihar in Madhya Pradesh With this the company s total cement production capacity has gone up to 4 7 million tonnes per annum Upgradation of the Manikgarh cement plant is also in progress with the full benefits being expected by the year end Manikgarh Cement is increasing its capacity by 2 lakh tonnes to 12 lakh tonnes The expanded capacity is expected to be commissioned by the first quarter of 1996 Installation of captive thermal power plants of 15 MW each at the Century and Maihar cement units is being considered The company is consolidating its position further by large-scale diversification into manufacture of pig iron and paper and pulp It is exploring the possibility of setting up a 3 lakh tonne pig iron project in West Bengal at a cost of Rs 400 crore and two new pulp and paper projects in Punjab The Rs 900 crore paper project envisages setting up of facilities to manufacture 400 tpd of printing paper

The shipping division is being modernised with the purchase last year of a modern bulk carrier of about 44 000 DWT built in South Korea, taking the company's total fleet 11 aggregating about 3 16 lakh DWT The company has invested $ 55 million in two ships bought this year Dry bulk freight rates which had started rising from last year have stabilised at good levels and are expected to remain there

In spite of the unprecedented rise in cotton prices exports by the company s textile division were Rs 241 crore Total exports by the company increased by 35 per cent from Rs 215 crore in 1993 94 to Rs 290 crore in 1994 95 Simultaneously, the company s imports and foreign exchange outgo in other forms have galloped in the past two years from Rs 29 crore to Rs 191 crore With the modernisation of the paper machines the company is set to export paper Exports of various qualities of paper is already taking place to many countries in south east Asia

The company has phased out the use of harmful dyes and its R and D department has developed alternative shades to replace the banned dyes Plans for a new 5 000 tonne viscose filament yarn (VFY) unit in Gujarat near Grasim s upcoming 60 000 tonne viscose staple fibre plant have been shelved for the time being with unfavourable market conditions and continued rise in raw material prices being cited as the reasons The decision to locate the plant near Grasim s project was based on the possibility of procuring raw materials like caustic soda and carbon disulphide from the latter In keeping with plans to modernise and expand its fabric making capacity the company plans to replace its conventional automotive looms with modern airjet looms which are said to increase fabric making capacity by nearly four times The company is planning to double spindleage capacity of Century Yarn its cotton yarn EOU The expansion is estimated to cost Rs 50 crore and will be complete in one year Among other plans on the anvil is the setting up of a denim EOU with an annual capacity of 10 million metres at an estimated cost of Rs 100 crore at Satrati in Madhya Pradesh The company is also venturing into floriculture for roses, again for export

The company tapped the international market in 1994 with a Rs 314 crore GDR issue to finance its expansion programmes, mainly for doubling the cement capacity at Raipur (Rs 110 crore) and installation of power plants for captive use (Rs 145 crore)

LLOYDS STEEL INDUSTRILS

Backward Integration

Lloyds Steel Industries the flagship company of the Lloyds group operating in the core areas of engineering and steel closed its financial year ending March 1995 on a buoyant note Total income jumped up from Rs 113 89 crore to Rs 463 52 crore a rise of 307 per cent After depreciation provision of Rs 17 52 crore against Rs 3 29 crore for the preceding year net profit stood at Rs 70 48 crore up by 77 6 per cent from Rs 39 69 crore posted in the previous year The boost to the bottomline was provided by the commissioning of the company s hot rolled coils project at Wardha though the company claims that the full effect of the project will be reflected only in the current year s working A dividend of 25 per cent has been recommended by the directors

The turnover from the engineering division stood at Rs 202 87 crore up 81 per cent from Rs 112 31 crore in the previous year Production achieved by the steel division since the commissioning of the HR coil project in October 1994 touched 1 44 527 MT

The company s future plans focus on backward integration and diversification Lloyds Steel is to commission its first cold-rolling mill this year to produce 1 50 lakh tonnes of cold rolled sheets The second cold rolled mill is also expected to go on stream by the end of the year adding another two lakh tonnes to capacity Lloyds also has plans to invest in additional Rs 15 crore for equipment to produce in addition one lakh tonnes of discrete plate which will raise the capacity to 7 lakh tonnes Lloyds Metals and Engineering the company s engineering division is setting up a coal fired 1 50 lakh tonne sponge iron plant about 100 km from the site of the steel plant The sponge iron produced at the plant will be the principal raw material for Lloyds Steel conferring the benefits of backward integration on the company Lloyds vice chairman Mukesh Gupta foresees a cut in production cost to the tune of Rs 3 000 per tonne once the project goes on stream Further, the company is to set up a 40 MW power plant using waste gases generated in the sponge iron process In house capability to supply critical equipment and put up an engineering kiln will it is claimed reduce the cost of the project from the normal Rs 190 crore to Rs [illegible] crore

The engineering division has also commissioned the first of its desalter plants for the ONGC at Nawagam Gujarat The Rs 4 crore order the second major one after the project for the Madras Refineries in 1993 involves designing engineering

(Rs lakh)

Financial Indicators	Century Textiles March 1995	Century Textiles March 1994	Lloyds Steel March 1995	Lloyds Steel March 1994	NOCIL March 1995	NOCIL March 1994
Income/appropriations						
1 Net sales	138604	118215	33147	11013	93596	82184
Value of production	137407	119062	45818	11293	95148	80824
3 Other income	6982	5005	534	96	4550	4253
4 *Total income*	144389	124067	46352	11389	99698	84777
and prices consumed	46277	36756	26404	6302	46273	42308
6 Other manufacturing expenses	34527	30423	3836	38	16577	14548
7 Remuneration to employees	14645	13078	595	184	8010	6447
8 Other expense	13726	15909	5590	2075	11743	10910
9 *Operating profit*	35469	27901	9974	2840	17101	10564
10 Interest	15398	10[illegible]5	3437	329	4986	4706
11 *Gross profit*	27963	19114	8800	4148	13464	6104
12 Depreciation	7214	6799	1752	179	1469	1787
13 *Profit before tax*	15719	12218	7048	3969	10977	4919
14 Tax provision	10	2100	0	0	3500	385
15 *Profit after tax*	15749	10118	7048	3969	7477	4534
16 Dividends	2453	2002	1279	1055	2759	2457
17 Retained profit	13296	8116	5769	2914	4718	2082
Liabilities/assets						
18 Paid up capital	4652	4258	8048	4147	6130	6130
19 Reserves and surplus	91271	47275	28021	16452	30351	25633
20 Long term loans	107461	90453	47297	41334	33517	14484
21 Short term loan	10118	3757	24464	14390	10035	17870
22 Of which bank borrowings	10084	5648	13245	6721	13495	9658
23 Gross fixed assets	205274	138589	90033	65432	57978	46278
24 Accumulated depreciation	67564	55324	2744	861	19730	18105
25 Inventories	30098	25150	18199	3079	17030	14787
26 Total assets/liabilities	252195	17077	136481	88170	100914	81473
Miscellaneous items						
27 Excise duty	17101	14443	3747	718	16156	13756
28 Gross value added	52804	40388	14975	6301	24543	16360
29 Total foreign exchange income	29055	21514	37	0	8377	6415
30 Total foreign exchange outgo	13971	10731	9051	11709	1[illegible]80	5150
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	55.0	65.8	28.7	12.5	85.9	100.9
32 Sales to total net assets (%)	64.9	81.1	36.3	14.1	108.8	129.3
33 Gross value added to gross fixed assets (%)	25.7	29.1	16.6	9.6	42.3	35.4
34 Return on investment (gross profit to total assets) (%)	9.1	10.7	6.4	4.7	11.3	7.6
35 Gross profit to sales (gross margin) (%)	16.6	16.2	22.5	37.7	13.3	7.5
36 Operating profit to sales (%)	25.6	23.6	25.1	25.8	18.3	12.9
37 Profit before tax to sales (%)	11.4	10.3	18.0	36.0	11.7	6.0
38 Tax provision to profit before tax (%)	0.1	1	0.0	0.0	31.9	8
39 Profit after tax to net worth (return on equity) (%)	16.4	19.7	19.5	19.2	20.5	14.3
40 Dividend (%)	55.0	47.0	0.0	25.0	45.0	40.0
41 Earning per share (Rs)	338.33	237.62	8.76	9.30	121.9	73.96
42 Book value per share (Rs)	1[illegible]0.91	1099.25	44.83	48.75	595.1	515.16
43 P/E ratio (based on latest and corresponding last year's price)	1.7	2.1	4.7	4.8	0.8	1.8
44 Debt equity ratio (adjusted for revaluation) (%)	117.3	193.3	131.1	199.7	91.9	45.6
45 Short term bank borrowings to inventory (%)	33.5	14.5	72.8	218.3	87.7	65.3
46 Sundry creditors to sundry debtors (%)	139.5	130.3	231.0	245.8	71.6	84.7
47 Total remuneration to employees to gross value added (%)	27.7	32.4	4.0	2.9	32.6	39.4
48 Total remuneration to employees to value of production (%)	10.7	11.0	1.5	1.6	8.4	8.0
49 Gross fixed assets to total assets (%)	50.2	33.0	37.6	148.7	25.3	
50 Growth in inventories (%)	19.67	30.62	491.07	106.92	15.2	

manufacturing and assembling three units of desalters which according to N V Bhatt, general manager marketing and business development is the largest desalter installation of its kind in India [with] a capacity of desalting 2 55 000 kg per hour

Also on the cards is a Rs 700 crore entry into mining of iron ore and coal in Gadchiroli Maharashtra with minimum capacities of 10 lakh tonnes each with a possible tie up for technical support with a world mining major such as Cleveland Cliffs of the US ISCOR Pretoria of South Africa Companhia Vale Do Roidoce of Brazil or Hammersely Iron of Australia The arrangement is to be only in the form of a technical tie up with no equity participation by the foreign company

With the aim of jointly taking up turnkey projects Lloyds Steel plans to enter into an alliance with Spic given the latter's expertise in executing contracts both in the domestic and overseas markets Further according to Mukesh Gupta the company's excellent workshop facilities would be better exploited by entering into this alliance The group is also interested in diversifying into areas like software pharmaceuticals pesticides and driving with an investment of Rs 10 to Rs 40 crore

Lloyds Steel has recently concluded an order for Rs 2 crore from Sembawang Projects Engineering Singapore for a hydrogen peroxide project being built in Indonesia It has tied up with Suerdohibau GmbH Germany to offer a gamut of services in the area of pipeline construction ranging from feasibility and economic studies to construction management and operation and maintenance

To part finance the various projects a rights issue of Rs 700 crore has been planned Earlier the company had planned to come up with a $ 50 million GDR issue but the plan has been shelved in view of the depressed market conditions

The cancellation of the Enron project at Dabhol may adversely affect Lloyds Vittol Petroleum a joint venture between Lloyds Steel and Singapore based Vittol Lloyds was hoping to use the fuel jetty to have been built by Enron The along with the hike in international prices and slow process of removal of subsidies by the government have temporarily stalled the project which is based at Ratnagiri The memorandum of understanding between the two companies was for marketing liquefied natural gas supplied by Vittol

NOCIL

Ambitious Expansion

NOCIL the flagship company of Arvind Mafatlal has recorded a modest rise of 14 per cent in net sales in the year ended March 1995 from Rs 822 crore to Rs 936 crore

Other income increased from Rs 43 crore to Rs 46 crore. After providing Rs 14.69 crore for depreciation and Rs 35 crore for taxation, net profit was Rs 74.77 crore. Exports increased from Rs 67.77 crore to Rs 81.11 crore. The directors have recommended a dividend of 45 per cent against 40 per cent for the previous year. A bonus issue has also been recommended to reward shareholders keeping an eye on the large capital raising programme to be undertaken by the company over the next three years. The bonus issue will result in the capitalisation of reserves to the extent of Rs 61.30 crore. According to analysts the bonus issue is being offered as a sop to investors whose returns may be diluted following the massive expansion in the company's equity following the projected rights cum public issues.

The petrochemicals giant hopes to achieve an export turnover of Rs 100 crore next year according to N M Dhuldhoya, vice chairman and managing director, having chosen exports as one of the thrust areas. NOCIL achieved an export turnover of Rs 80 crore in the year under review. The company is engaged in the export of pvc, rubber chemicals, industrial solvents and various other specialty chemicals to the Far East, the Gulf and west Asia. Besides its own products which constitute 70 per cent of total exports, the company plans to increase the volume of merchant exports. A part of its efforts to step up exports involve upgrading the quality management system. NOCIL has received ISO 9002 certification for adopting quality management systems in the manufacture and supply of its petrochemicals. NOCIL has also been honoured with the British Safety Council's Sword of Honour Award thrice in four years.

The company is planning to come up with a public cum rights issue of Rs 4.362 crore, the biggest by an Indian corporate enterprise. It is going in for massive expansion cum-modernisation of its petrochemicals complex at Thane. The project cost is proposed to be financed through a Rs 1.563 crore rights issue of partly convertible debentures, a public issue of partly convertible debentures of Rs 2.010 crore and foreign investment of Rs 1.059 crore. The expansion will increase ethylene capacity from 75,000 tonnes per annum to 3.20 lakh tonnes. Propylene capacity is being raised from 40,000 tonnes to 2.25 lakh tonnes. Besides, plans are afoot to create fresh capacity to manufacture 1.8 lakh tonnes polypropylene, 2.1 lakh tonnes polythene and 86,000 toluene/xylene. Technological tie-ups with international companies including KTI of Holland, Technip of France, Buss of Switzerland and Himond of Italy have already been concluded. The project is scheduled to be operational in late 1998 and preparation of process design and basic engineering packages for the cracker plant and utilities centre has commenced from January this year. The International Finance Corporation (IFC) has approved the scheme and will arrange for the $ 350 million foreign exchange component of the project in exchange for a small equity in the project, according to the vice chairman and managing director.

NOCIL is also expanding its polyvinyl chloride plant to economic size. The company had earlier decided to phase out its PVC unit but the firming up of international prices for polymers has prompted it to reverse the decision. Indigenously manufactured PVC will be cheaper and NOCIL is now looking for technical collaboration to upgrade its almost three decades old plant.

The Arvind Mafatlal group is setting up a joint venture with Dow Chemicals. The agrochemicals division of NOCIL is proposed to be handed over to the new company, Dow Nocil Agrochemicals, in which Dow Chemicals and the Mafatlals will each hold [illegible] per cent of the equity. Technology for [illegible] products including [illegible] insecticides is [illegible] brought in by the Chemicals. The Mafatlal Dow combine is expected to face competition from Hoechst, another leading player in the field.

The company's range of petrochemicals includes solvents, alcohol products, ethylene oxide, glycols and PVC shoe compounds. The company [illegible] marketing vinyl sulphone and polypropylene fibers.

SHREE CEMENT

Improved Performance

Despite continuing recessionary conditions as a result of reduced offtake of cement by government agencies, Shree Cement, the Bangur group company, showed much improved performance in the year ended March 31. Turnover rose to Rs 158.80 crore from Rs 127.70 crore in the previous year, an increase of 24 per cent. Profit before tax increased by 61 per cent to Rs 47.10 crore from Rs 29.30 crore. Net profit was up by almost 91 per cent from Rs 11.76 crore to Rs 22.30 crore. A dividend of 20 per cent has been declared by the directors.

The company produced 893,201 mt of clinker against 858,326 mt in the previous year. It achieved 102 per cent capacity utilisation in the year under review, producing 927,283 mt of cement. The conversion of railway tracks from meter gauge to broad gauge in the Delhi-Ahmedabad section has expanded the company's access to the market connected with broad gauge lines.

The company is setting up a Rs 200 crore power plant in Rajasthan as a joint venture with Deutsche Babcock of Germany, with both partners contributing equally to the project cost. Funds for the project are to be raised through internal accruals and term loans without taking recourse to the capital market. Most of the power from this plant will be consumed by Shree Cement's own unit at Beawar in Rajasthan.

The company has drawn up an investment plan of Rs 700 crore to increase its manufacturing capacity over the next four years. The plan has been divided into two phases and the first phase is well under way. The company is setting up a plant at Ras in Jodhpur. In the second phase the capacity of the Ras plant will be increased by one million tonne. The first phase is estimated to cost Rs 400 crore, out of which Rs 45 crore will be put in by the Bangurs with the balance coming from fresh equity issue and term loan. The funding pattern for the second phase is yet to be finalised. The company had nearly finalised a deal with foreign institutional investors, equity linked debentures of Rs 46 crore in the month of [illegible]. However, [illegible] the [illegible] and [illegible] to [illegible] remain [illegible] [illegible] company [illegible] [illegible] on [illegible] [illegible] the company [illegible] [illegible] [illegible]

While the annual rate of inflation has continued its downward trend to touch 7.6 per cent the general index of wholesale prices has risen to 292.8 from 290.9 a month ago. The sharpest rise of 1.7 per cent was recorded in the index for non-food articles. The government's recourse to ad hoc treasury bills had touched the phenomenal level of Rs 16,660 crore in July and Rs 16,065 crore in July 14 overshooting by far the Rs 9,000 crore limit. Reflecting easy and improvement in liquidity call rates have eased and so has the gilt edged market for other instruments. In primary the rate as the yield on 364 days which had been firming up in recent weeks have edged down slightly. Forward premia for the dollar have come down as has the dollar rate which has dipped below Rs 35 for the first time in recent months.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	July 22 1995	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
All Commodities	100.0	292.8	0.6	7.6	11.4	2.5	5.0	10.4	10.8	7.0	13.6
Primary Articles	22.3	300.2	0.5	5.9	13.9	2.4	9.0	12.7	11.5	3.0	15.3
Food Articles	14.4	278.3	1.1	2.5	17.0	4.9	13.3	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	323.1	0.0	12.5	20.1	2.0	2.7	15.5	24.9	1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	0.1	1.8	9.9	0.0	0.5	2.4	13.1	1.5	13.2
Manufactured Products	57.0	290.2	0.9	9.9	10.2	3.0	5.7	10.7	9.7	7.9	12.6
Food Products	10.1	279.5	0.0	5.3	10.1	2.6	7.4	8.1	13.3	6.5	10.2
Food Index (computed)	24.5	310.3	0.5	2.7	11.4	4.1	11.2	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-July 08, 1995)	100.0	290.5		9.9	9.8	8.9	11.8	10.9	8.3	10.1	15.7

Cost of Living Indices	Latest Month	Over Month	Variation (Per Cent) Point to Point: Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1958=100)	800	1.7	10.3	10.6	2.4	1.9	9.0	9.9	6.1	13.9
Urban Non-Manual Emp. (1984-85=100)	244	0.4	9.9	8.3	2.9	3.3	9.9	8.3	6.8	13.6
Agricultural Labourers (July 01 to June 02, 1960-61=100)	1316	0.8	12.0	13.2	1.1	0.0	10.6	11.6	0.7	21.9

Money and Banking (Rs crore)	July 07 1995	Variation: Over Month	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93
Money Supply (M3)	538229	5273 (1.0)	11751 (2.2)	7619 (1.7)	75167 (16.7)	77467 (19.1)	50484 (15.4)
Currency with Public	111007	2125 (1.9)	10137 (10.0)	9339 (11.1)	18990 (23.2)	14067 (20.7)	7111 (11.7)
Deposits with Banks	419407	3114 (0.8)	2851 (0.7)	3198 (1.0)	56331 (15.1)	57185 (18.5)	42945 (16.1)
Net Bank Credit to Govt	242818	5815 (2.5)	23297 (10.6)	14676 (7.1)	14380 (7.0)	29376 (16.7)	17903 (11.3)
Bank Credit to Commil Sector	291766	2964 (1.0)	3376 (1.2)	3441 (1.4)	43796 (17.9)	16591 (7.3)	30187 (15.3)
Net Foreign Exchange Assets	75555	81 (0.1)	2335 (3.1)	7797 (14.8)	22197 (41.3)	28775 (115.3)	3747 (17.7)
Reserve Money (July 14, 1995)	184365	1418 (0.8)	15391 (9.1)	12477 (9.0)	30386 (21.9)	27843 (25.1)	11274 (11.3)
Net RBI Credit to Centre	119838	4229 (3.7)	21160 (21.4)	4565 (4.7)	949 (1.0)	1306 (1.4)	3586 (3.9)
Scheduled Commercial Banks (July 21, 1995)							
Deposits	480160	5520 (1.5)	3340 (0.6)	1831 (0.5)	49271 (14.8)	52144 (18.6)	39017 (16.1)
Advances	211793	3767 (1.9)	2087 (1.0)	3741 (1.9)	38784 (22.7)	11566 (7.3)	23757 (17.5)
Non-Food Advances	196512	3953 (2.1)	919 (0.5)	4466 (2.8)	37116 (23.4)	7402 (4.9)	21684 (16.6)
Investments	152102	641 (0.4)	2848 (1.9)	10251 (7.6)	14172 (10.5)	28435 (26.7)	16820 (18.7)

Index Numbers of Industrial Production (1980-81=100)	Weights	Feb 1995	Average for Fiscal Year So Far 1994-95	1993-94	Variation (Per Cent) Fiscal Year Averages: 1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	262.5	245.4 (8.1)	227.1 (5.9)	3.0	2.3	0.5	8.4	8.6	8.7	7.3
Mining and Quarrying	11.5	276.2	238.9 (6.6)	224.2 (3.5)	2.5	0.5	0.9	4.5	6.3	7.9	3.8
Manufacturing	77.1	252.1	236.5 (8.2)	218.6 (5.8)	2.2	2.1	3.0	9.1	8.6	8.7	7.9
Electricity	11.4	318.7	311.7 (8.7)	286.8 (7.1)	7.3	5.1	8.5	7.8	10.8	9.5	7.7

Capital Market	Aug 04 1995	Month Ago	Year Ago	1995-96 So Far Trough	1995-96 So Far Peak	1994-95 Trough	1994-95 Peak	End of Fiscal Year 1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3453	3191	4301	3015	3557	3233	4604	3261	3779	2281
	(8.2)		(-19.7)					(-13.7)	(65.7)	(-46.8)
National Index (1983-84=100)	1599	1948	2015	1482	1691	1572	2176	1606	1830	1021
	(-17.9)		(-20.6)					(-12.2)	(79.2)	(-48.1)

Foreign Trade	May 1995	Cumulative for Fiscal Year So Far 1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91
Exports Rs crore	7290	15128 (24.8)	12125 (10.6)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US $ mn	2324	4822 (21.2)	3865 (9.8)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports Rs crore	8609	15994 (28.2)	12475 (13.6)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US $ mn	2744	5099 (28.2)	3975 (12.8)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non POL US $ mn	2224	4060 (31.5)	3088 (17.3)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade Rs crore	1319	866	350	6375	3259	9687	3809	-10640
US $ mn	420	276	113	2018	1039	3345	1545	5930

Foreign Exchange Reserves (excluding gold)	July 28 1995	July 29 1994	Mar 31 1995	Variation Over: Month Ago	Year Ago	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
Rs crore	62678	55796	66028	824	7382	3350	7670	18402	27430	5385	10223
US $ mn	19793	17579	20816	115	2214	1023	2403	5640	8724	731	3383

Money Market Rates of Interest

(per cent per annum)

Weekended Fridays / Instruments	July 1995				June 1995					May 1995			
	28(RF)	21	14(RF)	7	30	23(RF)	16	9(RF)	2	26(RF)	19	12(RF)	5
Call money rate (weekly weighted average)	na	9 46	11 66	12 08	16 15	16 46	14 64	10 88	13 60	13 47	16 78	13 14	10 06
Call money rate (Range weekly)	8 50	0 25	10 50	1 00	14 00	0 25	13 50	2 00	10 50	2 00	15 50	11 50	8 5
	11 00	12 00	14 00	17 00	19 00	21 50	17 25	12 00	16 00	22 00	19 50	19 00	12 00
Treasury Bills													
91 Day (On tap or *ad hoc*)	4 60	4 60	4 60	4 60	4 60	4 60	4 60	4 60	4 60	4 60	4 60	4 60	4 60
91 Day (RBI Auction)													
Primary	12 71	12 97	12 97	12 71	12 58	12 50	12 37	12 33	12 33	12 07	12 07	12 07	11 95
Secondary DFHI (mid point of bid & offer)	12 55	12 95	13 15	13 18	12 85	12 75	12 60	12 38	12 05	11 90	11 90	11 73	11 55
All SGL trading (Weighted YTM)	14 46			14 71	12 96		7 60	11 35	13 22		12 78	12 52	10 04
364 Day (RBI Auction)													
Primary	*	13 16	*	12 71	*	12 60	*	12 52	*	12 52	*	12 50	*
Secondary DFHI (mid point)	11 55	11 73	11 85	11 90	11 60	11 50	11 40	11 30	11 10	11 00	11 00	10 85	10 70
All SGL trading (Weighted YTM)	12 21	13 03	13 68	13 91	14 01	13 90	13 51	13 30	13 37	13 27	12 86	11 51	10 99
Repo auctions													
(GOI securities) RBI	*	*	*	*	*	*	*	*	*	*	*	*	*
Secondary market	na	na	na	14 50	16 00	na	na	na	na	na	na	na	na
State Govt loans (Coupon rates)										14 00			
All SGL trading (Weighted YTM)	13 32	13 97	13 08		12 08	13 11	12 64	11 77	12 14	10 50	11 88	11 64	12 35
GOI Securities													
Primary Auctions	13 85	*	13 25	*	*	14 00	*	14 00	*	13 80 $	*	*	13 75
	(5 year)		(2 year)			(10 year)		(10 year)					(10 year)
Secondary All SGL trading (Weighted YTM)	12 46	12 51	12 72	12 96	13 96	13 44	13 51	13 74	13 64	13 61	13 62	12 40	12 23
PSU Bonds yield													
Tax free NSE (traded weighted)	11 65	11 61	11 69	11 99	11 70	11 65	11 30	11 63	11 64	11 50	11 73	11 60	11 72
NSE (Range weekly)	10 89	10 49	10 66	10 75	11 21	10 83	10 94	10 66	10 61	10 94	11 17	11 47	10 07
	11 75	11 76	11 71	12 21	12 62	12 78	11 4	12 21	12 22	13 08	12 44	12 58	11 63
Taxable NSE (traded weighted)	16 48	16 84	15 35	16 81	16 54	16 50	17 75	16 67	17 91	17 41	15 54	15 53	16 00
NSE (Range weekly)	16 05	14 34	13 87	15 04	16 5	13 13	16	13 16	16 85	12 78	13 30	15 53	13 20
	16 63	17 50	16 55	18 31	18 04	16 71	18 08	18 17	18 29	18 31	15 60		16 06
Commercial Bills													
DFHI (Rediscount rate)	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	14 50	14 50
												15 00	15 00
CP Primary market (90 days)	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	14 25	14 25	14 25
	16 50	16 50	16 50	16 50	16 00	16 00	16 00	16 00	16 00	16 00	15 0	15 00	15 00
Secondary DFHI (Discount rate)	16 00	16 00	16 00	16 00	16 00	16 00	16 00	16 00	16 00	16 00	16 00	16 00	16 00
Secondary market/NSE	13 75	na	na	14 50	14 64	14 94	14 40	13 67	14 58	13 50	14 73	na	na
CDs Primary market (one year)	14 5	14 5	14 5	14 5	14 5	14 5	14 5	14 5	14 5	14 00	14 00	14 00	14 00
	15 25	15 25	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00
Secondary DFHI (Discount rate)	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 00	15 60	14 50	14 50
												15 00	15 00
Inter corporate deposits (30/90/180 days)	16 00	16 00	16 00	16 00	16 00	16 00	16 00	16 00	16 00	15 00	15 00	15 00	15 00
	21 00	21 00	21 00	21 00	21 00	21 00	21 00	21 00	21 00	20 5	20 5	20 5	20 5
UTI 1964 Units (Week end secondary market price in rupees)	15 05	15 05	15 02	15 13	17 81	17 81	17 81	17 80	17 80	17 80	17 80	17 81	17 73
Hundi Rate	24 00	24 00	24 00	24 00	24 00	24 00	24 00	24 00	24 00	24 00	24 00	24 00	24 00
Memorandum Items													
(i) Forward premia on the US dollar in the domestic inter-bank market * (annualised in per cent per annum) (Weekly average)@													
Spot/Cash	1 96	2 11	4 37	1 85	14 09	8 07	6 47	2 76	1 31	3 78	7 05	7 17	3 09
One-month	3 62	4 77	5 56	4 70	5 05	5 53	4 25	3 48	4 10	5 35	5 54	4 55	3 58
Three-month	4 50	5 22	5 73	5 32	5 66	5 86	5 34	5 33	6 86	6 14	6 18	5 54	5 08
Six-month	5 54	5 84	6 13	5 82	6 08	6 21	5 86	5 95	6 62	6 63	6 77	6 37	6 07
(ii) Havala Rate (Rs/US$) (Dubai)	34 80	34'90	35 15	35 15	35 25	35 25	35 30	35 35	35 50	35 40	35 30	34 97	35 25

no trading * no auction na not available ( ) no floatation YTM = yield to maturity $ Auction held on May 29
RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period
@ Based on the daily quotations supplied by Mecklai Financial and Commercial Services Ltd Bombay

Rabindric Fundamentalism

GPD

We will condemn even a remotely disapproving remark about Rabindranath Tagore as blasphemous while merrily naming chairs in our universities after foreign prime ministers. Surely, Calcutta could have done better than that.

THERE is a sizeable class of people in absolute numbers though not as a proportion of the total population which uses understands or misunderstands English in our country. It is this class which probably recognises either the Advaita Languages or English as the only Indian languages. Going by the remark made at a recent seminar in Delhi by Hindiwallahs have invented the myth of this class. One of them in fact asserted that it was a matter of good fortune (saubhagya was the word used) that Maharashtra and Gujarat were now Hindi speaking! Not being particularly good either in English or Rashtrabhasha Hindi we have tended to ignore these claims on the plea that we do not understand them. But then we had hoped that the great Indian writers in English would leave the dalit and OBC languages like Marathi and Bengali alone. One does not any longer mind that this English elite wakes up to the fact that Roshan Seth is a good actor because he performs in London and with some European actress. One does not mind that Naseeruddin Shah's credentials as an actor are finally going to be established when he plays the lead part in a French play translated into English in London. As Shombhu Mitra or a Shreeram Lagoo or a Tripti Mitra or a Sulabha Deshpande may spend all their lives doing theatre in the dalit languages but the DD and our so called national dailies would have little or no space for them. The only saving grace in the situation so far was that they had left people working in minor third world languages alone. They made their pounds and dollars and there the matter stood. It involved mutual non recognition and it was to everybody's good or so one had thought.

There is an Indo Anglian author called Khushwant Singh. We have not read any work by him and therefore cannot say what kind of author he happens to be. If he happens to be the same person whose column appears in every other newspaper then we can claim some knowledge of his authorial capabilities but obviously not enough to pass any judgment. What is curious is that this author who has never used any Indian language (apart from English that is) for his creative enterprises should suddenly choose to make comments on Rabindranath Tagore. He probably did that to raise a storm. We are tempted to believe that now that a storm has actually been raised, he is privately enjoying it. The question still remains however as to why these Indo Anglian writers do not leave the minor languages and literatures of India alone. An idea could be floated that all native writers (or as many of them as possible) give it in writing that they subscribe to the view that the Shobha Des and the Khushwant Singhs (or any other writer) of the Indo Anglian world are far greater than Tagore, Jibanananda Das, Ketkar, Tukaram and the like. Maybe then they would leave us alone.

The tendency to take the natives lightly cannot be much of a surprise in the post colonial world where the colonised mind still reigns supreme. Not so long ago a Bombay paper carried an article on Shivaji and the Queen of Jhansi by an Indo Anglian journalist. Normally anywhere in the world personalities of the 17th and 19th centuries would be the concern of historians. But these rules do not apply to those in English journalism or so it would seem. There was predictably a storm. The issue was this journalist's freedom of expression. There was in fact a meeting in Delhi which we had the misfortune to attend. We had defended Pandharinath Ranade's right to say what he did on Shivaji (which had also created a storm then) because a historian has a right to hold a view favourable or unfavourable, on Shivaji. We did not see how a young graduate in English literature could make bold to speak on a subject which she should not have been speaking on. She even cited a Marathi book of the 19th century. There was a critical article in a Bombay Marathi daily questioning her use/understanding of the text. But our notion of democratic rights does not necessarily cover academic responsibility certainly not towards material in a native language! Bengali's case is slightly different one reckons, as that language has at least one Nobel prize. This might explain why the journalists and intellectuals who were keen to defend Adjania's (the author we have been talking about) right to freedom of expression did not come out in defence of Khushwant Singh's right to freedom of expression! This is so in spite of the fact that the Maharashtra assembly did not pass a resolution against Adjania while the West Bengal assembly has against Khushwant Singh.

One would have thought that the Bengali elite was the most advanced of the Indian elites. (Before our English-speaking elite object, let us clarify that we mean elites belonging to the native or better still the vernacular languages. We dare not say one word against those who [illegible] speak and read English. And, more importantly, even if we did, it would not matter really.) As such the Bengali elite would ordinarily take comments on Rabindranath Tagore in its stride. But they have reacted to what Khushwant Singh has said in much the same manner as Islamic fundamentalists have reacted against Alavi recently or against Salman Rushdie. Are we witness to some kind of Rabindric fundamentalism? One can easily see that many would take even a remotely disapproving remark against Tagore as blasphemous. But an author (even an Indo-Anglian one) has a right to say what he thinks of another author. In fact the liberty should extend to all artists generally. Shaw did not think much of Shakespeare. Nor did Rex Harrison either of Shakespeare or of Stanislavsky. While Khushwant Singh is no Shaw or Harrison, the important thing is that neither the British nor the Russians were unduly perturbed by scepticism about Shakespeare's or Stanislavsky's standing. One is, therefore, required to conclude that it is Rabindra fundamentalism which is causing this furore.

This becomes all the more apparent when one notices that Bengal politicians and the Bengali elite were not upset when a chair in economics was sought to be instituted in Calcutta University in the name, of all persons, of the prime minister of Singapore! The only objection raised by the university syndicate members was that the Rs 15 lakh offered for the purpose was not acceptable. At least Rs 25 lakh should have been offered, argued the syndicate members. If the countries of west Asia and Pakistan are any guide, fundamentalist' critiques of 'western' societies do not extend to money or arms. Much the same is the case with cultural fundamentalism. We will condemn criticism of our cultural icons and we will merrily name our academic chairs after foreign prime ministers! Surely, Calcutta could have done better than this. One had hoped that it would have. Meanwhile Khushwant Singh and Goh Chok Tong (the Singapore prime minister) are probably having a hearty laugh as the bhadralok wallow in their Rabindric fundamentalism.

NEW DELHI

Enron and the High Cost of MNCs

B M

The Enron episode has brought out the high cost to the country not of just this particular deal had it gone through, but of the open door policy towards multinational corporations which is such a vital part of the government's economic reform policies. It is from this wider standpoint that the Enron case must be debated in the country.

THE scrapping of the Enron deal has been warmly applauded by public opinion. All the opposition parties regardless of their ideological and political differences have supported the decision of the BJP-Shiv Sena government in Maharashtra. The Congress party is embarrassed more so because the prime minister and the finance minister still choose to support Enron and its chairman rather than uphold the Maharashtra government's action and the national interest. Those who see the action as a clever political gambit on the part of BJP and talk mournfully of a setback to foreign investment and the high cost of breaking a signed contract with a multinational corporation are indeed playing into the BJP's hands. Already the gains of scrapping the Enron deal even in financial and material terms is becoming evident. A look at the scaling down of costs and improved terms being offered in its wake in respect of the other so-called fast track power projects in Andhra Pradesh and elsewhere. More important is it that an election pledge to the people has been redeemed by the Shiv Sena-BJP combine. The upholding of the principle of accountability in public affairs which has tended to be grossly violated by political parties by the Congress especially is a great gain for Indian democracy.

The review of the Enron agreement by the Maharashtra government and finally its scrapping have served to emphasise that the deal should not be viewed merely as a case of abuse of power and possibly corruption by the previous state government headed by Sharad Pawar. The public warning by the US administration against a review of the deal and its threat of retaliation had brought matters to a head. The way the Indian government, including the prime minister himself, came out to defend the deal imparted to it far-reaching political significance. It is important therefore that in the aftermath of the scrapping of the Enron deal serious attention is focused on the larger issue of the exceptional rights and privileges being demanded by multinational corporations, especially the US ones, for making investments in India. They insist on total freedom to import equipment and feedstock from their own sources without competitive bidding of any sort and returns on their investment which are not only very high but have to be guaranteed by the Indian government with built-in provisions for escalation. As a number of independent studies by experts had brought out and as has been confirmed by review of the project by the Maharashtra government because of the terms extracted by the multinational corporation the cost of electricity from the Enron project would have been so high as to have inflated costs and prices all round. The Maharashtra State Electricity Board (MSEB) would have been obliged to buy all the high cost power even if it were to suffer huge losses in the sale of the power to the final consumer and even if the cheap power were available from its own ageing plants. The Enron project was actually intended to set the pattern for American companies in particular and multinational corporations in general for investment in India. The Enron episode has thus brought out the high cost to the country not only of this particular deal had it gone through but of the open door policy towards multinational corporations which is such a vital part of the government's economic reform policies. It is from this wider standpoint that the Enron case must be debated in the country and the opposition parties must take it up as a major political issue.

For the prime minister the open door for foreign investment has become the one and only point on his economic policy agenda. This is seen by him as the way to insulate the so-called economic reforms and the performance of the government from political contention. The question is are the opposition parties willing to put up with this position? They certainly have not taken a clear stand so far. The left parties in particular have laid themselves open to jibes from the ruling party on this score. The several state governments being run by the opposition parties find it expedient to take what is euphemistically called a pragmatic position on the role of foreign capital even though the Congress party itself is being compelled in the wake of its electoral reverses to repackage its reform programme in more populist wrapping. It is the leaders of the opposition parties who, with the elections to the Lok Sabha so close at hand appear to suffer from a lack of confidence in the electorate which has unequivocally rejected the Rao government's economic policies including the policy of rolling out the red carpet for the multinational corporations. These parties must respect the sentiments of the people and in their quibbling among themselves not allow the fundamental issues involved in the scrapping of the Enron deal to be obfuscated. Objecting to multinational corporations only in the consumer goods sector is not a good enough position to take. What has to be questioned is the notion that multinational corporations bring in technology for the economic development and modernisation of the developing countries. Not to do so reflects a lack of political will and a tendency to look for solutions which of course are simply not available to India or any developing country.

If the scrapping of the Enron project is to have any meaning at all the mobilising of indigenous sources and capabilities in place of dependence on multinational corporations has to be put at the top of the economic and political agenda. This is particularly relevant to the energy sector. Indigenous equipment making capacity and local expertise in this area are of world standards. Their utilisation is far less costly than anything the multinational corporations have to offer. The first step to activate Indian capacities and capabilities to cope with the growing demand of power is to put in place arrangements for financing projects for power generation from out of domestic savings using indigenous equipment and local skills and a rational tariff policy to ensure a viable rate of return for the domestic investment which will however be far lower than what has had to be guaranteed to Enron and the other so-called fast track foreign projects. Reliance on domestic resources material human and financial will ensure both expansion of power generation capacity and supply of power at reasonable cost. The position on the power front has already grievously deteriorated even as the government has spent much time and energy to sign MOUs with multinational corporations for setting up power plants indeed even while domestic resources and skills have been allowed to remain idle. The result is the

shortfall of between 10,000 and 15,000 MW in the realisation of the Eighth Plan target of addition of 30,000 MW of generation capacity. The scrapping of the Enron deal provides the opportunity to similarly review and terminate MOUs signed with other multinational corporations for setting up power plants on no less adverse terms and conditions. Other countries have taken such action to safeguard their national interests. The talk of loss of face and shaking of the confidence of foreign capital and businessmen is ridiculous. When a country, its people and government assert themselves to secure their vital interests, they regain their own self confidence and in the process the respect and confidence of others, whether foreign governments or companies and businessmen. The way is also opened for more equal, mutually beneficial economic relations, including investment of foreign capital for augmenting the resources for India's economic growth.

It is a fortunate coincidence that the Planning Commission has come out with its review of the performance of the Rao government in the Eighth Plan so far. The review brings out large shortfalls in production and capacity creation especially in critical sectors such as energy and in the social services. Shortfalls of such magnitude and spread have not been recorded in the past, though the story of planning in the last four decades has been very much one of ups and downs. No wonder the prime minister should be trying to keep these findings confidential and even to doctor them. He cancelled the meeting of the full Planning Commission which was to have been held last month for this reason. This has been the standard response of Narasimha Rao whose reluctance to face the truth is well known.

How grotesque this trait is tending to become was emphasised when Rao addressed the meeting of Congress workers at Surajkund organised ostensibly to train them to face the coming election to the Lok Sabha. Rao chose the occasion to charge party workers with nepotism and hunger for personal power which he said had alienated them and the party from the electorate. This was his way of absolving himself and his policies and performance of all responsibility for the sorry plight of the party. But can he himself so casually escape the charge he levelled against his party workers? Rao's Surajkund performance actually exposed his own alienation not only from the masses but even from the workers of his party. The tirade against Congress workers which he made when his own term in office is clearly drawing to a close, unlike Rajiv Gandhi's denunciation of 'power brokers' at the start of his innings as prime minister and party leader, has to be dismissed as the outpouring of a played out small time politician whose personal integrity itself has come under a cloud among Congress workers as well as the general public.

Rao's laborious exercise at Surajkund was futile and unconvincing also as a defence of his economic reforms. In his speech he had to admit without any tinge of remorse though, that 5-6 crore of the top crust of Indian society 'does not need to be canvassed about economic reforms, for they have enjoyed the fruits of the reforms'. As for the next layer of some 25 to 30 crore people, according to Rao they were beginning to appreciate the reforms and its benefits. This was a wishful view of reality. Except for a fraction of the middle strata which may have improved its incomes and consumption levels, the majority of the middle class too has been squeezed by shrinking job opportunities and erosion of the real value of its incomes. And the vast majority, about 65 crore people, have been pushed out of any development opportunity. They have no link with the market-oriented liberalisation and globalisation imposed on the country by foreign business and political interests and zealously implemented by the Rao government in the last four years. Rao, however, refuses to recognise that the alienation of the party he heads from the masses is not a case of failure of communication on the part of Congress workers or the media, as he alleged. The content and direction of the reform programme is fundamentally anti-people. It cannot attract the support of the mass of the people. What is more, the middle classes and even sections of Indian business interests have good reason to be disenchanted with it.

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State and Social Security

Amitabh Kundu

The country has made a conscious but unproclaimed choice of allowing people to live in a manner that degrades human life slowly but systematically. This is because the political economy of the country does not offer an alternative irrespective of whether the development strategies it pursues are with or without a human face

DEVELOPMENT planners pleading for marketisation of social infrastructure and basic amenities admit the possibility of and perceive no great danger in allowing the parameters of physical existence some affecting human metabolism, to be determined by the affordability of individuals or community. It has been argued by eminent economists and nutrition experts like Minhas and Sukhatme that the basic needs are not dependent only on human biology. Even the minimum calorie requirement is noted to vary across communities with different history, culture and social norms. They thus implicitly question the essential logic underlying the governmental programmes for providing the minimum needs. One is therefore not surprised to know of a number of scholars from the western world holding the view that infant mortality rate (IMR), life expectancy, etc., in a country should be determined by its affordability. Nagamine has in fact argued that IMR of 20 per thousand is too high for Japan while in the states of India like Uttar Pradesh even 100 per thousand would be acceptable since the state cannot commit more resources to health and welfare activities due to its political compulsions and development priorities.

The above proposition may appear somewhat undiplomatic within the framework of the World Summit for Social Development held in Copenhagen in March this year but has wide currency in terms of the present day reality. Our life expectancy, state of biological system, number of ailments suffered during a year, number of children dying during our lifetime, etc., depend very much on the country we live in. Understandably, the state or people in India cannot adopt the standards of food and beverages of water and air pollution of effluent emission by industries, etc., as in the western world or the U S. Keeping 40 per cent of the vehicles off the roads by adopting the German stipulations, for instance, would be strongly resisted by 'Indian elites'. Similarly, the ministry of industries would consider it all right if a number of manufacturing units continue their production using their obsolete and eco-unfriendly technologies since only a few people would die of pollution compared to the very many that may die of starvation, if the national income is reduced by 30 per cent due to the adoption of certain European stipulations for environmental protection. As a result an average Indian gets exposed to considerable risks to his or her physical metabolism everyday in the struggle for survival. One can thus see that the country has made a conscious but unproclaimed choice of allowing people to live in a manner that degrades human metabolism slowly but systematically. This is because the political economy of the world or the country does not offer an alternative irrespective of whether the development strategies are pursued with or without a human face or heart.

The attempts of the Indian state to prevent transplantation of human organs through legislative and policing system are points of discussion in this context. Needless to mention here that the implementation of the central act passed in 1994 and various other state acts make even donation by genuine relatives difficult. Many of the renowned surgeons and hospitals have been extremely careful in undertaking transplantation cases resulting in delays and corruption. Undoubtedly, attempts to simplify the procedures for such transfers (like that of land and property transfers as attempted in recent years) would imply allowing the present inequality in income and access to power in the country to affect the distribution of biological organs as well. This would amount to degradation of human beings. One should nonetheless ask whether the states responsibility to protect the citizen's right to physical metabolism should end with the prevention of a few hundred cases of kidney transfers. Would one be wrong in dubbing such interventions as mere tokenism as these do not touch the much stronger processes of human degradation, perpetuated by the economic system?

More than 60 per cent of the workers in the unorganised sector endanger their eye sight, lungs, kidney, respiratory system, etc., by the very nature of their work and working environment. The formal and informal relaxations in labour and environmental laws in the late 1980s and 1990s, resulting in the growth of workers in casual and self-employed categories, struggling in poverty have further aggravated the problem. Life expectancy and the state of human

transfer and accumulate land, property, etc, can jeopardise the physical existence of several millions of people as the organ transfer for a few hundreds. Indeed, the impact of an exploitative economic and social system can be far more damaging in terms of sheer number than the transfer of organs. It has been argued, perhaps rightly, that much of the monetary benefits involved often do not reach the donor or his/her family due to the clandestine nature of operations and appropriation of a large portion of the booty by middlemen. Following this reasoning one must be concerned also about the clandestine practices in informal labour market and exploitation of workers by employers or contractors both economically and physically.

Another issue of human abuse agitating the minds of politicians, administrators and activists is that of foreign nationals marrying the poor Muslim women. If the major concern here is that of the brides being often minors, the problem can be dealt within the normal system and all that we need to do is to streamline the system of marriage registration and of age verification. The issue however, has acquired a strong emotional appeal due to a host of other associated factors, such as giving of money to the girl's family, ill treatment after marriage, lack of compatibility due to age difference, etc. Most certainly, none of these possibilities can be ruled out when the bridegroom is from within the country. Save nationalism apart, there are no empirical evidence to suggest that the implementation of legal provisions, particularly regarding torture or sale of women is worse in the countries where the Indian brides are being sought. On the other hand, studies indicate the socio economic as also emotional condition of many among these poor girls marrying persons within their community are quite bad due to the prevailing poverty and its dehumanising features. In fact, the eagerness to find a son-in-law from abroad basically stems from the noticeable affluence of the girls and their families that have succeeded in their venture. Monetary transactions have unfortunately remained a part of the matrimonial system in the country. The state has not been able to do much to curb such practices as it is difficult to identify such transactions and distinguish it from voluntary gifts. Massive efforts made by the state and non-governmental organisations to prevent a few such marriages on ground of human abuse would certainly not alter the unstable socio-economic conditions of the families. This would be similar to the so-called attempts of the US or Germany to ban or boycott Indian products in order to prevent child labour.

It may be satisfying to some of us that such interventions by governments registering symbolic gestures or showing off an apparent concern for physical health of their people are not peculiar to India or the developing world. In Europe or America [illegible] stringent anti-smoking legislation have been passed not merely for public health reasons but exhibition of [illegible] for people's personal health. The [illegible] of the government in raising the [illegible] of citizens however cannot be seen exclusively [illegible] that there has been significant cut in the expenditure on health and welfare of the aged, including the old people's homes in many of these countries. Faced with the problem of providing basic amenities to the growing aged population who are both physically and economically handicapped the per capita expenditure on the welfare programmes for the elderly has gone down significantly in the 1990s. In view of these the avowed claims of the government to become custodians of personal health of people appears more of a hypocrisy and [illegible] in policy.

Ernest Mandel

Achin Vanaik

What was remarkable about Ernest Mandel was that he could inspire great respect at both levels – as an exceptionally gifted intellectual particularly in the domain of economics and as a revolutionary theorist.

ERNEST MANDEL was in many ways a representative of the classical European intellectual tradition – the tradition of the Enlightenment – in which Marxist and Marxist thinkers like Mandel have their roots. It is a tradition that at its best has produced those rounded personalities more akin to the ideal types of heroes of the Renaissance with their many-sided abilities and multiple creativities contrasted to the more specialised thinkers and role players of today and it is a tradition that is now rapidly declining in Europe itself.

That is to say Ernest Mandel belonged to a tradition for whose members it was natural to be fluent in a multiplicity of languages and for whom intellectual endeavour would automatically seek to span a very wide range of disciplines. The best of them like Mandel himself could not only think big but also develop responsibility all the more incumbent upon them by virtue of his being a Marxist or Trotskyist the most internationalist in outlook of Marxist currents. He could speak [illegible] and polemicise skilfully in Flemish, German, French, English and Spanish and had an adequate level of Italian and Portuguese. His writings displayed a powerful mastery not just of economics but of virtually all social science disciplines sharing philosophy and aesthetics.

Mandel was of course much more than just an economist or a many-sided intellectual even a revolutionary theorist. He was a revolutionary activist from his youth committed in his practice to the [illegible] to overthrow capitalism and to develop the Fourth International which he saw as an absolutely vital instrument in this struggle. He became a member of the central committee of the Belgian section of the Fourth International at the age of 17. Like another precocious Belgian Trotskyist and Jew Abraham Leon who was a few years older to him Mandel was imprisoned by the Nazis during the second world war but unlike Leon managed to survive imprisonment and avoid the gas chambers. Leon wrote a remarkable book while imprisoned on the Jews as an oppressed people [illegible] but strongly repudiated Zionism. Mandel too never wavered in his intransigent hostility to Zionism and in his support for the righteousness of the Palestinian cause even as he felt the deepest empathy all his life with the plight of the oppressed everywhere including with the historical travails of the formation of the Jewish diaspora.

If the Trotskyist movement suffered a great loss in the early death of one remarkable Belgian revolutionary Abraham Leon it benefited enormously from the output and commitment of another Ernest Mandel who died last month at the age of 72. It was precisely because his intellectual activity always had a political and organisational context and thrust that unlike other more free-floating radical intellectuals (e.g. Isaac Deutscher or Jean Paul Sartre) Mandel for a major part of his life was banned from entry into a number of advanced capitalist countries. On one occasion when refused entry into the US to engage in a debate with John Kenneth Galbraith the debate had to be held through transatlantic telecommunications.

[illegible] most feared polemicists. Anyone privileged to have listened to him can testify to his spellbinding qualities. The sheer range of his knowledge and understanding and his formidable grasp of economics (the alchemy of our times) coupled with his supreme self-confidence that he was more than a match for any ideologue of capitalism anywhere, made him into something of a super-gladiator of the radical left. If intellectual balance is not always best served by such skills, political life and activity cannot do without the cut and thrust and opinion influencing qualities of such kinds of debate and discourse. The pure intellectual can practise agnosticism in the face of imperfect and uncertain knowledge and delude himself or herself that he or she is avoiding the taking of a political position. The political activist and intellectual suffers from no such delusion. Positions and perspectives have always to be taken despite imperfect knowledge and then acted upon.

What was remarkable about Mandel was that he could inspire great respect at both levels – as an exceptionally gifted intellectual particularly in the domain of economics and as a revolutionary theorist. As an economist Mandel had a very wide appeal across all currents of the left and for a brief time in the 1970s when the end of capitalism's golden age coincided with the existence of a small but vibrant and growing [illegible] left his economic writings even had to be taken serious note of by the leading figures of mainstream bourgeois economics such as Paul Samuelson (author of the single most important undergraduate economics textbook ever) and Assar Lindbeck (the key Swedish economist and figure responsible for selection of economics Nobel prize winners). It was in this period that he was asked to deliver the prestigious Alfred Marshall lectures at Cambridge University an honour rarely if ever given to a Marxist economist. The latest edition of those lectures will soon reappear as *The Long Waves of Capitalist Development*. His other major economic works include *The Formation of the Economic Thought of Karl Marx* (a work displaying remarkable grasp of Marx's anthropological thought as well) the famous expository two-volume *Marxist Economic Theory*, *The Second Slump* (explaining the end of the long post war capitalist boom) *The Meaning of the Second World War* a highly original analysis of the economic causes purposes and consequences of the second world war and his economic *magnum opus Late Capitalism* a work which among other things through its argument that capitalism in its latest phase actually exhibited the purest characteristics of capitalism as understood by Marx, laid the economic foundation for Frederic Jameson's own pathbreaking work on post modernism.

and the cultural logic of contemporary capitalism

In his other avatar as a revolutionary leader and theorist affiliated to the Fourth International and foremost defender (after the death of Trotsky and Isaac Deutscher) of the Trotskyist-Leninist tradition in the spectrum of Marxist or Marxist-inspired currents, the quality and range of his output was no less remarkable but had a less wide appeal Here his major works include *From Stalinism to Eurocommunism Revolutionary Marxism Today, Trotsky A Study in the Dynamics of His Thought, Power and Money* (a major analysis of class and bureaucracy), as well as Marxist primers like *Class Society to Communism*, and innumerable pamphlets, essays and articles on an immense range of classical Marxist and contemporary social, political and economic problems in all parts of the world His was an encyclopaedic mind (He even penned a book called *Delightful Murder* that is perhaps the best social history ever of the genre of crime and thriller novels)

Such writings necessarily had a more limited appeal even on the left because they were more directly politically challenging constituting as they did, a defence of the Trotskyist tradition as the representative of classical Marxism and demanding in the name of political coherence and integrity some considerable degree of affiliation with that tradition as embodied in the Fourth International For many among the admirers of Mandel this was obviously much more difficult to swallow In this respect there was a striking parallel found in the reception accorded to Gramsci and Trotsky, respectively by the new and old left after the post-1960s discovery of Gramsci's intellectual and political importance

It has always been easier to affiliate oneself in some way or the other with the legacy of Gramsci although, for all his originality, Gramsci was by all objective standards, a lesser theorist than Trotsky This is because there is no living organisational embodiment of Gramscianism and therefore no real challenge to one's own organisational affiliations To the Trotskyist tradition belongs the honour of being the first, the most consistent, as well as the only serious living organisational embodiment of the historic challenge to Stalinism posed within Marxism To be sympathetic to Trotskyism in theory has always demanded more in terms of practical commitments than to be sympathetic to other anti-Stalinist currents on the Left

Ernest Mandel would never let anyone forget this At the peak of his public influence, roughly the period between the French May in 1968 and the Nicaraguan Revolution in 1979, Mandel was responsible more than any single other person for attracting radicals to the banner of Trotskyism and the Fourth International Certainly, those responsible for bringing out the *New Left Review* as the flagship of independent Marxist thought in the English speaking world (and elsewhere) during this period, were greatly influenced by him as well But Mandel could not buck the subsequent changes in his own lifetime — the worldwide shift to the right in the 1980s and 1990s

The end result is something that Mandel, and Trotsky before him, would not have been entirely pleased about In both cases, in India as well as elsewhere, the individual looms much larger than the organisation that the mentor and his most able disciple yet fought and lived for Unless times change in ways yet unperceived, the most powerful memory likely to be left behind by Ernest Mandel is that of a remarkable person living a remarkable life and producing remarkable thoughts It is still something for progressives and Marxists everywhere to cling on to and to be thankful for on the eve of our entry into the deepening uncertainties of the third millennium

A Rebel in Saffron

M S S Pandian
Anandhi S

Consistently privileging wider social concerns, Adigal stood against all forms of religious and political orthodoxy

SRI Deiva Sigamani Arunachala Desikar (1925-1995), popularly known as Thiru Kunrakudi Adigal died on April 16 at Madurai Clad in saffron and sporting a flowing beard, he headed the Kunrakudi-Tiruvannamalai Adheenam, a saivite mutt of importance, for over four decades In his death, which was mourned by a wide spectrum of people including a large number of atheists, Tamil Nadu has lost a prominent public figure for whom religion signified a celebration human will and spirited engagement with this worldly inequalities

When he became the 45th head of the Kunrakudi Adheenam in 1952, the Tamil-speaking areas were full of Periyar E V Ramasamy's atheistic campaign The saivite orthodoxy looked forward to Adigal to counter Periyar Arul Neri Thirukkootam, then a forum of the saivite orthodoxy mobilised Adigal s fine debating skill in an attempt to retrieve the ground already lost to Periyar, and even sent him to Malaysia, soon after Periyar's visit to that country to blunt the impact of Periyar's anti-religious propaganda This phase of antagonism between Periyar and Adigal did not last long

In 1955, both of them met and the early conflict gave way to years of active collaboration Adigal relinquished neither the saffron nor saivism, but declared, "I am doing whatever is possible for me towards destroying caste and caste system as well as towards social reform I am neither scared nor worried about anyone's opposition I am waiting to participate fully in Periyar's anti-caste agitations " Soon, caste and untouchability became recurrent themes in *pattimantrams* (publicly staged debates) organised by him In 1970, when the DMK government brought in the Archakas Act, which paved the way for anyone, not brahmins alone, to become a temple priest without consideration to caste, it was met with stiff resistance from the Hindu-brahmin orthodoxy Adigal distanced himself from the campaign against the act and *Theiviga Peravai*, an association of saivite mutts of which Adigal was the most active member, extended full support to the act His life-long struggle against caste system made him rather critical of orthodox Hinduism In 1983, participating in a conference of the heads of Hindu religious mutts, he asked, "Has any mutt chief, who talks of Hindu unity, ever tried to appoint a Hindu from any oppressed caste as the chief of the mutt? If the member of the oppressed caste converts to Christianity he can become a cardinal, he can become a priest The situation is different in Hinduism Have you at least allowed the oppressed to read the *Vedas*?"

The finest moment of Adigal's privileging the wider social concerns over narrow saivism was perhaps in 1971 In that year, Dravidar Kazhagam organised a Superstition Eradication Conference in Salem, and as part of the conference procession the image of Rama was slippered in public The Hindu right in the state, mostly composed of brahmins, with the support of C Rajagopalachari, made much hue and cry Their high-pitched campaign was directed against the DMK government Adigal intervened in the controversy, but on the side of the atheists He issued a brief public statement in which he minced no words about where his sympathies were "Today theism stands for the welfare of the upper castes, and atheism stands for the welfare of the majority of the Tamil people "

Plea for Popularising Science

Adigal was deeply committed to the cause of Tamil language which was in keeping with the age-old saivite tradition in Tamil Nadu. In 1965, in the thick of the anti-Hindi agitation which directly challenged the homogenising desire of the Indian nation-state, he led a procession in Kunrakudi against the imposition of Hindi and courted arrest. It was the same spirit which inspired him to turn down the invitation to the sanctum sanctorum of the Chidamparam temple by the Dikshitars in 1983. He publicly resented the 'archanas' in the temple being conducted in Sanskrit, which most devotees did not understand. While recognising Tamil as the right of the Tamil people, he was acutely aware of Tamil language lacking in many respects. What caught his attention the most was the inadequate access to science through Tamil. Most of his public discourses on Tamil and its glories veered towards a plea for science in Tamil. The last public meeting which he attended was an award-presentation function for scientists at Karaikudi. When all the eight scientists who were presented with awards spoke in English, Adigal appealed to them to return science to Tamil and said, "Only when we can have access to scientific ideas in Tamil, our land will progress."

His passion for science took concerete shape in the rural reconstruction programmes which he launched in Kunrakudi and neighbouring villages in 1977. Inspired by Chinese communes, he worked hard to turn Kunrakudi and other villages in its neighbourhood into self-sufficient communities by utilising the local resources and by taking science and technology to the people through village planning forums. With the expertise of scientists from the Central Electro-Chemical laboratory at Karaikudi, he recast the resource-use pattern in these villages and established a situation of near full-employment. 'Kunrakudi pattern' has come to be part of the rural development parlance. What is more, in 1992, the ministry for science and technology presented Adigal with the national award for popularising scientific attitude among the people. As V C Kulanthaisamy, the former vice-chancellor of Indira Gandhi National Open University, remarked, "To our knowledge, the only religious leader to have received the national award for popularising science and scientific attitude among the people is Adigal." While a picture of Lenin hung on his wall, he used to tell of Marx, "The philosophers before Marx wrote of what the world was and what the world is. No philosopher has said of how the world should be and what changes are needed. Not only we have the right to think about how the world should be and to change it, but it is our duty. That is Marx's philosophy."

World Affirming Activism

During the last phase of his life, he spent substantial part of his time and energy, despite failing health, towards bringing communal amity among different religious groups in Tamil Nadu. While he exhibited tremendous courage in visiting the riot-affected Kanyakumari district in 1982, he unequivocally condemned the demolition of Babri masjid. He willingly participated in every effort, even by small groups, towards communal peace. It is not surprising that a large number of Muslims participated in the funeral of this saivite religious head without any apprehension about the much larger number of Hindus who were present.

Adigal's societal concerns and interventionist religiosity was perhaps nowhere more explicit than in a resolution passed by the Arul Neri Thirukkootam under his headship in Tiruchi in 1982. The general body of the organisation endorsed its faith in god and proceeded to resolve that it "should treat organisations like [illegible] which are involved in the abolition of untouchability and caste, and communist movements, which are involved in establishing a povertyless society, as allies; and brahmanism and its organisations, which insist that caste differences, poverty and destitution are results of *karma*, as foes...". If Adigal could get such a resolution passed, spirituality for him meant something different from what it is normally believed to be. As he put it, "Lot of them believe that spirituality depends on renunciation. It is a mistake. Hating the world is not spirituality. Understanding the world, living in it, and progressing along with the world is spirituality."

The finest endorsement of his radical religiosity came from none other than the chief minister of Tamil Nadu, J Jayalalitha, and the Sankaracharya of the Kanchi mutt, Jayendra Saraswathi. Throwing common civilities to wind, they chose not to condole his death. Given their conservative and right-wing political location, their silence was indeed a larger statement about what Adigal meant for the oppressed in Tamil Nadu.

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Gowari Deaths

Crucial Issues Neglected

Bageshree Vaze

The issues which prompted the gowari tribals to mount the large-scale protest last year, subsequently leading to the large number of deaths in the police lathi charge, are yet to be addressed by the state government.

ALMOST a year after more than 113 gowari tribals died during a police lathi-charge in Nagpur, the Maharashtra government has shown little interest in addressing the issue beyond providing financial compensation to the families of the victims. The newly-elected BJP-Shiv Sena regime has yet to take concrete action to investigate the incident, despite their pre-election promises. And although a Bombay-based human rights group has published a report holding the Nagpur police largely responsible for the massacre, a recurrent issue in Indian caste and tribal politics is being sidelined perhaps until the occurrence of a future similar tragedy Gopal Guru, (*EPW*, February 11), had asserted the incident suggested a crisis in Maratha hegemony: a marginalised section of society decided to fight government insensitivity and the BJP opposition capitalised on the aftermath of the massacre by helping perform the last rites of the victims. However, the massacre did not figure as a crucial issue at the time of the state's February elections and a full probe into the incident has not been considered an immediate priority for the new government.

The findings of the Indian People's Human Rights Commission (IPHRC) are hardly unique, merely reinforcing common knowledge of police callousness towards minorities in India. The IPHRC invited police authorities to provide their version of events at inquiry hearings held in early March, but no representative turned up. Its report is based solely on testimony given by more than 50 gowaris who had attended the morcha. S M Daud, former judge of the Bombay High Court and K K Narendran, former judge of the Kerala High Court oversaw the three hearings held at Pulgaon, Sakoli and Nagpur. Approximately 50,000 gowaris had gathered from Nagpur and its outlying areas in front of council hall, the legislature building on Novemebr 23. Sudhakar Gajbe, the president of the local Gowari Sanghatana, had mobilised his fellow tribals to demand recognition as a scheduled tribe entitled to government reservations. Peaceful dembnstrations, fasts, sit-ins and processions are common in Nagpur during November when the Maharashtra legislature holds sittings in the state's former capitol city.

Gowari tribals are rural labourers, believed to constitute somewhere between 10-15 per cent of the population of the state's Vidarbha district. For the past 10 years, they have been fighting for recognition as a distinct group who should receive benefits under the government's tribal welfare provisions. Constitutionally, deptessed and economically backward sections of India are entitled to concessions is employment and education – that is, arrangements are made to ensure members can acquire jobs and receive admission to colleges While a larger debate rages over the degree of reservations for the marginalised, controversy over the gowaris' status as a distinct tribe has existed since the 1960s. The group has been confused as a sub-group of the Gond tribe – a Maharashtra government resolution of April 24, 1985 claimed the gowaris had been taking undue advantage of their name's similarity with that of the 'Gond-Gowari' scheduled tribe. Mantralaya subsequently stopped issuing concession-entitling certificates to the gowaris

Gajbe and other gowari leaders, frustrated with filing numerous petitions and meeting with government leaders to no avail, decided a morcha might be more effective. The IPHRC report provides background context and reiterates most of the details of the November 23 massacre provided by newspapers at that time. Men and women of all ages – whole families including small children – after marching from Patwardhan ground to the 'T' point in front of the legislature building, endured the hot afternoon sun for about five hours, with the hope a government representative would address them at some time. Because of the massive size of the assembly, people sat huddled together uncomfortably and while most of the witnesses say they maintained a distance of 10 to 100 feet from the police barricades, some concede they may have pushed too close to the front.

The IPHRC report says that while the gowaris may have shouted slogans condemning the government, they were not aggressive and did not incite the police to violence. The police informed the leaders that the ministers would meet a five-member delegation, but Gajbe asked that the chief minister himself meet the crowd. The crowd was later told the chief minister had left for Bombay, so the gowaris asked that some other minister meet them. Around 6 pm, after darkness had begun to descend, the leaders were told no minister was available to meet them. Gajbe decided it was necessary to tell the gowaris of what had happened and ascended a rickshaw with a microphone in his hand. While he was speaking, a white or cream-coloured Ambassador car with flashing red lights appeared at the front of the crowd and the gowaris thought a government VIP had arrived. Slight commotion ensued in which those who had been sitting for hours suddenly stood up and moved nearer the police barricades.

The gowaris appearing before the IPHRC tribunal claimed the police, perhaps upset by the movement in the crowd, removed the barricades and rushed at them with canes. There are points of discrepancy among some of the witnesses, a few saying gun shots were fired, others insisting the police burst tear gas shells. Nonetheless, the gowaris, with no place to run except to the rear – they were cut off on all sides by road-blocks – trampled over each other in mass confusion as the police began caning them.

The unfortunate turn of events might have been prevented had a police official read out the Riot Act or asked the crowd to disperse. Witnesses told harrowing personal accounts; the police rounded up the wounded and sent them to hospital, literally flinging women and children into awaiting police vans. Many of the gowari witnesses say the officials took advantage of the confusion to even steal jewellery and personal belongings of the wounded Shanta Dhondiba Neware, 40 says, "even the ones who could have lived were thrown (by the police) and died"

There is no question in the minds of the gowaris that the police are solely to blame for the massacre, despite the then chief minister Sharad Pawar's claim that the tribals had instigated the incident. Gajbe, whose nine-year-old daughter perished in the stampede, says Pawar's claim was absurd. As Ranjana Suryaban, 20, told the IPHRC, "What use was there in starting a charge on ourselves"? Families of victims were subsequently compensated – some received as much as Rs 2 lakh for their grievances – but such concessions hardly deal with the massacre's underlying issue: the gowaris are adamant the government provide them with more opportunities in education and employment. B V Kolte, deputy secretary of the state's home department, says the government has appointed a Nagpur-based inquiry commission, but it is uncertain as to when it will begin its work.

Still, Gajbe and the other gowari leaders have not given up their fight for recognition as a scheduled tribe. Soma Sen, an IPHRC activist in Nagpur, thinks the gowaris should continue their struggle, despite the lack of government response. "I hope they form some sort of revolutionary movement on their own, since the government doesn't seem to be addressing their concerns." The gowari tragedy is only one incident of many in the increasingly tense atmosphere of caste relations around the nation. Given the government's lack of action in dealing with such a significant feature of Indian politics, it is understandable Indians have more or less forgotten last year's stampede.

Egypt's Troubles at Home and Signals Abroad

Ninan Koshy

The compulsions of accelerating developments in west Asia and North Africa are demanding a reorientation of Egypt's political and economic relations and a reassessment of its role in the region

WHILE the sabre rattling by Egypt against Sudan in the wake of the assassination attempt on president Mubarak has been chiefly meant to whip up nationalistic fervour and divert attention from a deepening domestic crisis there are indications of a reorientation of Egypt's role in the region and consequent diplomatic initiatives

The occasion of the 43rd anniversary of the Nasser led revolution was used by president Mubarak to repeat his accusations against the Sudan government that it organised the attempt to kill him in Addis Ababa He called Sudan an exporter of international terrorism with the sick dream of a pan Islamic state stretching from Algeria to Sudan Egypt thus was affirming its role as the defender of the whole region

The Egyptian government has not provided any evidence to link the assassination attempt to Sudan What evidence is available shows that those primarily responsible were most probably Egyptians However this has not prevented president Mubarak from repeatedly pointing the finger at Egypt's neighbour and its ideological leader Hassan al Turabi The tirade against Sudan was successful in creating an upsurge of nationalist fervour in Egypt

The repetition of the accusations against Sudan even one month after the incident shows that Mubarak is keen to focus attention on the alleged terrorist threat from Sudan and to keep public and international attention away from domestic politics Immediately after the assassination attempt Egyptian troops attacked their Sudanese counterparts in the disputed border area of Halaib on the Red Sea in which two Sudanese were killed and 10 wounded Both parties reinforced their military strength in the region It is true that the National Islamic Front (NIF) of Sudan sees itself as the vanguard of the revolution in northern Africa (and indeed internationally) and boasts of its increasing influence In December 1994 neighbouring Eritrea broke off diplomatic relations with Sudan accusing it of Islamist destabilisation and Ethiopia has less publicly voiced the same fears Thus Egypt may have a strong case in its general criticism of Sudan

The crisis in Egypt Sudan relations has much to do with the changes in the Horn of Africa, the assertive and even militant role of Sudan and the ideological and other possible links between some sections of Egyptian opposition and Sudan Traditionally Sudan was subject to exploitation by Egypt in many ways Today there is a new situation As a senior official of the Eritrean government wrote [*The Sudan Democratic Gazette* London February 1995]

> It is evident that on the whole Egypt has been pursuing an hegemonistic and unfair policy to undermine Sudan's full independence and to impede the growth of extensive agricultural programmes through irrigation On the other hand the National Islamic Front has demonstrated a determination to assert Sudan's independence and to redefine its ties with Egypt on equal terms although it conducts fundamentalist and perilous political adventures This has caused Sudanese Egyptian relations to plummet and Cairo to be perturbed by the turn of events for the first time in the history of their bilateral ties Current attitudes to and the orientation of Egyptian policy towards the Sudan should indeed be viewed and evaluated from this perspective

The Addis Ababa incident has put Egypt on a collision course with Sudan and it is not easy to turn back Egypt is likely to seek actively the undermining of the NIF government in Sudan and it may assist the opposition to it

Till now there has been noticeable ambivalence and even confusion in Egypt's attitude to the Sudan government and opposition This period now seems to be over The 1989 coup in Sudan was initially welcomed by Egypt as a necessary military putsch against the unstable democracy of its old rival Sadiq el-Mahdi But when the Khartoum government developed a clear Islamist ideological stance Cairo changed its mind but was unsure as to what to do For some time it seemed to believe in its own theory that in Sudan the military was good but the Islamist elements were bad

Egypt not only did not help the Sudanese opposition it suppressed public demonstrations by it (mainly by southern Sudanese) The police action against southern Sudanese refugee women received international attention Sudanese belonging to different political groups and parties bitterly complained of harassment by Sudanese authorities All this changed suddenly when the Sudanese opposition alliance was not only allowed to hold demonstrations against the Khartoum regime but was received by Mubarak for a photo opportunity publicised in the television The semi-official press gave a lot of coverage to the Sudanese opposition and made a distinction between the Sudanese people and the Sudan government This has given a definite boost to the National Democratic Front which had just concluded in Eritrea its most important meeting since 1989 While the Egyptian government fully utilised the assassination attempt for an orchestrated campaign against Sudan and international terror it did not succeed in diverting the attention from the domestic situation which many believe is fast approaching a crisis

In fact some commentators have gone to the extent of saying that in the absence of a dramatic shift in a number of directions, Egypt may soon find itself in the situation of the last days of Iran under the Shah They point out several basic indicators of the regime's instability, deep economic recession, the government's inappropriate response to economic challenges the failure of political response, the growing violation of human rights, the insurgency and the divisions within the security forces

The economy is in tatters with economic growth falling relative to population growth, unemployment, poverty and malnutrition rising and the gap between the rich and the poor widening The IMF and the World Bank believe that Egypt's economic prospects show definite signs of improvement However the real story of Washington directed reform has largely been one of disaster for the majority of Egypt's population Most of the reforms have benefited only the better-off In the absence of effective measures against the endemic corruption and elitism and a sustainable redistribution of wealth to Egypt's poor economic reforms will only heighten social tensions The Egyptian government is yet to realise that the best weapon against the insurgents is economic and social justice

Islamic Militancy

Islamic extremist political movement owes its origin in part to the policies of Anwar Sadat who unwisely used the Islamists as a counter to the powerful secular leftists during the 1970s He supported the Islamic groups financially while personally cultivating an image of religious piety His eventual rejection of the objectives of these groups and the signing of the Camp David peace accord sealed his fate Militant Islam in the shape of Jamaat al-Islamiya was now to become Egypt's dominating political issue

international significance in view of the role assigned to Egypt in the region by the west The general consensus is that the Islamic groups possess neither the necessary organisational structure, charismatic leadership or broad enough public support to threaten Mubarak seriously In that sense Egypt is not like pre-1979 Iran Mubarak's response to Islamic militants has been to tightening security screws and adopt increasingly more repressive measures This has inevitably resulted in grave violations of human rights

The case that highlighted human rights abuses in Egypt and attracted unusual interest inside and outside Egypt was the death in police custody in late April 1994 of Abd al Haith Madani a lawyer with ties to the outlawed Jamaat al Islamiya It sparked off protests and eventually led to a hunger strike by his fellow pro-Islamist lawyers The government first claimed that Madani had died of an asthma attack but then refused to release the autopsy report or even to allow his family to see the body (which was delivered to them in a sealed coffin) The case still haunts the Mubarak government

In trying to justify an increasingly authoritarian rule the government cites the example of Algeria even arguing how risky free elections can be In March 1994 the government rushed through parliament a measure withdrawing the rights of villagers to elect their mayors and deputy mayors The explanatory note attached to the draft law stated that the application of the election system proved that it is a threat to public order and security because it augmented already existing rivalries between the major clans in the villages The note went on to explain that elected mayors were more concerned with satisfying voters than with order and security and that in any case elections were costly

The following month the state council granted wide ranging censorship powers to 'al Azhar despite the objections of the ministry of culture Civil libertarians took a particularly dim view of the development because in recent years the shaiks who run al Azhar's censorship review board known officially as the Islamic Research Academy have construed their right to examine "Islamic work and productions or those which relate to Islam" as a licence to ban virtually everything Ironically in the name of containing political Islam Egypt has over the last two years granted even broader powers over public discourse to the most conservative elements of official Islam

The latest among the measures infringing civil rights is a new law that prescribes punishments for journalists by imprisonment up to five years as well as heavy fine in cases of defamation or spreading 'false information' The government is adamant that the press should be held to account for what is seen as attacks on 'national interest' Critics say that the law is so vaguely worded that it allows the government virtual *carte blanche* to prosecute journalists The People's Assembly passed its final draft virtually 'in secret according to opposition sources, after precious little debate and with no consultations with the media It seems that articles that implicate politicians in corruption scandals have rattled the government

The peace process in west Asia which involves Israel and some Arab states in addition to the Palestenians appear to be prompting Egypt to reorient its foreign policy including economic diplomacy President Mubarak's visit in mid November last to London and Rome with the primary purpose of gaining support for Egypt's economic programme received considerable attention internationally

Interestingly the Egyptian leader's visit came shortly after a surprise announcement that Egypt had applied to join the Arab Maghreb Union the regional economic and security forum which brings together Mauritania Morocco Algeria Tunisia and Libya It was obvious that the move was not welcomed by all The Tunis government apparently protested while Algeria was reticent Egypt seems to have the support of Morocco which probably feels that Egypt's presence in the Union will avoid the dominance of Algeria But even Tunisia and Algeria will find it difficult to oppose Egypt's entry and Libya will lend support, as it is indebted to Egypt for defending it against the western onslaught for its alleged involvement in the Lockerbie affair

Egypt may have some good reasons to join the Maghreb Union It wants to affirm its role as a Mediterranean power in addition to being a middle eastern leader Mubarak's trip to Europe made it clear that economic and political relations with Europe are high on his agenda This is important at a time when the European Union is redefining its Mediterranean policy on economic co operation on the initiative of France There may also be the consideration that depending almost solely on the US may not be a viable proposition on a long term basis Despite delays in getting new co operation agreements signed with Morocco Tunisia and Israel the European Union has already started negotiating with Egypt a new partnership agreement aimed at reinforcing bilateral trade and investment relations

At a time when Israel is fast building economic relations with a number of Arab countries including some from the Gulf region Egypt feels that it may be left out and wants to reassert its influence and wishes to remind Arab states of its central role Joining the Maghreb Union is one way of doing this

Thus the compulsions of accelerating developments in west Asia and North Africa demand reconstitution of political and economic relations of Egypt and a reassertion of its role in the region

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BALANCE SHEET OF THE INDIAN BRANCHES AS AT MARCH 31, 1995

	Schedule	As on 31.3.95 Rs. 000	As on 31.3.94 Rs. 000
CAPITAL & LIABILITIES			
Capital	1	1,580,000	970,000
Reserves & Surplus	2	6,161,014	4,886,185
Deposits	3	60,906,820	62,577,016
Borrowings	4	3,876,520	2,527,234
Other liabilities and provisions	5	3,367,075	3,852,271
TOTAL		74,311,429	73,842,706
ASSETS			
Cash and balance with Reserve Bank of India	6	9,893,813	6,596,378
Balances with banks and money at call and short notice	7	2,969,347	3,402,396
Investments	8	25,314,473	31,975,802
Advances	9	27,912,958	22,576,231
Fixed Assets	10	1,472,266	1,336,613
Other Assets	11	6,748,572	7,955,286
TOTAL		74,311,429	73,842,706
Contingent Liabilities	12	115,143,651	94,498,242
Bills for collection		262,603	456,873
Notes on Accounts	17		

Schedules referred to herein form an integral part of the Balance Sheet

Sd/-
S. S. MANI
Partner
for and on behalf of
FRASER & ROSS
Chartered Accountants

Sd/-
S. VENKATACHALAM
Vice President

Sd/-
ROBERT EICHFELD
Chief Executive Officer—India

Place. BOMBAY
Date. 7th August 1995

CITIBANK

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PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

	Schedule	31 3.95 Rs. 000	31.3.94 Rs. 000
I. INCOME			
Interest earned	13	7,615,265	7,233,479
Other income	14	1,501,337	2,050,669
TOTAL		9,116,602	9,284,148
II. EXPENDITURE			
Interest expended	15	3,808,734	3,990,156
Operating expenses	16	2,456,245	2,632,392
Provisions and contingencies		1,542,465	1,831,214
TOTAL		7,807,444	8,453,762
III. PROFIT			
Net profit for the year		1,309,158	830,385
Profit brought forward		2,653,194	1,988,886
TOTAL		3,962,352	2,819,271
IV. APPROPRIATIONS			
Transfers to statutory reserves		261,831	166,077
Transfers to Properties Investment Reserve		0	0
Balance carried over to Balance Sheet		3,700,521	2,653,194
TOTAL		3,962,352	2,819,271
Notes on Accounts	17		

Schedules referred to herein form an integral part of the Profit and Loss Account
This is the Profit and Loss Account referred to in our report of even date.

Sd/-
S. S. MANI
Partner
for and on behalf of
FRASER & ROSS
Chartered Accountants

Sd/-
S. VENKATACHALAM
Vice President

Sd/-
ROBERT EICHFELD
Chief Executive Officer—India

Place: BOMBAY
Date: 7th August 1995

CITIBANK

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

	Rs 000	As on 31 3 95 Rs 000	As on 31 3.94 Rs 000
SCHEDULE 1—CAPITAL			
CAPITAL			
Amount of deposit kept with RBI under Section 11(2) of the Banking Regulation Act, 1949 (see schedule 17—note G)		1,580,000	970,000
TOTAL		1,580,000	970,000
SCHEDULE 2—RESERVES & SURPLUS			
I. Statutory Reserves			
Opening Balance	843,764		677,687
Additions during the year	261,831		166,077
		1,105,595	843,764
II. Citibank Cards Reserve		67,500	67,500
III. Furniture & Equipment Reserve		15,722	15,722
IV. Properties Investment Reserve (see schedule 17—note B)			
Opening Balance	619,431		619,431
Additions during the year	NIL		NIL
Deductions during the year	NIL		NIL
		619,431	619,431
V. Revaluation Reserve (see schedule 17—note A(v))		652,245	686,574
VI. Balance in Profit and Loss Account		3,700,521	2,653,194
TOTAL		6,161,014	4,886,185

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

	Rs. 000	As on 31.3.95 Rs. 000	As on 31.3.94 Rs. 000
SCHEDULE 3—DEPOSITS			
A. I. Demand Deposits			
i) From banks		65,950	114,715
ii) From others		6,838,933	8,826,646
		6,904,883	8,941,361
II. Savings Bank Deposits		2,136,619	1,539,764
III. Term Deposits			
i) From banks		6,237,443	8,257,114
ii) From others		45,627,875	43,838,777
		51,865,318	52,095,891
TOTAL		60,906,820	62,577,016
B. i) Deposits of branches in India		60,906,820	62,577,016
SCHEDULE 4—BORROWINGS			
I. Borrowings in India			
i) Reserve Bank of India		237,767	18,000
ii) Other banks		2,335,727	459,060
iii) Other institutions and agencies		466,743	1,841,005
		3,040,237	2,318,065
II. Borrowings outside India		836,283	209,169
TOTAL		3,876,520	2,527,234
Secured borrowings included in I & II above		NIL	NIL

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

	Rs. 000	As on 31.3.95 Rs. 000	As on 31.3.94 Rs. 000
SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS			
(see schedule 17—note C)			
I. Bills payable		931,731	726,408
II. Inter-office adjustments (net)		(532,092)	NIL
III. Interest accrued		767,763	905,022
IV. Others (including provisions)		2,199,673	2,220,841
TOTAL		3,367,075	3,852,271
SCHEDULE 6—CASH AND BALANCES WITH RESERVE BANK OF INDIA			
I. Cash in hand (including foreign currency notes)		98,472	106,745
II. Balances with Reserve Bank of India			
i) in Current Account	9,795,341		6,489,633
ii) in Other Accounts	NIL		NIL
		9,795,341	6,489,633
TOTAL		9,893,813	6,596,378
SCHEDULE 7—BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE			
I. In India			
i) Balances with banks			
a) in Current Accounts	2,021,871		1,611,784
b) in Other Deposit Accounts	NIL		NIL
		2,021,871	1,611,784
ii) Money at call and short notice			
a) With banks	NIL		NIL
b) With other institutions	NIL		NIL
		NIL	NIL
TOTAL		2,021,871	1,611,784
II. Outside India			
i) in Current Account	178,395		163,847
ii) in Other Deposit Accounts	769,081		1,626,765
iii) Money at call and short notice	NIL		NIL
TOTAL		947,476	1,790,612
GRAND TOTAL		2,969,347	3,402,396

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

	Rs. 000	As on 31.3.95 Rs. 000	As on 31 3 94 Rs. 000
SCHEDULE 8—INVESTMENTS			
(see schedule 17—note A (iv))			
I. Investments in India in trading securities			
i) Government securities	14,567,234		17,756,802
ii) Other approved securities	322,430		1,512,287
iii) Debentures and Bonds	8,710,176	23,599,840	12,093,166
Investment securities			
i) Shares		58,062	16,388
ii) Units			
a) Initial Contribution - UTI		100	100
b) Other units		438,000	203,534
		438,100	203,634
iii) Others (see schedule 17—note H)		1,218,471	393,525
TOTAL		25,314,473	31,975,802
SCHEDULE 9—ADVANCES			
(see schedule 17—note A (iii))			
A. i) Bills purchased and discounted		1,964,996	1,637,391
ii) Cash credits, overdrafts and loans repayable on demand		12,393,118	9,641,718
iii) Term loans		13,554,844	11,297,122
TOTAL		27,912,958	22,576,231
B. i) Secured by tangible assets		15,934,995	10,818,414
ii) Covered by Bank/Government Guarantees		133,772	205,106
iii) Unsecured		11,844,191	11,552,711
TOTAL		27,912,958	22,576,231
C. I. Advances in India			
i) Priority Sectors		5,393,600	2,260,562
ii) Public Sector		169,093	2,148,061
iii) Banks		0	9
iv) Others		22,350,265	18,167,599
TOTAL		27,912,958	22,576,231
II. Advances Outside India			
i) Due from banks		NIL	NIL
ii) Due from others			
a) Bills purchased and discounted		NIL	NIL
b) Syndicated loans		NIL	NIL
c) Others		NIL	NIL
TOTAL		NIL	NIL
GRAND TOTAL (C, I & II)		27,912,958	22,576,231

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

	As on 31.3.95 Rs. 000	As on 31.3.94 Rs. 000
SCHEDULE 10—FIXED ASSETS		
(see schedule 17—note A (v))		
I. Premises		
At cost as on 1 April	111,103	97,470
Additions during the year	8,368	13,633
Deductions during the year	(77)	NIL
Depreciation to date	(25,165)	(20,480)
	94,229	90,623
Add: Premises Revaluation	652,245	686,574
TOTAL	746,474	777,197
II. Other Fixed Assets (including furniture and fixtures)		
At cost as on 1 April	947,505	775,211
Additions during the year	312,938	191,699
Deductions during the year	(34,656)	(19,405)
Depreciation to date	(499,995)	(388,089)
TOTAL	725,792	559,416
GRAND TOTAL	1,472,266	1,336,613
SCHEDULE 11—OTHER ASSETS		
(see schedule 17—note C)		
I. Due from Head Office	NIL	3,156
II. Inter Office adjustments (Net)	42,869	469,859
III. Interest accrued	758,488	971,512
IV. Stationery and stamps	32	21
V. Others	5,947,183	6,510,738
TOTAL	6,748,572.	7,955,286
SCHEDULE 12—CONTINGENT LIABILITIES		
I. Claims against the bank not acknowledged as debts (see schedule 17 - note I)	2,434,036	661,550
II. Liability for partly paid investments	NIL	NIL
III. Liability on account of outstanding forward exchange contracts	104,759,446	86,814,221
IV. Guarantees given on behalf of constituents		
a) In India	3,105,929	3,292,994
b) Outside India	853,083	390,181
V. Acceptances, endorsements and other obligations	3,741,957	2,990,596
VI. Other items	249,200	348,700
TOTAL	115,143,651	94,498,242

CITIBANK

(Incorporated with Limited Liability in U.S.A.)

SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

		As on 31.3.95 Rs. 000	As on 31.3.94 Rs. 000
SCHEDULE 13—INTEREST EARNED			
I.	Interest/discount on advances/bills	3,751,006	3,521,827
II.	Income on investments	3,359,239	3,268,056
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	495,097	436,136
IV	Others	9,923	7,460
	TOTAL	7,615,265	7,233,479
SCHEDULE 14—OTHER INCOME			
I.	Commission, exchange and brokerage	1,514,979	1,130,675
II.	Profit on sale of investments	68,154	602,947
III.	Profit/(Loss) on exchange transactions	(82,096)	316,242
IV.	Miscellaneous Income	300	805
	TOTAL	1,501,337	2,050,669
SCHEDULE 15—INTEREST EXPENDED			
I.	Interest on deposits	3,546,100	3,465,776
II.	Interest on Reserve Bank of India/inter-bank borrowings	225,245	381,236
III.	Others	37,389	143,144
	TOTAL	3,808,734	3,990,156
SCHEDULE 16—OPERATING EXPENSES			
I.	Payments to and provisions for employees	424,583	454,903
II.	Rent, taxes and lighting	197,265	134,193
III.	Printing and stationery	133,853	79,994
IV.	Advertisement and publicity	83,158	61,717
V.	Depreciation on bank's property	120,708	91,926
VI.	Local advisory board members fees, allowances and expenses	735	770
VII.	Auditors' fees and expenses	2,000	1,500
VIII.	Law charges	18,744	10,521
IX	Postage, Telegrams, Telephones, etc.	162,204	158,466
X.	Repairs and maintenance	110,806	113,565
XI.	Insurance	92,350	60,739
XII.	Other expenditure	1,109,839	1,464,098
	TOTAL	2,456,245	2,632,392

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SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

SCHEDULE 17

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

A STATEMENT OF ACCOUNTING POLICIES

i BASIS OF PRESENTATION

The financial statements have been prepared on the historical cost basis in accordance with generally accepted accounting principles and conform to the statutory requirements prescribed under the Banking Regulation Act,1949.

ii FOREIGN CURRENCY TRANSLATION

Assets and liabilities in foreign currencies are translated at year end rates of exchange. Revenues and expenses have been translated at rates prevailing on the transaction date. Foreign exchange trading positions including spot and forward contracts are valued monthly at prevailing market rates and the resulting gains and losses are included in foreign exchange revenue.

iii CREDIT LOSSES

The Bank has a consistent internal policy of classifying its commercial and consumer loans and advances and full provision for credit losses and writeoffs, have been made to satisfy the Prudential accounting norms prescribed by the Reserve Bank of India for asset classification and for income recognition.

iv SECURITIES

The Bank has been consistently classifying its securities portfolio into permanent (investment) and current (trading). Permanent investments are valued at cost and the premium paid in excess of the face value ammortised to maturity. Current investments are valued at the lower of cost and market value in aggregate for each category in compliance with the Reserve Bank of India requirements. Treasury bills, Commercial paper and Floating rate notes are valued at carrying cost.

v PREMISES AND EQUIPMENT

Premises and equipment are stated at cost/valuation less accumulated depreciation. Depreciation is computed on written down value method (other than certain assets in staff quarters for which depreciation is computed on straight line method) with reference to the estimated useful life of the asset. During the previous year certain premises belonging to the Bank in India were revalued by an approved valuer as at March 31, 1994 and the increment in value amounting to Rs. 686,574,000 was brought into the books of account and credited to Properties revaluation reserve. The depreciation on the incremental value amounting to Rs. 3,432,900 has been charged to Property revaluation reserve.

vi STAFF BENEFITS

The Bank has fully funded contributions to the Pension Fund and Superannuation benefits for its employees with the Life Insurance Corporation of India.

vii INCOME RECOGNITION

The Bank follows a procedure of income recognition which satisfy the norms prescribed by the Reserve Bank of India.

CITIBANK

(Incorporated with Limited Liability in U.S.A.)

SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

SCHEDULE 17 *(contd.)*

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

viii NET PROFITS

The net income disclosed in the Profit and Loss Account is after:

—accounting for credit losses

—provision for interest tax and income tax

—other usual or necessary provisions

—valuation adjustments in respect of securities

—charge for Head Office and Administrative expenses for the year as advised by the Head Office.

B The Bank has retained in the "Properties Investment Reserve" as at March 31, 1995 Rs. 619,430,700 (1994: Rs. 619,430,700) as per the Reserve Bank of India's guidelines

C Other Accounts under the head "Other Liabilities" and "Other Assets" include amounts pending transfer to appropriate accounts. Other assets include amounts deposited with SIDBI for meeting Priority Sector lending limits, under the head "others".

D Bills received from constituents for collection on their behalf are controlled through memorandum registers and are recorded in financial ledgers only when collected. These bills for collection outstanding as at the year end have been stated in the Balance Sheet.

E Profit on sale of investments is net of adjustment for valuation.

F The Bank has discontinued the Portfolio Management scheme in August 1992.

CITIBANK

(Incorporated with Limited Liability in U.S.A.)

SCHEDULES FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

SCHEDULE 17 *(contd.)*

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS OF THE INDIAN BRANCHES FOR THE YEAR ENDED MARCH 31, 1995

G The Bank has lodged additional securities with the Reserve Bank of India u/s 11(2) amounting to Rs. 610,000,000 and includes an amount of Rs. 400,000,000 lodged subsequent to the close of business as of March 31, 1995.

H Other investments include Pass Thru Certificates Rs. 1,031,500,300 (1994 - Rs. 157,469,839).

I Claims against the bank not acknowledged as debts includes certain claims now pending before the Indian Courts.

J Prior year figures have been regrouped and reclassified wherever necessary.

K The Indian Branches of the Bank as at March 31, 1995 are at:
Bombay (Fort and Nariman Point); Calcutta (Chowringhee and Brabourne Road);
New Delhi (Jeevan Bharti) and Madras (Anna Salai).

SIGNATURES TO SCHEDULES 1 TO 17

Sd/-
S. S. MANI
Partner
for and on behalf of
FRASER & ROSS
Chartered Accountants

Sd/-
S. VENKATACHALAM
Vice President

Sd/-
ROBERT EICHFELD
Chief Executive Officer—India

Place: BOMBAY
Date: 7th August 1995

CITIBANK

(Incorporated with Limited Liability in U.S.A.)

AUDITORS' REPORT ON THE ACCOUNTS OF THE INDIAN BRANCHES OF CITIBANK, N.A. UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

We have audited the attached Balance Sheet of the Indian Branches of Citibank, N.A. (incorporated with Limited Liability in the U.S.A.) as at March 31, 1995 and the relative Profit and Loss Account of the Indian Branches of the Bank for the year ended on that date signed by us under reference to this report.

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of the sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account together with notes thereon, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms "A" and "B" of the Third Schedule to the Banking Regulation Act, 1949.

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

2. The transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branches of the Bank.

3. In our opinion, proper books of account as required by law have been kept by the Indian Branches of the Bank so far as appears from our examination of these books.

4. The above mentioned Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account.

5. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account together with and subject to the notes thereon give the information required by the Companies Act, 1956, as amended in the manner so required for Banking Companies and on such basis the said Balance Sheet gives a true and fair view of affairs of the Indian Branches of the Bank as at March 31, 1995 and the Profit and Loss Account gives a true and fair view of the Profit of the Indian Branches of the Bank for the year ended March 31, 1995.

Sd/-
S. S. MANI
Partner
for and on behalf of
FRASER & ROSS
Chartered Accountants

Place: Bombay
Dated: 7th August 1995

PERSPECTIVES

Sociology of Law in India

Postscripts and Prospects

Vikash N Pandey
Akhileshwar Pathak

As social change/reproduction is not affected by any single social stratum in isolation different strata perceive social forces differently, depending on their location in the existing order and attempt to modify them Evolution of law is part of this social process The text of law is itself a register of these negotiations and is therefore a contested domain

THE task of integrating social relations and legislations in a unified field continues to be unaddressed [Das 1974 Baxi 1986 and Dhavan 1987] Barring a few recent exceptions [such as Guha 1987 and Amin 1987] studies have only attempted to grasp the impact of the modern legal system on the Indian society Some interesting studies have tried to capture the societal reactions to the law and law enforcing agencies The point however is who made these laws? The state What constitutes a state a particular social formation If so the processes of formation of law its implementation and reactions cannot be discrete events in human societies

This note is a modest attempt to suggest an emergent frame of reference for a meaningful dialogue amongst the sociologists of law We have done it through a three layered argumentation first the frontiers of theoretical debates on law as a social process second a brief review of sociology of law with reference to India and third given the contemporary epistemological contributions to the sociology of law suggestions for intertwining of social relations and law And then with the example of agrarian legislations in India we conclude that newer explorations are made possible by the theories of discourse which require us to see law as dispersed power relations structuration and societal discourse

A starting point for the student of sociology could be the implicit assumptions/construction of society in a particular theory of law The conventional theories of positivism and structural-functionalism are inherently fallacious on this count Their construct of society is ultimately an assemblage of discrete autonomous and self referential entities such as individuals and institutions and related norms rules and social experiences History of changes in such discrete compartments are again an assemblage of autonomous events which are at best interactions amongst the actors and at the worst incidental and chancy

To be specific about law legal systems are seen as autonomous and independent operating with their own set of norms and rules The genesis of these norms and rules no doubt are seen in the society in general However once a particular system of law comes into existence, changes can only be brought about by external forces For example the indigenous legal system was changed by the Britishers in India In this theoretical construct there is no inthropological possibility of change in law and legal system without moving out of the self-referential systems of law and society

The first contentious issue therefore is whether law is a system at all for theorists to talk of legal system All jurisprudential theorists do believe in systems However they use legal 'system' to describe different things Hart (1961), for example sees the union of primary and secondary rules at the centre of the legal system Primary rules impose duties on human beings Secondary rules are rules about rules including rules which establish validity of rules and thereby a hierarchic structure of rules (rule of recognition), rules for changes in rules (rules of change) and rules for enforcement of rules (rules of adjudication)

Thus according to Hart, law is a self-contained system This would mean rules refer to other rules and their systematic interdependence determines the legal system Thus, in Hart's formulation a legal system somehow gets established and becomes a structure of authorising relationships In such a schema,the key role is given to the formal character of a legal system and a proper understanding of law should distinguish it from coercion and morality

There are still questions about law to be answered Like why some rules are accepted, laws get changed some laws are followed while others are not the same rules are interpreted differently by the courts, and the same rules acquire different meanings with changing contexts Hart, instead of facing the sociological questions, responds by creating the distinction between 'the core of settled meaning and penumbra of doubt' to assert that legal terms have a central paradigm which makes their meanings non-controversial

The shortcomings of these theories are that they remain trapped in the self-erected domain of law ' They are unable to explain not only dynamic social situations in developing countries but even normal events in the field of law itself Since law is constructed as an autonomous domain (with the reference frame of the state as sovereign and the courts as adjudicators), it may enjoy partial support in the developed world where courts are relatively insulated from day to day politics However in the Indian context, the delays in adjudication, the inability of certain classes to go to courts, the much publicised litigant nature of society and the power relations which deter/facilitate access' to the judiciary require one to go beyond this domain

Legal Pluralism/Legal Anthropology

Legal pluralists largely belonging to the group of legal anthropologists have made moves in this direction The central question they address is what happens to the traditional legal system when the modern state legal system is imposed on it In the positivist tradition, it was assumed that the rising modern system would eventually subsume the traditional economy politics and legal systems (so very imminent in Rostow's stages of development) But the legal theorists were confronted with a situation where the traditional system though encroached by the modern system, did not disappear Legal anthropologists addressed this question and their works are largely a reflection on the presumed co-existence of the two legal systems, that is, the modern and the traditional Both exist, but each gets modified in the interactive process [3]

The march of colonialism along with the industrial revolution in western Europe and positivist ascendancy of new-liberalism initiated a complex interaction amongst other societies To govern, one must understand the subject and hence legal anthropology's focus on native customs and law By the end of the 19th century, the westerners and the natives had come into contact for a long time and there was a process of modernisation of the tradition (as achievement) and traditionalisation of modernity (as problems to be addressed by sociology of law) This problem has to be understood more through a sociological prism rather than with anthropological tools [4] The problems of legislating, implementation

of laws, judicial systems, parochial forces working on and within the legal framework and the resistance of local/traditional variety to the homogenising effect of modern law (e g decades old problem of common civil code) led to enquiries into the interaction between the modern and the traditional law

In addition to the duality of customs as people's law, and the statutes as the law of the state, the studies on colonial societies detailed out another set of difference of indigenous legal tradition (custom and shastric text) and alien Anglo-Roman (western-modern) legal tradition coloured by the colonial regime The colonial rulers tried to build a judicial system which was modern in form and incorporated the native needs For the later part they elevated the textual law over customs through revival of the shastric scholarship It was in a way a continuation of modern jurisprudence which is textual On the other hand it was the only practical option Referring to customary law instead of shastric law would have meant the emergence of literally hundreds of different systems of customary law [Derrett 1968 317] which was against the standardisation and homogenisation so very essential for modern law This led to according to Rudolphs (1969) the creation of a dual legal system the western and the indigenous The legal system still exhibits different layers of cultural interaction and persistence namely the parochial brahmanical and the national It was akin to the processes of Sanskritisation and westernisation as their jural parallel In a somewhat more imaginative summary of this academic tradition Galli interdetails the complexities involved in such dualities and how in many ways it relates to the contemporary living experiences ranging from social relations and cultural and political processes And yet modern law has the hegemonic position in this duality [Dhavan 1989 lxix]

These studies made a significant advance by recognising the inevitability of ascendancy of modern law over the indigenous legal systems In addition Lingat (1973) invites our attention towards the essentially evolutionary process of textual law itself which incorporates from time to time customary law indicating the ingenuity of interpretation by shastric scholars At the same time, modern law acquires an indigenous character which enables it to be perceived by the natives as its own tradition However the relative positioning of the modern and the traditional in inherently burdened with conflicts The suggestion thereafter emerges that law as a social process has to be responsive to those it addresses By such liberal address, it acquires legality and legitimacy The process is on and hence legal pluralism

The point however is if the law in the native context was (and remains so in contemporary decades) an interaction between text and context, then the text is not a homogeneous entity and context is similarly not a frozen society By this logic modern law which was brought to the colonial fields could not have been a homogeneous one even at the level of the text Because one modern law as a process of interaction in the home country from where it is brought is a discourse incorporating contrast and conflicts and second its implication for the native society as a context cannot be even The native society as the recipient of an essentially tension ridden legal regime is again not a homogeneous entity It has its own tension ridden interaction between text and context Its response to the colonial regime and attendant modern law cannot be even In other words it is a complex process of multiple interaction amongst the native societies the text of modern law and the colonial regime To put it boldly there is no such thing therefore as status-contract, formal informal tradition-modern and great little These stand questioned by the argument of the legal pluralists themselves (logically and not simply empirical derived) that law is not a self referential system but emerges from interactions in social discourse [6]

Law as Discourse

Legal pluralism critiqued positivism, by maintaining that rules emerge from the interaction of cultures The view nevertheless accepted that rules decide concrete cases Critical legal studies took it further by positing that law is enmeshed in power relations and inequality in society Thus, the application of law is contradictory and inconsistent largely governed by the politics of ruling However, against the over contextualisation of law the critical legal studies, it must be noticed that law, once formed affects social relations Thus law, despite its enmeshing in power relations, is relatively autonomous, relative because in the process of modulating the social relations, law itself undergoes a change

The relative autonomy of law, therefore, re establishes the importance of the legal text which provides a special meaning and effect However the text, a reflection of power inequality and resistance in society, is a contested domain The law is read and enlivened by the social actors in the reference frame of their contexts It would imply that all texts are unstable in their meaning [Derridda 1976], or the meaning of the text varies with the relevant 'community of interpretations [Fish 1980] If all texts are burdened with the possibility of multiple interpretations, then what provides authoritative interpretations of law? Interpretations are supplied by the context (Foucault's micro politics and power as dispersed relation), and these are locked in the hegemonic process to establish themselves as the authoritative one The process of authoritative interpretation necessarily involving the strategy of conceptual neatness, appeal to shared values, homogenisation and universalisation In other words, 'legitimate' legal interpretations (of the text and the application, both) are only 'interested' articulations Thus, law is a social discourse

This conceptualisation of law is related to the theories of discourse which are based on the premise that society is a dynamic interplay between social action and social formations (discursive structuralism) There is a connection between the daily practice of social actors and the larger structures These structures are a set of inevitability in which social actors find themselves, resist, change and therefore, reconstitute Thus, social structures are created by the social actors over a period of time by reproducing meaning with the imprint of power Like social structure, law is both the pre-condition and result of social practices "Constraining and enabling the human agency, the law comprise generative rules and relationships that social actors use strategically to make their way in the world" [Giddens as read by Scheppele 1994 399]

Let us take the example of land legislations in India[7] to highlight the above outlined theoretical transition in the sociology of law The early studies on law and social change during the colonial rule in India were dependent on the modernisation framework and Sir Henry Main's 'status to contract' [Main 1861 165] It was argued that 'the introduction of rational system and private property was accompanied by intensive codification and differentiation of legal norms, establishment of modern judicial administration [Singh 1978 145-46] Some studies [such as Jain 1972] sketch the chronological details of the courts and judicature in British India

A shift came with the studies on land reforms and peasant movements These studies led to a re-examination of colonial policy and agrarian legislations and their effect on social structure, differentiation within the peasantry, contradictions and resultant peasant movements Eric Stokes (1959) traced the principal ideologies behind different property legislations Ranajit Guha analysed the role of ideologies in shaping the policy of permanent settlement and concluded that "the recognition of property as a basic principle of government was the common measure" [Guha 1963 18] Ravinder Kumar (1968) studied the impact of ryotwari settlement in Maharashtra He analysed the changed contours of land legislations in a particular social structure and its effect on different classes

In an important work, Neale (1962) analysed the land tenures in United Provinces as created and modified by a century and

halt of the British rule For him, the gaps between law and reality were not due to bad legal framework of tenure but because of the nature of the Indian society itself Raj (1965 and 1978) has analysed the background of various agrarian legislations in UP starting from the British annexation of Awadh in 1856 and its effect on various strata of peasantry Metcalf (1979) maintained that the colonial state's first priority was political stability for economic benefit and thus, the accommodation of the taluqdars' through the Taluqdari Settlement This led to assistance from subordinate zamindars and thus to the amendments to grade the property in land according to the strength of the claimants Another study analysing the relationship between the landlords and the British administration has shown that the Oudh Policy was constantly modified under pressure of increased discontent [Reeves 1963]

Elizabeth Whitcombe (1971) noticed that the modernisation of the law meant an increase in judicial facilities But the legal confusion (increased litigations fraud and the social disruption) prevalent at the end of 19th century was caused by one ground realities in the rural areas and two overlapping jurisdictions of courts technical complications of law and the relative impersonality of the modern courts

The above survey of the studies demonstrates that the emphasis has been on the impact of agrarian legislations on the socio economic development and vice versa It is argued that the British rulers influenced by utilitarianism (though partly debated by Guha 1963) initiated a process of change from status to contract by removing obstacles to the free market (modern legal system) Another interpretation of the same process has been that the introduction of private property has had a direct bearing on India's underdevelopment Thus the operative legal norms are generally derived from textual analysis and then incorporated into the contextual description as impacting on general socio economic fabric There exists a gap in the analysis of property laws and agrarian relations as a social process with due emphasis on the dynamic inter link between the law in the books and the law in action [Das 1974 369-73] Secondly, the legal texts have not been analysed in terms of contested terrains Third the discourse between contested text and social context is largely missing This has perpetuated a notion of enforcement of a modern/bourgeois property law in a traditional social structure For us this is only one reading of the text and the context The possibility of conflicts imply multiple readings and usage of the fluid text in a changing context This calls for the analysis of agrarian legislations and relations afresh

An attempt in this direction in analysing the evolution of colonial property law and agrarian relations in India has been fruitful With British rule, a new set of property laws were devised and continuously modified The property laws had more than one set of legal norms and thus, left room for ambiguity and manipulations The contested texts were both product and cause resulting in fluid operational norms

The process of evolution of law through legal disputes and related social changes led to original categories and codes being redefined into a different set of legal norms When codified laws as enacted resulted in altering the existing property arrangements, new varieties of agrarian conflicts ensued These actual conflicts were more wide-ranging than perceived in law-making pre-emptions The contending parties, fighting for their claims tried to register their rights or claims in the new legal format through the courts At the time, the judicial authorities had to interpret the existing sections of particular law in terms of the real situation of conflicts

This two-way process led to an interaction between existing relations and imposed relations where (a) the codes and norms of agrarian property were redefined in terms

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of imposed laws, and the laws were to be adjusted and modified according to the categories of the claimants. Thus, the agrarian legislations represented the culmination of compromises and failed to elaborate bourgeois notion of private property (much accepted and perpetuated in historical and sociological studies). The laws, thus, proved to be janus-faced with a pretension of bourgeois property [Pandey 1989]

As social change/reproduction is not effected by any single social stratum in isolation, different strata perceive social forces differently, depending upon their location in the existing order, and attempt to modify them. Evolution of law is a part of this social process, i e, structuration. The 'text' of law itself is a register of these negotiations, and therefore a contested domain. This is in addition to the discourses out of the text (the actual working of the law). Therefore, the analysis of the text and its working are enmeshed in the sociological set of legal relations." Das had called our attention to this sociological agenda of research on law 20 years ago. Baxi re-emphasised the need to remove this poverty. The above summary rearticulates the gap and the desire to make sociology of law sociological.

Notes

1 Any understanding of social processes is particular to a production relation, as the unit of analysis. And yet it is universal in theoretical re-construction on the basis of basic ontological premises about the human beings, relationships and social reflexivity. Thus, the basic slogan of post-modernity debate, which calls for abandonment of grand theories that thrive on modernity's impulse of homogenisation and universalisation, is 'Think globally, Act locally'!

2 Attempts to salvage the impasse, by theorists like Dworkin, took it out of the morass of positivism only to run into another normative blind alley [Douzinas et al 1991]. Another tradition of law is the 'autopoetic system' propagated by Luhman [King 1993]. At one level, it is an advanced version of structural functionalist theoretic. Luhman describes law, for that matter any field like politics, economies, etc, to be a self-referential domain. Law can express itself only in its own language. For example, only when the agrarian relations pose themselves as legal problems do they enter the domain of law. Though burdened with the dangers of asociological textualisation of law, the perspective cannot be trivialised. Because of its correction of over-socialised explanation of critical legal studies, it provides functional guidelines for integrating the domain of legal text as relatively autonomous from social relations.

3 This was because anthropology was rooted in understanding the other cultures, the traditional societies were in majority the major sites of fieldwork. In the process, it looked back at the legal positivism of Hart and questioned it by another set of constructs commonly known as legal pluralism, even for home countries.

4 Though one would like to claim that the conscious and subconscious motive remain similar – how to govern better.

5 The tradition of formal-informal law has been severely criticised in the pages of *Journal of Law and Society*, Vol 20, 1993.

6 In Gramscian moments, particular social formation and its representative state, and for post-modernism the modernity.

7 It is a known fact that the colonial regime initiated modern land legislations in the Indian sub-continent. However, it is equally important to emphasise that almost every decade of colonial rule had witnessed enactments, amendments, peasant/tribal uprisings, negotiations and further enactments/amendments. The process continues till date, if we carry the arguments to post-independence era.

8 We undertook the study of agrarian legislation in colonial Awadh (1856-1920). The study focused on the following questions: (i) The nature of property laws as a set of theoretical pronounced prescriptions, internal coherence and contradictions by de-constructing the text, (ii) the actual working of the laws through an analysis of court cases – (a) a reconstruction of the relations in the line of new hegemonic strategies; and (b) alterations of the hegemonic strategies in the line of social relations; and (iii) the emerging legal norms; categories and relations [Pandey 1985].

9 Conceptualisation of logic and structure of this operative legal norms is possible through actual dispute cases which are brought forward by various participants. Relative success and failures of certain classes to register their rights or claims, would also reveal the protection offered to certain interest (and rejected to others) disclosing the logic of legal framework. Thereby we can also discern historical foundations of the nature of agrarian uprisings. This in turn, initiated the changes in legislations and the resultant formulations of legal norms through enactments, interpretations and litigations.

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Pakistan's Courts and Democracy

A G Noorani

Judging the State: Courts and Constitutional Politics in Pakistan by Paula R Newberg, Cambridge University Press Cambridge UK 1995, distributed in India by Foundation Books, Delhi, £ 35

FOR reasons hard to understand, while the superior courts in Pakistan cite Indian judicial precedents the Supreme Court of India does not return the compliment with the exception of the Bommai case last year Indian impressions of the performance of courts in Pakistan tend to be negative without qualification Considering how the Supreme Court of India collapsed morally in the habeas corpus case in 1976, during the Emergency and one of its high-profile judges – P N Bhagwati, the darling of the ignorant section of the Left – wrote an abject letter of congratulations to Indira Gandhi, no sooner she returned to power in January 1980, no Indian ought to sneer at judges in Pakistan who have faced repression and dictatorship for worse than the Emergency in India

Paula Newberg's superb book should provide the corrective She records all the surrenders and betrayals as well as instances of courage If she had done no more than simply provide a resume of the great cases, from Maulvi Tamizuddin Khan's in 1953 to Nawaz Sharif's in 1993, she would have put students of Pakistan s political and constitutional system in her debt She has, however, related each case to its political setting and provided her own interpretation The reader may or may not agree with her But the references are specific and one can consult the case for oneself No one landmark is omitted

The scope and object of the work are best stated in the author's own words 'This study explores relationships between state and civil society through the medium of the superior judiciary It shows how, over the course of almost five decades, the courts have influenced the development of its constitutions and the structure of the state By examining judicial decisions, particularly at times of political crisis, it isolates discussions about concepts of constitutional rule between the judiciary and other institutions and looks at the way tensions within the judiciary and between courts and other state institutions have affected the ways that political society sees itself And finally, it explores the consequences of these debates for the formal organisation of political power

The book has neither heroes nor villains, although some will seem to emerge It chronicles the ways the state s has been viewed by one of its own institutions and the intricate ways that sitting in judgment has affected courts and constitutions and state and society"

The theme is well developed The moral dilemma facing the judges is clearly spelt out There are some flaws and blemishes, in style and substance At some places the language is either sweeping or imprecise and vague It is surely wrong to assert that through the 1950s when there was no Constitution Before the Constitution of 1956 overturned by the coup of 1958, Pakistan did have a Constitution, as India had from August 15 1947 to January 25 1950 – the Government of India Act, 1935, as adapted by each country

No one who has read Jinnah's speeches will agree with the author that "his vision for a democratic Pakistan had been a largely formalistic one" A scholarly work should quote his famous speech at the inaugural meeting of the Constituent Assembly on August 11, 1947 instead of referring to Mohammed Ali's invocation in 1954 of the "rhythms of Jinnah's plea for non-sectarianism in the first Constituent Assembly" and quoting his quaint paraphrasing of that speech

Also, it is wrong to say that under the 1956 Constitution the president's "executive powers outreached those of the elected prime minister' As a matter of fact, Clauses (6) and (7) of Article 37 made the cabinet's advice to the president, through the PM, binding on the president in terms more explicit than those in the Indian Constitution enacted in 1949 Not till the 42nd Amendment, enacted in 1976 during the Emergency, did the Indian Constitution so explicitly bind the president as did the Constitution of Pakistan in 1956 Missing in the Indian Constitution still is the explicit injunction in the 1956 and 1973 Constitutions of Pakistan that the PM may not be dismissed without a vote of no-confidence by the National Assembly

What has emerged today in Pakistan is an activist judiciary By 1993, "almost every major political issue in the country found its way to the courts" But the Supreme Court went through a lot before reaching the present state It twice validated a military coup in 1958 by Ayub Khan and in 1977 by Zia ul-Haq In between in 1972 it had rejected the 1958 ruling and held that Yahya Khan s coup in 1969 was illegal, only to cave in in 1977 "Their judgments have often supported the government of the day, presumably to retain a degree of future institutional autonomy"

In Maulvi Tamizuddin Khan's case the Supreme Court of Pakistan upheld the dissolution of the Constituent Assembly in 1954 by the governor-general, Ghulam Mohammed, on manifestly political grounds – which chief justice M Munir did not try to conceal – over the vigorous dissent of justice A R Cornelius Kenneth Diplock, QC, later a distinguished law lord appeared for the GG He was aided by Ivor Jennings who never forgave India for not soliciting his legal assistance as Ceylon, Nepal and Pakistan had done If Diplock's argument, which Munir readily lapped up, was right, the Indian Constitution is 'illegal' because it did not receive the assent of the governor-general Rajaji, but only of the president of the Constituent Assembly, Rajendra Prasad

Munir was even rude to the Sind High Court, which had ruled to the contrary, saying that the Supreme Court could derive no assistance from its judgment In 1958, in Dosso's case, he validated the military coup "A victorious revolution or a successful *coup d'etat* is an internationally recognised legal method of changing a Constitution" The court based its judgments on a theory propounded by the jurist Hans Kelsen in his work *General Theory of Law and State* (1945)

This ruling was reversed by the court in April 1972 in Asma Jilani's case when it held that "looked at either from the Constitutional point of view or the Martial Law point of view, whatever was done in March 1956, either by Field Marshal Mohammad Ayub Khan or General Agha Mohammad Yahya Khan, was entirely without any legal foundation" The court observed that Kelsen's view was not universally accepted as a theory Still less could it serve as a foundation for a legal judgment It was a theory of the law, not the law itself

In Nusrat Bhutto's case (1977) the court validated Zia's coup But while chief justice Munir accepted the Ayub take-over simply as a *fait accompli*, chief justice Anwarul Haq accepted the Zia take-over approvingly while formally rejecting the Dosso ruling.

His political predilections were obvious "There was thus a serious political crisis in the country leading to a breakdown of the constitutional machinery insofar as the executive and the legislative organs of the state were concerned A situation had, therefore, arisen for which the Constitution provided no solution" Hence the army's

intervention which the chief justice willingly certified, "was spontaneously welcomed by almost all the sections of the people"

Anwarul Haq loathed Bhutto and publicly attacked his rule in a speech delivered on September 24, 1977, an impropriety which should have debarred him from hearing the above case as well as Bhutto's appeal against conviction of murder

The chief justice tried to preserve some remnants of the rule of law in a dictatorship The Supreme Court's judgment was delivered on November 19 1977 By then the general had gone back on his promise to hold elections on October 18 and postponed them indefinitely The judgment recorded "After seeking instructions from his client, Mr A K Brohi has informed the court that the Chief Martial Law Administrator intends to hold election as soon as the process of the accountability of the holders of public offices is completed and the time factor depends upon the speed with which these cases are disposed of by the civil courts concerned

'The learned Attorney General has stated at the bar that in his opinion about six months is needed for this purpose and thereafter it will be possible to hold the elections within two months

The assurance was violated to no one's surprise The court did envisage such a situation when it said that while it did not consider it appropriate to lay down a time table for elections it would like to state in clear terms that it has found it possible to validate the extra constitutional action of the Chief Martial Law Administrator not only for the reason that he stepped in to save the country at a time of grave national crisis and constitutional breakdown but also because of the solemn pledge given by him that the period of constitutional deviation shall be of as short a duration as possible, and that during this period all his energies shall be directed towards creating conditions conducive to the holding of free and fair elections, leading to the restoration of democratic rule in accordance with the dictates of the Constitution'

Meanwhile, the Supreme Court was careful to emphasise, 'the power of judicial review to superior courts continue to have to judge the validity of any act or action of the Martial Law authorities if challenged in the light of the principles underlying the law of necessity as set out in this judgment" The court, of course, did not pursue the matter even when Zia's breach of the assurance had become blatant and incontestable

In both cases, the chief justice knew he was submitting the judicial office to the wishes of the man on horseback but tried to salve his conscience Evidence has come to light of Munir's complicity in the elimination of the office of president in 1958 by Ayub Khan

There were judges like Justice Z H Lari who was known for his independence even as a Muslim League leader in UP before partition and M R Kayani who spoke out courageously, as did in the 1980s, justices like Dorab Patel, Fakhruddin Ebrahim who once practised in the Bombay High Court, and Mir Khuda Baksh Marri They remained true to their oath of office Lawyers like A K Brohi, a shining light of both the Congress for Cultural Freedom and the International Commission of Jurists, and Sharifuddin Pirzada supported every military dictator There were those like Mian Mahmud Ali Kasuri who resigned as law minister in the Bhutto government and as a member of the Constitution Drafting Committee rather than be privy to the 1973 Constitution which made the prime minister all-powerful The author records that "despite constraints on their activities, bar councils agitated for an end to martial law"

In the last seven years, among the more notable cases decided by the Supreme Court are Benazir Bhutto's case (1988) on a political party's right to contest elections without being registered with the Election Commission, Haji Muhammad Saifullah Khan's Case (1988) decided after Zia's death in August 1988, holding Zia's dissolution of the National Assembly and of the provincial assemblies by their governors in May 1988 to be unconstitutional, and the Nawaz Sharif Case (1993) in which the dissolution of the National Assembly and Sharif's dismissal as prime minister were not only held unconstitutional, but both the assembly and the PM were declared to have stood restored and entitled to function as before – an order never before made by any superior court

The Zia legacy is yet to be dismantled completely Let alone the Eighth Amendment of 1985 many a repressive law continues to disfigure the statute book However, the press is free and so is the judiciary, though Benazir Bhutto has begun to pack the courts It would be fascinating to watch how the courts perform their constitutional role in the days to come

Paula Newberg's detailed analysis of the march of case law, spread over four decades, is of absorbing interest to constitutional lawyers and political scientists alike Her able work brings home to an Indian reader the enormous and yet untapped legal resources that lie in Pakistan which Indian lawyers can draw upon if Indo-Pak exchanges in this field are encouraged and institutionalised

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Prof. R. P. Misra is currently associated with the Department of Geography Delhi School of Economics, Delhi

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DCM SHRIRAM CONSOLIDATED LTD



Shri Mantosh Sondhi

Speech by Shri Mantosh Sondhi, Chairma at the Annual General Meeting of the Company held on August 3, 1995 at New Delhi

Ladies & Gentlemen,

On behalf of the Board of Directors and on my own behalf I extend to you all a very warm and cordial welcome to the 6th Annual General Meeting of your Company The Notice convening the meeting, the Directors Report and the Audited Accounts for the year ended March 31, 1995 have been with you for some time now and with your permission I shall take them as read

The Economy

May I now say a few words about the economy Economic growth during 1994-95 on all fronts has been very satisfactory GDP grew at a rate more than 5 percent, as estimated Industrial growth at around 8 percent has been very reassuring Corporate results have been extremely good And so has been the Government revenue both from direct and indirect taxes, if the present trend of revenue collection continues for the rest of this financial year, it will greatly help to reduce the fiscal deficit even if the Government is unable to control its expenditure Foreign current assets on 16th June, 1995 at US$ 19 7 billion were substantially higher as compared to US$ 16 1 billion on 17th June, 1994 Grain production in 1994-95 placed at 190 million tonnes is 4 7 million tonnes more than what had been estimated earlier In short, the economy is well poised towards higher growth, the only gloomy shadow looming large on the horizon is cast by the severe liquidity crisis Government's anxiety to contain inflation in a pre-election year is understandable At the same time, lack of funds when the economy is booming can be counter-productive It is hoped that the RBI and the Government will find a reasonable via-media before the present momentum in industrial growth begins to taper off, failing which the projected industrial growth of 10% during the current financial year will not be achieved

I would also like to emphasise that much greater focus must be placed on the development of infrastructure which, as all of you know, has already become a major constraint There has been much rhetoric on the subject with little action Simultaneously, outdated laws and regulations like Urban Land (Ceiling & Regulation) Act should be scrapped or substantially modified to meet the changed situation In fact there should be quick review of all old and archaic laws as stated by the Finance Minister in his budget speech last year

Review of Operations

During the year ended March 31, 1995, sales of your Company at Rs 607 99 crores were higher by 21% compared to sales of Rs 502 40 crores in the previous year The gross profit also rose by 61 3% to Rs 43 01 crores from Rs 26 66 crores in 1993-94 The net profit shot up by 90% to Rs 28 73 crores as compared to Rs 15 15 crores in 1993-94 All the units performed well and contributed towards this excellent performance Your Directors have already shared with you fruits of better results by declaring an interim dividend of 15% during the financial year under review The Directors have now recommended a final dividend of 20%, thus making a total of 35% for the full year

A. Fertilisers

During the year, the operations of this Division improved significantly and achieved higher production levels as compared to the last year The Division received "Best Productivity Performance in Fertiliser Industry in India" award by the Fertiliser Association of India for the year 1993-94 Although the Government of India notified urea retention price effective from 1st April, 1991, only part of the pending claims were cleared towards the end of the financial year This has adversely affected the cash flow and consequently the profits

B. Plastics & Chemicals

In the case of PVC, domestic availability is in excess of the demand due to commissioning of new capacities Consequently, possibilities for exports were explored and in fact, it has been possible to make a small beginning in this direction Our technical collaboration with M/s Zeon Kasei Co Ltd of Japan has helped to improve the quality of our PVC compounds

Production of caustic soda and chlorine was the highest ever, but reduction in customs duty depressed the market

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sentiment Besides, unfortunately, a fire broke out in the Rectifier/Transformer installation of the caustic soda plant in April, 1995 However, I have to report with a great deal of satisfaction and with pride that this installation was made operational within a period of 28 days, an achievement which I can say without any fear of contradiction could not have been matched anywhere else taking the totality of circumstances into account The whole operation was planned meticulously and executed with military precision The credit for this goes to our senior management team at Kota who were so ably led by Mr Ajay Shriram and Mr Vikram Shriram to overcome a situation which was nothing short of a major crisis Although this breakdown has had an impact on the performance of the caustic soda plant during the first quarter (April-June), we hope to make up the leeway during the remaining period of this financial year and reach the budgeted figure As a part of this exercise maintenance shut-down planned for the later part of the year was taken up during this period

C. Power

Performance of the captive power plant continued to be extremely satisfactory during the year The Company has also successfully commissioned the 30 MW power plant This has increased the in-house power generation capacity to 75 MW

D. Cement

Operations of cement plant were the highest ever - both in terms of production and efficiency The Unit received National Award for 'Best Improvement in Energy Performance" jointly given by National Council for Cement & Building Materials and the Ministry of Power for the year 1992-93

E. Textiles

Increase in cotton prices and restrictions on exports increased to some extent the losses of the Unit during the year However the company's textile business which is now much reduced is on the whole on a more effective footing

Environment

Shriram Environment & Research Centre at Kota recognised by the department of Science & Technology set up to carry out research and development work in the field of environment is doing reasonably well

Subsidiary Companies

DCM Shriram Credit and Investments Ltd (DSCIL), fully owned subsidiary of your Company, is progressing satisfactorily However, in case of other subsidiary, DCM Shriram Aqua Foods Ltd (DSAFL), work at the site has come to a standstill due to the recent Supreme Court interim order directing that no part of agricultural land be converted into commercial aquaculture farm

New Business Development

As a part of diversification programme, as mentioned to you last year, your Company had decided to set up a 150 tons per day capacity Chlor-Alkali plant at Jhagadia, Distt Bharuch, Gujarat The project is progressing as per schedule, and the plant is expected to be commissioned by the end of the current year Your Company is also actively pursuing investment opportunities in the power sector in various States The Company has already submitted proposals to Rajasthan State Electricity Board (RSEB) & Haryana State Electricity Board (HSEB) for setting up DG set based power plants of 100 MW each The Rajasthan State Government has shortlisted our Company for two locations

Your Company has also signed a Memorandum of Understanding with Royal Insurance plc, one of the three largest insurance companies in the U K ,to set up a joint venture for entering the insurance business in India as and when the Government policy permits this While it is difficult to say as to when actually the Government will open up the Insurance Business to the Private Sector, it looks that the Government will set up a Regulatory Body for this purpose before the end of the current calendar year

Rights Offer

The Company s Rights Issue of FCDs and NCDs with detachable warrants to its shareholders received overwhelming response and was oversubscribed

Industrial Relations

The Company continued to maintain harmonious and cordial relations with its workers in all its divisions, which enabled it to achieve higher performance levels on all fronts

Human Resource Development

The progress of the Company during last five years is in a large measure due to the quality of our human resources New challenges and additional responsibilities have been accepted by one and all with a great deal of enthusiasm and with a full sense of commitment Your Company fully realises the need of human resource development and is actively working on providing training inputs to all its employees

Prospects for the Current Year

In the first three months of the current financial year i e April to June, 1995, sales of your Company at Rs 141 7 crores are higher by 2 31% as compared to sales of Rs 138 5 crores in the previous year This modest increase in turnover is inspite of the fact that the maintenance shut down of caustic soda plant planned for later part of the year was advanced to April/May, 1995 to coincide with the recommissioning of Rectifier / Transformer installation of the caustic soda plant I am quite optimistic that this financial year will end on a better note both in terms of sales and profitability barring some unforeseen circumstances

Acknowledgements

Ladies & Gentlemen, in conclusion I would like to compliment the Management Team of your Company for their excellent performance The Directors also wish to thank the Government authorities, financial institutions bankers, business associates and shareholders for their co-operation and support extended to the Company The Directors also place on record their deep appreciation for the contribution made by employees at all levels to improve the working of the Company

Thank you

Note This does not purport to be a record of the proceedings of the Annual General Meeting



Macroeconomics in India

Ashima Goyal

Macroeconomics edited by Prabhat Patnaik, Oxford University Press, Delhi, 1995, pp 247, Rs 375

TO make research on Indian themes accessible to the student is a laudable objective It carries with it a heavy responsibility of being balanced comprehensive and readable In that respect there are both negative and positive aspects to the timing of the book under review The reforms have focused attention on macroeconomics A clear understanding of the way in which they interact with the structure of the economy is essential for their success The book offers a platform to develop this understanding Unfortunately given the sharp differences between schools of macroeconomics the conjuncture makes it all the more difficult to desist from polemics Most of the authors represented in the volume do manage to resist the temptation Occasional lapses are perhaps inevitable

Prabhat Patnaik in his overview points out the three ways in which Indian macroanalytics has been distinctive the seminal role given to agriculture public investment and the focus on the closed economy He does not sufficiently bring out the reverse flow In what ways has Indian macroeconomics contributed to major macropuzzles? I give two examples After the oil shocks of the 1970s mainstream macroeconomists discovered that they had neglected the supply side In India there was a rich literature covering the ramifications of supply constraints from agriculture and infrastructure interacting with demand It can be argued that macropolicy in India understood Keynes recommendations better than they have been in the west Here the budget deficit was always linked to public investment Keynesian pump priming did not mean fuelling consumption expenditure, and then blaming Keynes for the resulting inflation Today in following IMF-inspired policies we are in danger of forgetting this

Reading Patnaik it is obvious he must be a good teacher There is the sure development of the debate on the terms of trade, the relish in the cut and thrust of argument, the bringing out of the sudden insight For example Rakshit's realisation that in India agriculture served the same function as money did in Keynes' theory preventing the full utilisation of capacity He also points out areas where there are gaps in understanding such is the role that money plays in the Indian economy A fruitful area for future research

In such a sweeping overview however it is easy to find counter-arguments for particular statements Take the following one In IMF type reforms the argument is often made that protecting public investment is compatible with a reduction in the fiscal deficit if privatisation is undertaken This Patnaik writes is logically untenable because if the purchase is financed by taking a bank loan and banks are carrying excess reserves there is no reduction in ex ante absorption in the economy Now the full blooded IMF type argument is always to use the sale of public sector enterprises to retire public debt As interest payments fall the fiscal deficit would be reduced Those who argue that the proceeds be used to raise public investment do so precisely because they do not want to reduce absorption They are aware of the difficulty the government has in raising finances that private investment often falls during reforms so that it is all the more essential to protect and even raise public investment Externalities carried by investment can then help to speed the growth process Rising taxes efficiency returns from successful restructuring and financial deepening would in time improve the fiscal deficit

The assertion Patnaik makes that foreign direct investment unless it is for export would substitute one for one with domestic industry is also questionable Even if in the worst case Parle sells out to Coke the former could be investing elsewhere

In Indian theorising the rest of the world was largely ignored This book meets a topical need by having two chapters that very capably cover relevant work in this area Amitava Krishna Dutt takes a number of different approaches and models that can shed light on open economy issues for India He first presents the theory then empirical applications and last criticism The penultimate section comments on the policy issues currently facing India in this area An ideal format but unfortunately a bit enthusiastically carried out Only a very diligent reader would persevere through the empirical sections A stray remark betrays a lack of understanding of the Indian economy Dutt justifies the absence of inflation in a model by saying that is it is low in India inflation can safely be omitted The reverse is true Understanding why inflation is low can unravel many microeconomic knots for India

Chandrashekar Gulati [illegible] theoretical frameworks underlying adjustment policies His understanding and debunking of the mainstream (Polak Khan Knight, Khan-Monteil) models are very thorough He ends on a gloomy note seeing modern governments as puppets in the hands of finance capital

Amiya Bagchi discusses mainly closed economy structuralist macromodels for India in his chapter, but betrays a pleasant openness and a depth and modernity of reading He notes that the literature on growth-oriented open economy structuralist models is as yet limited In India, the labour market money asset choice and expectations have been relatively neglected He laments the bewildering array of combinations possible in structuralist models, and therefore the need to study the proximate causes of rigidities In conclusion he says that it is essential to move beyond the earlier discussion of import and export elasticities to understand and harness the international movement of capital keeping strategic and political economy considerations in mind

The idea of initiating a debate on the role of the state as seen from different theoretical perspectives and from the Indian macroeconomic experience is a good one Jayati Ghosh has a useful and well researched classification of the state as (1) an interloper putting snags in the smooth functioning of markets (2) an instrumentalist *deus ex machina* for stabilisation or development, (3) an intermediary reconciling claims of different interest groups and (4) incorporative — an interactive view of the state society institutions and dynamic processes She concludes by supporting the Kaleckian incorporative state

While philosophically sound, this approach is too general to provide useful instructions for studying the real world It shares this drawback with Walrasian general equilibrium analysis For Ghosh the left is clearly right ' despite the veneer of objectivity which theories may possess, they are actually crucially affected by [social and material conditions]" (p 180) Carried to its extreme this idea would belittle her own considerable academic effort The question goes deeper than the role of the state and can be posed as follows Do ideas have a teleological function? If nobody can be objective and ideas can have no influence in shaping the world why think?

Dutt points out that proper understanding and evaluation of issues requires an internally consistent theoretical approach He suggests a creative adaptation of western models V N Pandit provides the riposte that a neat algebraic model by itself can do as little as haphazardly put together facts An analytically based knowledge of

relevant parameters is required. In the interaction between agriculture, industry, inflation and investment. It is unlikely that policies that do not make use of this knowledge will work.

The earlier isolationist policies are no longer viable because of genuine changes in the structure of international interaction. Even if the ideal situation is for exports to rise while imports remain restricted, remittances by Indian workers abroad have made smuggling easier and import controls more costly. The corruption, delays and even sheer terror associated with the bumbling hand of bureaucracy cannot be discounted.

It would be naive to ignore the realities and arrogance of power but the best antidote is countervailing economic power. South East Asia and now China show that this is possible. It is argued that different initial conditions make it difficult for India to replicate the success of these countries. But insofar as it was based on (1) leap-frogging a technology gap and achieving international quality and (2) a change in international capital flows with capital flowing to areas of plentiful labour and high demand, India would seem to have more than a chance. Supportive policies to minimise problems associated with foreign inflows would be necessary. Even so, seeing exploiters everywhere could mean missing a possible friend. Countries with higher capital intensity have higher average living standards and more equality of opportunity. Long ago Lewis pointed out the benefits of trade, exposure to best practices and ideas. Freedom need not necessarily mean more consumption, it can also mean more earning and learning.

The devotion to India's development and concern about the exploitation of the poor in the book are commendable. For some authors it may have meant forsaking greener academic pastures and countries. The solutions to the problems, however, are still not obvious. It is necessary to be forward looking and to leave the comfort of an academic cocoon.

Patnaik pre-empts criticism by pointing out that there are gaps in the book. Survey of work on the labour market, pricing and money is missing. Possibly this will be made up in future volumes. The gaps in the classified bibliography are, however, inexplicable. For example the section on money has no reference to Chitre's or Nachane's work.

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SHIVA'S OTHER CHILDREN

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David James Mearns

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Chairman

Dear Friends,

It is my pleasure once again to meet you all I welcome you to the 36th Annual General Meeting of your Corporation I am happy to report that the Corporation has made a successful entry into new business areas covering merchant banking, hire purchase, corporate loans, bill discounting and deferred payment guarantee Your Corporation has once again performed exceedingly well in surpassing targets in all key operational areas.

MILESTONES

Sanctions crossed the Rs 500 crore mark in 1994-95, while disbursements crossed the Rs 400 crore mark The Corporation recovered Rs 374 83 crores in 1994-95 The cumulative number of loans sanctioned crossed the one lakh level In the rehabilitation of sick units the share of the Corporation is 45% of the number of units covered by all SFCs in the country For three years in a row, the Corporation has been recognised by the IDBI as the preeminent SFC in the country in all operational areas.

WORKING RESULTS

During the year under review, the Corporation generated a gross revenue of Rs 190 62 crores on cash basis as against Rs.148 76 crores in 1993-94

The working of the Corporation in 1994-95 resulted in an operational profit of Rs 36 06 crores before write-off and taxes

OPERATIONAL HIGHLIGHTS

The performance of the Corporation against targets set for 1994 95 is given below

(Rs in crores)

	target	achievement	% of achievements over targets
1 Sanctions	398 50	520 18	130 53
2 Disbursements	353 50	432 09	122 23
3. Recovery	343 00	374.83	109 28

REHABILITATION OF SICK UNITS

61 units were provided rehabilitation assistance of Rs 3 29 crores With this, the total assistance since the inception of the scheme touched Rs 64 28 crores in 1462 cases

ASSISTANCE TO THE SMALL SCALE SCALE SECTOR

Rs 289 61 crores were sanctioned to 7839 cases during the year as compared to Rs 208 16 crores last year Cumulative assistance to SSIs at the end of March '95 stood at Rs 1607 99 crores in 67732 cases Cumulative assistance under the Vishwa programme stood at Rs 23 20 crores in 15,507 cases

EQUIPMENT LEASE FINANCE

The Corporation sanctioned Rs 11 88 crores in respect of 23 units as against Rs 4 04 crores in the previous year Disbursements amounted to Rs 9 89 crores (Rs 2 00 crores in 1993-94) and recovery was 100%

HIRE PURCHASE

In the first year itself sanctions under hire purchase came to Rs 15 67 crores and disbursements to Rs 9 87 crores

MERCHANT BANKING AND FINANCIAL SERVICES

Merchant banking activity was started in the second quarter of 1994-95 as envisaged in the corporate plan Initially 4 facilities like the preparation of projects and pre-issue appraisal reports syndication of loans and the co-acceptance of bills of exchange was started Later underwriting of public issues was taken up and firm allotments of high quality scrips picked up Merger and amalgamation proposals were also undertaken Bill discounting and deferred payment guarantees were added

KSFC's application for Category I merchant banking status was accepted by the SEBI without any conditions Issue management activity has also commenced

Merchant banking activity generated an income of Rs 703 02 lakhs

TREASURY FUNCTIONS AND MARKET-LINKED RESOURCE-RAISING

During the year the Treasury department was carved out of the Finance and Accounts Department to monitor fund raising and manage resources and liquidity Another pioneering effort was KSFC's entry (the first for any PSU in Karnataka) into the area of unguaranteed bonds. A five year bond was structured for private placement at a highly competitive rate and Rs.60.00 crores successfully mobilised The medium and short maturity instruments were tailored to meet the requirements of short maturity outflows like bridge loans, corporate loans and NCDs and new business activities which are not covered by IDBI and SIDBI refinance.

FUTURE OUTLOOK AND PROSPECTS

After the extensive diversification successfully completed in 1994-95, the Corporation intends to further develop new activities as self-contained profit centres It hopes to assume its rightful role as the promoter of industrial development in the small scale sector by entering into relationships with national and international investors KSFC hopes to promote the improvement of services in areas where the small scale sector is experiencing a dire need like factoring and venture capital Continuous improvement in appraisal and monitoring techniques to ensure upgradation of portfolio quality will also be a principal concern of the Corporation

The number of branch offices is expected to increase from 30 to 34 during 1995-96 There is also a proposal to enhance delegation of powers to branch offices to improve the spread and quality of services The building for the corporate office has also been inaugurated and will be occupied in the course of the year facilitating a better operational environment Similarly the office buildings in Hubli Chitradurga and Raichur are expected to be ready by the end of the year

The plan for computerised networking of branch offices and bringing them on line is under implementation With that KSFC would be the first SFC in the country to have advanced towards networking

ACKNOWLEDGEMENTS

I wish to place on record my sincere thanks to the Governments of Karnataka, Departments of Finance and Industries and Commerce for their valuable co-operation and support I am thankful to the Industrial Development Bank of India (IDBI) and the Small Industries Development Bank of India (SIDBI) for their valuable guidance and needbased refinance

May I place on record the support and co-operation extended by the RBI, IRBI, KSIIDC, KSSIDC, DICs, KEB, KIADB, LIC, UTI, Apex Bank, Canara Bank, State Bank of India Capital Markets, State Bank of Mysore and other commercial banks. I also wish to thank voluntary organisations like CII, FKCCI, KASSIA, AWAKE and others for their contribution to our developmental activities.

Finally, I take this opportunity to express my deep appreciation of the untiring efforts put in by Dr Renuka Viswanathan, Managing Director and the officers and officials of the Corporation which has enabled the Corporation to continue to occupy the preeminent position among SFCs in the country.

Bangalore **B.K.Bhattacharya**
31st July 1995

(Excerpts from the chairman's statement at the 36th Annual General Meeting)

Tenets of Tenth Finance Commission

A Critique

Amaresh Bagchi

The experience of the last four decades shows that the system of federal transfers in India while providing a mechanism for addressing the vertical and horizontal imbalances significantly, has run almost into a dead end primarily because of two factors (i) the approach of the Finance Commissions in tackling the tasks set for them and (ii) the dichotomy between plan and non-plan segments of the government budgets

Do the innovations and new formulations of the Tenth Finance Commission help to address better the basic tasks which every large federation has to face redressing the vertical and horizontal fiscal imbalances inherent in the distribution of powers and functions among the centre and the states and the disparate levels of income and development across regions?

I
Introduction

THE Tenth Finance Commission (TFC) has received quite deservedly, handsome compliments from reviewers for coming out with a crisp concise and highly readable report One would readily endorse that in the sequence of Finance Commission Reports the Tenth Commission is among the outstanding ones [Guhan 1995] It has broken new ground and made bold to recommend a basic change in determining the devolvable tax revenues of the centre by pooling the proceeds of all taxes instead of going tax by tax accepting a long standing advice from experts It has tried to rationalise the tax devolution formula by unifying the criteria for allocating both income tax and union excise duties and by dropping the one that seemed to foul up the progressivity' of the transfers However the pertinent question is do the innovations and new formulations help to address better the basic tasks which every large federation has to face and which provide the rationale for the creation of Finance Commissions under the Indian Constitution, viz, redressing the vertical and horizontal fiscal imbalances inherent in the distribution of powers and functions among the centre and the states and the disparate levels of income and development across regions?

II
Plugging Vertical Gap

The first task that the TFC like its predecessors had to address was how to determine how much of the revenue of the centre should be devolved to the states to meet their needs without upsetting the centre's budget The task acquired added urgency because of the fact that for over a decade, neither the centre nor the states (in general) were able to meet their expenditures out of their available revenues (Table 1) and were resorting to borrowing on a massive scale Reflecting concern over this situation the terms of reference of the TFC enjoined that in making its recommendations the commission shall have regard among other considerations to the objective of not only balancing the receipts and expenditures on revenue account of both the states and the central government but also generating surplus for capital investment and reducing fiscal deficit

This was an almost impossible task especially with the centre projecting a pre devolution deficit on revenue account for the reference period of the commission and not a single state showing a pre devolution surplus on its revenue account Nevertheless the TFC went about the task heroically by first trying to trace the origins of the problem and its root causes The conclusions reached though on familiar lines, throw some new light on how the deficits have surfaced on the revenue account at both levels of government

At the centre (as also in the states) the trouble arose with the practice of borrowing to meet revenue account deficit Although policy-makers are all seized of the urgency to reverse the trend, there does not seem to be any easy way out It is evident that with the unit cost of borrowing going up – the monetised deficits being eased out – the burden of interest payments will keep mounting and budgets cannot be balanced unless expenditures are reduced or taxes register better growth In the case of the states until 1986-87 the non-plan revenue account used to turn out surpluses larger than the requirement of the revenue component of the plan Between 1986-87 and 1991-92 the plan revenue deficits exceeded the surpluses from the non-plan account Since 1991-92 non plan revenue account also has been in the red The commission had obviously reasons to conclude that the fac that all states have had almost identica turning points seems to suggest that ther are systemic factors underlying thi deterioration rather than state specific reasons What these factors could be are not gone into in any depth except for the tendency on the part of the states to budge for larger plan outlays than warranted by resources The consequences, however are well known – neglect of maintenance of assets and of investment in infra structure human and physical apart from piling up problems for the future While acknowledging that the fiscal crunch would affect different states differently and to some extent this can be addressed through a greater degree of progressivity' in the devolution to the states, the commission goes on to observe quite rightly that "the primary responsibility for strengthening the resource base is that of the states The states will have to make continuous efforts to improve their revenue base strengthen their capacity to provide better services and curtail expenditures

TABLE 1 REVENUE SURPLUS (+)/DEFICITS (–) OF CENTRE AND STATES AS PERCENTAGE OF GDP (1951 52 TO 1993 94)

Year	Center	States	Total
1960 65 (Average)	0 73	0 13	0 86
1965 70 (Average)	0 56	-0 08	0 48
1970 75 (Average)	0 32	-0 18	0 14
1975 80 (Average)	0 44	-0 13	0 31
1980 85 (Average)	0 38	-0 16	0 23
1985 86	-2 12	0 21	-1 91
1986 87	-2 65	0 01	-2 65
1987 88	-2 74	-0 31	-3 05
1988 89	-2 66	-0 46	-3 12
1989 90	-2 61	-0 77	-3 38
1990 91	-3 49	0 96	-4 45
1991 92	-2 w6s4	-0 92	-3 56
1992 93 (R E)	-2 37	-0 58	-2 94
1993 94 (B E)	-2 22	0 49	-2 71

Source Indian Public Finance Statistics

Against this background the TFC set about to address the tasks set for it by making reassessment of the forecasts of revenue and expenditures of the centre and the states for the years 1995 2000 in order to generate sustainable non plan revenue surpluses with the caveat that the final outcome on revenue account of the budgets would depend on what happens on the plan revenue side an imponderable factor so far as the FC was concerned (It may be recalled that unlike in the case of the Ninth Finance Commission the TFC was not called upon to go into the plan revenue account)

The final picture that emerged from the exercises could not have been more reassuring Non plan revenue account of the centre after the transfers awarded by the TFC for the five year period 1995 2000, shows a surplus of Rs 41 231 crore the deficits disappearing after 1995 96 and rising to Rs 20 942 crore in the final year 1999 2000 In the case of the states no state would be left with any deficit on the non plan account after devolution What is more, all states would have surpluses though of varying magnitudes in the final year The TFC no doubt fulfilled the requirement of its terms of reference although with the caveat that what happens on the plan side was beyond its purview

It should not come as a surprise to anyone that the figures that have come out of the budgets for 1995-96 pay little heed to the FC s projections The centre s budget for the first year of the five year period shows a non plan revenue deficit of Rs 6 211 crore against Rs 1 768 crore assessed by the TFC the difference arising from the revenue side (*vide* Table 2) The picture does not seem to be very different for the states The budgets of two states for the current year for whom figures are readily available viz Tamil Nadu and Kerala anticipate non plan deficits (before devolution) of Rs 2 531 crore and Rs 1 789 crore comparing with Rs 1 503 crore and Rs 1 030 crore assessed by the TFC The position is unlikely to be any better in the other states and it would be surprising if the actuals do not diverge significantly from the estimates

Such divergences however cannot be held against the TFC After all this is not the first time that the FCs projections are belied by the actuals Actual non plan revenue gap for 1990 95 for all states taken together turned out to be Rs 1 24 376 crore against the Ninth Finance Commission s estimate of Rs 55 866 crore Similar divergences marked the actual deficits as compared with estimates made by the Seventh and the Eighth Commissions Routinely the FCs are taken to task by critics for failing to make their projections realistic The TFC too has come under severe criticism for ignoring some of the looming liabilities of the centre like the additional staff emoluments likely to arise from the Pay Commission s recommendations and taking too optimistic a view on growth of subsidies Projection of non tax revenues by assuming a much higher return from investment in public sector enterprises than they have been yielding has also been questioned [Guhan 1995]

These criticisms fail to appreciate the role of FCs in adjudicating the transfer of federal funds It is wrong and unfair to expect the FC to guess accurately what the governments will do with their budget in the years ahead although the parameters set by the FC should have a restraining influence The FCs are obliged to undertake an assessment of the revenue and expenditures of the governments at both levels in order to determine what should be their relative share in the revenues on a fair basis keeping in view their respective roles as envisaged in the Constitution and what they can raise by diligently exercising the powers vested in them It bears reiteration that such determination is called for because of the asymmetry in the functions and finances of the subnational governments in the country inherent in the constitutional provisions

For reasons of externalities (avoiding inter jurisdictional spillovers and conflicts) administrative ease and in the interests of macro management of the economy and smooth functioning of the common market most tax bases with significant revenue potential are vested exclusively in the national government In principle some of these tax powers could be assigned (at least concurrently) to the states Where this is not the case it is only proper that the revenues raised by the centre are shared with the states Of course in determining how much should be shared due note must be taken of the requirements of the centre too But the needs and revenue capacity of both levels of the government have to be assessed normatively

After all the key question is keeping in view the constraints how much can the centre raise if it exercised the powers available with it judiciously? The states share ought to be decided on that basis and not what the centre chooses to do Suppose the centre decides not to exploit some of its tax powers fully for reasons of expediency or rely on instruments which beget resources that do not have to be shared (like the surcharge on income tax and raising the prices of PSE products) or through seigniorage, or makes commitments for expenditures not strictly required for discharging its constitutional responsibilities Should the states suffer for the centre s defaults? The answer clearly is no But what is judicious or fair leaves open a wide ground for subjective judgment and hence the need to look at the realities But there is no reason why the realities should be taken as *fait accompli* or why the

TABLE 3 CENTRE S TRANSFERS TO STATES AS A PERCENTAGE OF CENTRAL REVENUES

	Tax Devolution to States as Per Cent of Centre s Gross Tax Revenues	Current Transfers as Per Cent of Centre s Gross Revenues
1960 61	18 47	35 28
1970 71	23 56	31 90
1974 75 to 1978 79	19 94	31 74
1980 81 to 1984 85	27 14	36 57
1984 85 to 1989 90	25 27	37 00*
1990 91	25 25	38 70
1992 93	27 50	39 08
1994 95 (Estimates)	27 70	39 50

Note * Relates to 1985 86 to 1989 90

TABLE 2 NON PLAN REVENUE ACCOUNT AFTER FINANCE COMMISSION TRANSFERS BUDGET ESTIMATES VS ACTUALS TFC PROJECTIONS

Item	1995 96 TFC	1995 96 BE
1 Revenue Receipts		
a Tax revenue (gross)	106022	103762
b Non tax revenue	35521	26413
Total Gross revenue receipts	141543	130175
2 Non Plan Revenue Expenditure		
a Interest payments	52898	52000
b Defence expenditure (net)	18190	18146
c Major subsidies	8300	10965
d Other non plan revenue expenditure	27590	20428*
Total Non plan revenue expenditure	106978	101539
3 Pre devolution non plan revenue account (1) (2)	34565	** 28636
4 States share of taxes and duties	30874	29388
5 Post devolution non plan revenue account (3) (4)	3691	-752
6 Grants	5234	5234*
7 Contribution to National Calamity Relief Fund	225	225
8 Surplus/Deficit of the Centre (5) (6) (7)	1768	6211

Note This excludes st[illegible] mount given to the states outside the framework of TFC recommendation

FC should be asked to take the situation prevailing in the base year of its reference period as given. One may therefore ask, has the TFC assessed the revenue and expenditure requirements of the centre and the states for purposes of sharing of central revenues fairly and not so much whether its projections are 'realistic'.

The question, alas, does not admit of a simple answer. For, as just mentioned, what is fair inevitably involves an element of subjective judgment. Is there any way in which the revenue potential and resource requirements of governments already burdened with commitments made in the past be assessed objectively?

Some objective norms could possibly be set up in the case of the states since there are so many of them, and so, despite diversities, yardsticks can be found to estimate what they could raise legitimately be expected to raise and spend by looking either at averages, or, as they do in Australia, by taking a few of the relatively good performing ones to set standards for others to follow. Disparities in revenue bases can be taken care of by suitable grouping of the states (high income, middle income and so on). While broad judgments would still be needed, the 'average' or the 'representative approach' does show the way to set up norms with a measure of objectivity.

Such an approach, however, is inapplicable in the case of the centre for the simple reason that there are no rival or comparable governmental units whose performance could be looked at for guidance as a standard (unless one goes by the experience of other similarly placed countries). It would therefore appear that in estimating the centre's budget gap there is no alternative but to go by past experience and that is what the TFC has by and large done, viz, projecting the revenues by relying on observed buoyancies and applying them to anticipated increase in income and in doing so the commission has tried to be realistic in that it has assumed a reasonable rate of inflation and real income growth. Expenditures also have been projected on a reasonable assumption of what the centre would at a minimum have to bear. It can be argued that the TFC was well advised to ignore the liability likely to arise to the centre from additional establishment expenses if the Pay Commission recommends generous upward revision of salaries especially when it had ignored the recommendations of the Austerity Committee of the National Development Council. There was also nothing wrong in assuming a higher rate of return from PSEs than is turned out by them at present. The states cannot be expected to suffer if the centre does not set its finances in order. In fact, the TFC would be justified to assume a higher growth in revenues, keeping in view the extent of evasion in income tax and the untapped potential of taxation of services and also how much the centre could have saved in expenditures had it shed some of its acquired and not obligatory responsibilities like the Centrally Sponsored Schemes.

Similar standards could be applied to the states as well. In estimating their revenue potential one can legitimately inquire what could be raised by levying a mild tax on farmers or by widening the base of sales tax (e g, by curtailing the concessions). It would also be quite legitimate on the part of the FC to take the common expenditure functions or the practices of the best performing states to establish norms for others. The TFC can be faulted not for being unrealistic but for almost disavowing faith in the normative approach. Of course, the fact that the revenue requirements of both levels of governments

TABLE 4 STATEWISE TAX DEVOLUTION, GRANTS AND TOTAL TRANSFERS

States	Tax Devolution			Grants			Total Transfers		
	TFC	TFC by NFC Formula	Difference	TFC	TFC by NFC Formula	Difference	TFC	TFC by NFC Formula	Difference
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
A High Income States									
1 Gujarat	8015	7971	44	861	357	504	8876	8328	548
2 Goa	524	796	-272	98	191	-93	622	987	-365
3 Haryana	2555	2655	-100	238	72	166	2793	2727	66
4 Maharashtra	12860	14172	-1312	849	184	665	13709	14357	-648
5 Punjab	3160	3557	-397	429	178	251	3589	3735	-146
Sub-total	27114	29152	-2038	2475	981	1494	29589	30133	-544
B Middle Income States									
6 Andhra Pradesh	16326	15438	888	1755	741	1014	18082	16179	1903
7 Karnataka	10035	9303	732	486	113	373	10521	9415	1106
8 Kerala	7217	6854	363	505	591	-86	7722	7445	277
9 Tamil Nadu	12623	14107	-1484	738	212	526	13361	14319	-958
10 West Bengal	14105	14701	-596	876	1284	408	14980	15995	-1015
Sub-total	60306	60401	-95	4360	2942	1418	64665	63343	1322
C Low Income States									
11 Bihar	23302	22707	595	1353	1682	-329	24656	24390	266
12 Madhya Pradesh	15276	15342	-66	818	1463	-645	16094	16805	-711
13 Orissa	8783	10012	-1229	923	1497	-574	9707	11419	-1712
14 Rajasthan	10255	10834	-579	1146	2137	-991	11401	12971	-1570
15 Uttar Pradesh	33527	32583	944	2632	3994	-1362	36159	36577	-418
Sub-total	91143	91477	-334	6872	10684	-3812	98016	102161	-4145
D Special Category States	1360	1233	127	408	348	60	1768	1580	188
16 Arunachal Pradesh	7064	6974	90	1264	1103	161	8328	8077	251
17 Assam	3744	2980	764	1017	661	356	4762	3640	1122
18 Himachal Pradesh	5905	5205	700	1417	1275	142	7322	6481	841
19 Jammu and Kashmir	1690	1667	23	447	420	27	2137	2087	50
20 Manipur	1535	1310	225	354	295	59	1889	1605	284
21 Meghalaya	1398	1496	-98	404	429	-25	1802	1925	-123
22 Mizoram	2197	1836	361	596	518	78	2793	2354	439
23 Nagaland	562	366	196	137	107	30	699	474	225
24 Sikkim	2326	2247	79	547	533	14	2873	2780	93
25 Tripura									
Subtotal	27781	25313	2468	6591	5690	901	34373	31003	3370
All India	206344	206344	0	20298	20298	0	226643	226642	1

were 'reassessed' does show that it had followed some norms though not consistently (inasmuch as it took the base year figures as almost given) The commission would not have been vulnerable to criticism had it explicitly acknowledged the relevance of norms in effecting federal transfers and tried to improve on what the NFC had attempted instead of forsaking that path without convincing reasons or offering an alternative conceptual framework for equitable sharing of revenues between the centre and the states

The recommendation for pooling all tax revenues of the centre for sharing instead of having only income tax and union excises in the sharable pool does not make up for this conceptual weakness In suggesting that 29 per cent of the centre's tax revenue should be shared the TFC has gone by what has happened in the past and that too the recent past As may be seen from Table 3 till the end of the 1970s only about 32 per cent of the centre's gross revenue used to devolve on the states The states' share jumped up only from 1979 80 Apparently the TFC did not think it necessary to examine whether the centre's finances would be able to bear sharing of this order especially when it was known that the deficits in the revenue budgets of the centre soon became large and chronic only after the Seventh Commission's award raising the proportion of union excises for sharing from 20 to 40 per cent There could be no objection to fixing the level of sharing at any fraction of the centre's revenues if on an objective examination it was found that it would not impair the centre's capacity to discharge its constitutional responsibilities

The recommendation for merging additional excise duty on the three commodities i e, textiles tobacco and sugar also lacks conceptual sanction After all the centre was authorised to levy these duties in lieu of sales tax under a tax rental arrangement with the states and the power to impose sales tax on these commodities belongs squarely to them so long as sales taxation remains with the states Instead of looking at the interjurisdictional conflicts and damage to the economy which the system of sales taxation without harmonisation is causing the TFC has gone on to make this recommendation almost as a matter of expediency It would have been an altogether different matter if the TFC after due deliberation had taken the view that taxation of sales in a federation should for reasons of efficiency in resource allocation be assigned to the national government (unless the states agreed to harmonise their taxes through a destination-based VAT) But in that case the vertical imbalance would be accentuated and would call for corrective action If however the present scheme of assignment is to stay taking away the powers to levy sales tax on those commodities for good does not stand to reason

Even if one goes strictly by rational principles vertical imbalances are not easy to neutralise For after the revenues and requirements of the different governments are assessed normatively surpluses of the centre may not match the needs of the states Hence ideally given the constitutional provisions regarding assignment of powers and functions the proper course for a FC would be to assess first the revenue gap of the states normatively in the manner indicated above viz by looking at the tax bases available with them and estimating what could be raised by making average effort in the case of individual taxes levied by most states (or with moderate effort when a given tax source is not exploited significantly by any state) or apply an overall taxable capacity by one of the more acceptable econometric methods and determining the expenditure needs again by applying an average or a national and see how much they would require to discharge their basic functions The next step would be to look at the centre's budget again normatively, and see what it can transfer consistently with its requirements If the two do not match then the estimates on the states requirements have to be revised and the revenue to be shared determined through a process of iteration This is what the late D T Lakdawala had suggested in one of his numerous illuminating contributions on the subject [Lakdawala 1993] But what happens if neither the centre nor the states adhere to the norms?

For instance, if the centre pre-empts a larger share of the resources by raising them through non-sharable channels referred to earlier or through deficit financing or by undertaking populist expenditure programmes on political expediency and the states follow suit?

Thanks to the new economic policy, the scope for the centre to pre-empt resources

TABLE 5 PER CAPITA DEVOLUTION GRANTS AND SHARE

States	Devolution		Grants		Total Transfers	
	TFC	TFC by NFC Formula	TFC	TFC by NFC Formula	TFC	TFC by NFC Formula
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Gujarat	1890 33	1879 95	203 07	84 20	2093 40	1964 15
2 Haryana	1511 83	1571 01	140 83	42 60	1652 66	1613 61
3 Maharashtra	1575 98	1736 76	104 04	22 55	1680 02	1759 44
4 Punjab	1519 23	1710 10	206 25	85 58	1725 48	1795 67
5 Andhra Pradesh	2379 88	2250 44	255 83	108 02	2635 86	2358 45
6 Karnataka	2172 08	2013 64	105 19	24 46	2277 27	2037 88
7 Kerala	2438 18	2315 54	170 61	199 66	2608 78	2515 20
8 Tamil Nadu	2218 45	2479 26	129 70	37 26	2348 15	2516 52
9 West Bengal	2003 55	2088 21	124 43	182 39	2127 84	2272 02
10 Bihar	2609 41	2542 78	151 51	188 35	2761 03	2731 24
11 Madhya Pradesh	2223 58	2233 19	119 07	212 95	2342 65	2446 14
12 Orissa	2710 80	3090 12	284 88	462 04	2995 99	3524 38
13 Rajasthan	2248 90	2375 86	251 32	468 64	2500 22	2844 52
14 Uttar Pradesh	2326 65	2261 14	182 65	277 17	2509 30	2538 31
STD	371 41	381 24	57 08	142 49	396 34	486 94
AVG	2013 35	2061 95	165 76	169 22	2177 00	2226 97
CV	18 45	18 49	34 43	84 20	18 21	21 87
Maximum	2710 80	3090 12	284 88	468 64	2995 99	3524 38
Minimum	1511 83	1571 01	104 04	22 55	1652 66	1613 61
Maximum/Minimum	1 79	1 97	2 74	20 78	1 81	2 18

TABLE 6 INCOME AND GOVERNMENT EXPENDITURE LEVELS OF DIFFERENT CATEGORIES OF STATES

State	Population Shares (Per Cent)	SDP Share (Per Cent)	Own Tax Revenue* (Per Cent)		Revenue Expenditure		Revenue Expenditure Assessed by TFC for 1995-2000	
			Average Per Capita (Rs)	Per cent of Total	Average Per Capita (Rs)	Per cent of Total	Per cent of Total	Per capita (Averages in Rs)
High income	18 9	30	758	33 2	1675	25 3	22 7	9490
Middle income	31 7	33	529	38 4	1076	32 7	33 9	7550
Low income	44 0	33	249	25 7	772	34 0	35 0	5594
Special category	5 4	4	172	2 7	2616	8 0	8 3	14194

Notes * As of 1991 92
@ Rs 8 336 excluding Goa

through non-sharable devices is now vanishing or getting restricted. The centre may yet expand its expenditures without adequate matching effort on the revenue side giving rise to tensions on the resource sharing with the states. So long as revenues flow to the states on the lines assessed by the FC, there should be no cause for worry. For, in that case, the consequence of what the centre does to meet expenditures beyond what is projected by the FC should be a matter for parliament to examine and not the states, though to the extent the centre's budget strategy causes inflation and thus has an impact on the availability of real resources of the states, they could be entitled to further devolution as compensation. In the final analysis, the centre's accountability has to operate through parliament.

Enforcing the accountability of the states is a different matter. Once the entitlement of each state is determined normatively (by assessing its revenue and expenditure on the basis of some norm), the states should be left free to do what they like with the amounts that flow to them from the centre. It is for the people of each state through their elected bodies to make sure that the transfers are used for the purposes they are meant for, viz, to bring the level of basic services to an all-India or standard level. Unfortunately, given the social and political realities of our country, enforcement of accountability is not simple.

A fundamental reason is the absence of a hard budget constraint. No doubt, denial of access to borrowing (except theoretically) and strict limits of accommodation from Reserve Bank should compel the states to follow the path of fiscal rectitude. Undeniably, the states are in a much tighter corner than the centre insofar as resources are concerned. Nevertheless, the phenomenon of revenue deficits run by many states year after year and the tendency to undertake expenditure programme which prima facie they cannot sustain (and this is true of the centre too) do not inspire confidence in the efficacy of the system in bridging the vertical gap to anyone's satisfaction. The states do have a hard budget constraint but it does not seem to be working in the right way all the time. There is a universal tendency to cut capital expenditures, since current expenditures are hard to cut. Maintenance gets neglected; schools and colleges run without essential physical support (blackboards, books and laboratory ingredients), hospitals go without medicines and government employees remain unpaid. Some states have been trying to overcome their budget constraint by borrowing from private sources through corporations owned by them or keeping the bills for suppliers unpaid for months. The system of federal finance in India has not succeeded in preventing the deterioration of the state finances that has taken place in many states.

The TFC has blamed the bifurcation of budgets into plan and non-plan for much of the ills and has recommended setting up a mechanism (a committee) for monitoring maintenance expenditure. The fact of the matter is that the transfer system in the Indian federal finance has no effective mechanism to enforce accountability at any level. While for the centre, accountability has to be exercised by parliament, in the case of the states, accountability is almost absent since the bulk of the transfers are essentially unconditional. The TFC has introduced tax effort as one of the criteria for tax devolution with 10 per cent weight. The formula for allocation of Plan funds also attaches some weight to fiscal management. Whether these have any impact on the fiscal performance of the states is a moot point.

One way of making the states accountable for their expenditure decisions is to orient the transfers to meet only the very basic requirements of the state governments, after allowing for their fiscal disabilities, and require them to fund expenditures over and above their basic obligations by raising revenue from their own sources – in other words, introducing accountability at the margin.

Another way could be to rely more on specific purpose grants. In determining the quantum of grants-in-aid the FCs in India have no doubt sought to provide specific purpose grants for upgradation of certain services like computerisation of treasuries, primary schools, girls' education and so on and for special problems. But these grants constitute a tiny fraction of the total grants. In the TFC's dispensation, grants for upgradation and special problems account for only 12.8 per cent of the total grants-in-aid which again forms about 9 per cent of the total transfers recommended for the reference period.

Ever since the Eighth Commission, Empowered Committees at the central and state levels have been entrusted with the monitoring of the upgradation grants and the TFC has recommended the continuation of these committees urging the state level committees to be more vigilant. But, the bulk of the statutory transfers made up of tax devolution and non-plan deficit fillers are, in essence, general purpose equalisation grants. Conditionality violates the spirit of equalisation grants and, when normatively assessed, these grants are based on the presumption that they would help the deficit states to bridge their budget gaps after providing basic services at an average level if they make average efforts on the revenue front. There is no way the equalisation grants can be subjected to conditions that oblige the recipient governments to put in average effort

TABLE 7 PER CAPITA NON-PLAN REVENUE SURPLUS OF STATES ACCORDING TO RECOMMENDATIONS OF THE FIANANCE COMMISSIONS

(In Rs)

	Sixth Finance Commission	Seventh Finance Commission	Eighth Finance Commission	Ninth Finance Commission	Tenth Finance Commission
Non-Special Category States:					
Andhra Pradesh	15.21	178.03	333.82	576.96	274
Bihar	29.89	159.96	132.48	442.67	214
Gujarat	120.32	331.66	629.89	947.48	2489
Haryana	217.84	509.69	920 12	1489.36	3649
Karnataka	80.47	263.40	478.84	1008.09	3127
Kerala	3.41	94 41	228.35	135 30	1196
Madhya Pradesh	37.61	218.85	356.05	345.48	1247
Maharashtra	135.74	465 53	885.37	1501.73	3076
Orissa	30 89	27 91	47.18	172.54	0 82
Punjab	234 71	473.58	927 41	723 56	874
Rajasthan	26.01	77 57	97 33	208.25	677
Tamil Nadu	42.67	140.43	601 53	756 85	1668
Uttar Pradesh	30 02	183 50	309 88	204 72	214
West Bengal	21.17	143.13	29 66	383 13	602
Average	55.48	215 58	380 80	578 73	1379
Proportion of Maximum/Minimum	68 76	18 26	31 27	11 10	4457

TABLE 8 PER CAPITA PLAN EXPENDITURE – MAXIMUM/MINIMUM (GENERAL CATEGORY STATES)

	First	Second	Third	Fourth	Fifth	Sixth	Seventh	1992 93	1993-94 (revised)
Maximum	173 (P)	146 (P)	220 (P)	357 (H)	626 (P)	1149 (H)	1654 (H)	458 (G)	648 (Kar)
Minimum	25 (Bihar	32 (UP)	69 (B)	82 (WB)	190 (B)	404 (B)	707 (WB)	127 (WB)	82 (Bihar)
	UP)								
Ratio	6 9	4.6	3 2	4 4	3 3	2 8	2 4	3 6	7 9

to raise revenue or provide the services which the grants-in-aid are supposed to facilitate

As argued above, ultimately, it is for the people of the states concerned to make their governments accountable for the proper utilisation of the funds devolving from the centre However it is not unusual for the central governments in federal countries to set national standards in respect of certain basic public services like health, education, basic civic facilities like drinking water supply and the federal transfers to be designed to achieve these standards In Australia, the specific purpose grants constitute the bulk of the federal transfers even though the vertical gap is quite large there In the Interim Constitution of South Africa the central government is empowered to set national standards of basic public services

Conditional general purpose transfers may not be acceptable in India, since they would be viewed as violation of the states autonomy This perhaps explains the reliance of the centre on centrally-sponsored schemes to promote national objectives These and the plan grants which are supposed to help the states in financing their plans could be used to enforce adherence to the norms or assumptions underlying the FCs transfers Thus, plan grants could legitimately be made conditional on making average tax effort (e g, by levying taxes on the farm sector) instead of encroaching on (and thus free riding) each other s tax space (through inter state sales tax and octroi on universal inputs like petroleum products)

It would thus appear that the TFC s tenets for tax sharing and grants in aid do not reflect any awareness of the fundamental weaknesses of the inter-governmental fiscal relations in India On the contrary they go against some of the basic principles of federal tax sharing and grants e g whey they recommend that no weight should be attached to contribution while allocating the proceeds of income tax The argument advanced in support that the country as a whole represents a common economic space and market and incomes do not originate locally etc are fallacious and miss the essential purpose of taxation viz to get the beneficiaries of public services provided by a government to pay for the generalised benefits according to ability to pay and since income is a good index of such ability residence based personal income tax and to some extent business income tax should be taxable by the governments of jurisdiction where they are located The same logic applies for taxation of consumption It is the convenience and economy in administration and the facility of harmonisation that primarily argues for central levy of these taxes An additional consideration is to enable the centre to have access to adequate resources to effect equalisation among the states But the primary rationale for a given tax assignment scheme should not be lost sight of The main flaw of the TFC's vertical sharing proposal is the lack of a clear conceptual framework

III
Horizontal Equalisation

The same deficiency marks the scheme of allocation of taxes and grants among the states The objectives of redressing both vertical and horizontal imbalances would have been served better had the transfers ordained by the TFC been guided by a clearer view of what these are supposed to achieve in a federal system To repeat, where the sub national governments do not have access to adequate revenues to meet their expenditure liabilities there has to be a transfer mechanism whereby funds can accrue to the lower level governments to enable them to meet their budget gaps having regard to their fiscal capacities and responsibilities In a country with sharp disparities in income levels across regions it is taken as axiomatic that federal transfers ought to be progressive While this expectation is natural, the presumption that the transfers must be progressive is not logical

Admittedly by and large states with poor fiscal capacity should receive more than others but such progressivity should be incidental, resulting from their fiscal disadvantages and not an end in itself It is quite possible that a state with a relatively good fiscal capacity suffers from certain disability in terms of higher costs of providing services (such as difficult terrain, etc) which its better revenue capacity does not fully offset One can also visualise a situation that a state with relatively low per capita income has a larger taxable capacity than one with similar income level because of skewed distribution In such a situation, emphasis on progressivity that too merely with reference to average income levels would be misplaced Unfortunately FCs in India have tended to be persuaded by consideration of progressivity as such rather than in trying to see how the fiscal capacities can be equalised Hence, the attempt to introduce a host of criteria even in tax devolution and every FC tries to do one better than its predecessor by appearing to be more progressive

The TFC too has tried to introduce new criteria in its devolution formula in order to improve progressivity while trying to simplify the system by laying down uniform principles for devolving both income tax and union excises A comparison with the formula used by the NFC however raises doubt whether the results achieved have been worth the effort

Table 4 sets out the statewise total transfers recommended by the TFC broken up under 'tax devolution' and grants along with the amounts which would have worked out had the criteria adopted by the NFC been followed. The table also shows the difference It will be seen that the end result of the changes made in the formulae for allocation of shared taxes and grants-in-aid is a diminution in what the high and the low income states would be entitled to under the NFC's criteria and a fairly hefty increase in that of the middle income and special category states Barring Bihar, all the other four states in the low income category lose by significant amounts The gainers among the middle income states are Andhra Pradesh (Rs 1,903 crore) Karnataka (Rs 1,106 crore) and Kerala (Rs 277 crore)

It may well be argued that the change signifies an improvement because the NFC's dispensation was not fair to the middle category states The NFC's formulae suffered from a convexity in its progression and the change made by the TFC seeks to correct this deficiency One may however point out that the coefficient of variation (CV) in the TFC s total transfers is lower than what marked the transfers by the NFC's formulae indicating a weakening of the redistributive effect (Table 5) and this is largely due to the changes made in the distribution formula for grants Overall if one goes by CV, the TFC s dispensation is less progressive One may also ask if progressivity is to be aimed at as a goal in itself where does one stop? What is the optimum degree of progressivity? In order to impart greater progressivity in the transfers, the TFC has measured taxable capacity of the states by taking their tax SDP ratios (virtually disregarding other factors that have a bearing on tax potential) but taking the square of per capita SDPs as the denominator instead of simply SDP per capita One may wonder why stop with a power of 2 for the denominator?

Incidentally in judging the equity of the transfers, special category states are usually left out but the difference in the per capita devolution to these states under the TFC s awards as compared to that for the low income states in the general category is much too large to be passed over as of no

TABLE 9 COMPONENTS OF FEDERAL TRANSFERS UNDER FINANCE COMMISSIONS RECOMMENDATIONS

	Tax Devolution	Grants	Total Transfers
Fifth Finance	4562	859	5421
Commission	(84 2)	(15 8)	(100)
Sixth Finance	8275	2773	11048
Commission	(74 9)	(25 1)	(100)
Seventh Finance	21177	1711	22888
Commission	(92 5)	(7 5)	(100)
Eighth Finance	33125	2389	35514
Commission	(93 3)	(6 7)	(100)
Ninth Finance	87882	18154	106036
Commission	(82 9)	(17 1)	(100)
Tenth Finance	206343	20300	226643
Commission	(91 00)	(9 0)	(100)

consequence. Per capita devolution to some of the special category states is as high as Rs 18,300 whereas for the low income general category states the average is a little over Rs 2,500. The unhealthy effect of such transfers on fiscal discipline does not seem to have received much attention from the TFC or the earlier commissions.

Leaving out the special category states, as argued earlier, the preoccupation with progressivity in the context of federal transfers is a little misplaced. Progressivity cannot be an end in itself in deciding the allocation of federal funds among the constituent units in a federation although given the disparities in fiscal capacities, states with relatively poor revenue base should be able to get more unless their disability in this regard is offset by cost advantages. It is also not possible to say how progressive a scheme of redistribution should be if fiscal discipline is also to figure as a relevant consideration. In fact, the two criteria are often conflicting.

On the face of it, the transfers recommended by the FCs are equalising. As may be seen from Table 6, as of 1991-92, high and middle income states having about 50 per cent of the country's population account for roughly 70 per cent of the own tax revenue of the states. But their share in the states' current expenditures works out to not more than 58 per cent of the total revenue expenditures. In the case of low income and special category states, the share in expenditure is much higher than in own tax revenue (42 per cent as against 28 per cent), clearly reflecting the beneficial effect of the transfer system. It goes to the credit of the TFC that in the revenue expenditures assessed by it for purpose of working out the fiscal gap of the states, the share of the high income states gets reduced further. However, the per capita revenue expenditures of governments in high income states is still higher than that of the low income group by about 70 per cent, though this disparity is much less sharp than in their own revenue or SDP (the ratio of maximum to minimum in per capita own revenue is in the region of five and in per capita SDP, it is a little over three).

A striking feature of the dispensation of the TFC is the disparity in per capita revenue surpluses after devolution. Table 7 shows the revenue surplus per capita for the states of the general category. The highest is Haryana's (Rs 3,649) while the lowest is that of Orissa (Rs 0.82). Such disparities in the per capita revenue surplus are not a new phenomenon. But the gap seems to be much wider under the TFC's award than ever before (Table 7).

It may legitimately be asked: should the FC's transfers be expected to equalise the revenue surpluses. Prima facie the answer would seem to be no. After all, the primary objective of the revenue transfers is to correct the fiscal deficiencies of the states so that the levels of essential public services do not differ too much across regions and not to neutralise the differences in endowments. The fact, however, remains that the capacity of a state to provide the basic services depends crucially on their infrastructure, physical and human, and if the levels of public services are to be equalised or made comparable, massive investments would be required to build up infrastructure in the backward states. That is what the development programmes under the Five Year Plans are supposed to facilitate. But the ability of the states to undertake developmental expenditures depends largely on the surpluses available on their revenue budget. The main reason why the per capita plan outlays of the states vary a lot (*vide* Table 8) is that there are acute disparities among the states in the surpluses generated on their revenue budget. Again, it may be argued that it is not the responsibility of the centre to bring about absolute equality in plan outlays. Nor can one expect such parity when the endowments are unequal. While this is true, much of the regional inequalities can be reduced and ought to be addressed by the central authorities (and that is crucial for the survival of any federal polity). The Indian federal system is yet to find a way of bringing down the inequalities across regions even in the matter of basic infrastructure like power and roads. The TFC has sought to introduce the index of infrastructure as a criterion for tax devolution with 5 per cent weightage (and also 'area' with another 5 per cent). These are obviously of little help in placing larger funds with the backward states to undertake the investment in infrastructure – they badly need unless their non-plan revenue budget generates sizeable surpluses.

Primarily one may argue it is the responsibility of the Planning Commission to see that the distribution of public investment serves to reduce the regional imbalances. That calls for concentrating resources in developing the infrastructure of the backward regions leaving the developed states to look after themselves. That does not seem to be possible to the extent desirable – and the need has acquired urgency with the liberalisation of the economy to allow freer play for market forces – as long as federal funds keep flowing to the states that do not need them so much. The paradox of states having large predevolution surpluses also getting sizeable federal funds through FCs transfer came in for criticism from scholars like Lakdawala in the past but with no apparent effect.

The problem is perhaps inherent in the present system of federal finance where some taxes have to be devolved compulsorily. Nevertheless it is open to the FCs to reduce the share of tax devolution and rely more on grants in the total transfers. Over the years, the proportion of grants in the total transfers has tended to decline. The NFC had tried to reverse the trend but TFC apparently did not think it necessary to go in that direction (Table 9). There is a limit to which the devolution formula can take care of the needs of the poorer states and that limit seems to have been reached.

The equalising edge of the transfers is blunted also by the practice of using 1971 population figures in the devolution formulae to determine the shares of different states. Apparently intended to punish the fast breeding states, this is a senseless way of enforcing demographic discipline. It is a pity that no one in the Finance Commission or the Planning Commission (with the honourable exception of C H Hanumantha Rao) thought it fit to raise their voice against this stupid mandate.

Another factor having a bearing on inter-jurisdictional equity in the sharing of tax revenues is the phenomenon of 'tax exporting' practised by the states in the form of central sales tax that is tax on inter-state sales (and also through octroi/entry taxes on major inputs like petroleum items, coal and iron ore). Recommended by the Taxation Enquiry Commission of 1953-54 as an instrument to regulate taxation of inter-state trade, the central sales tax has allowed the states to encroach on each other's tax territory. While all states derive sizeable revenue from this source, it is the relatively-advanced net exporters among the states who gain at the cost of others. No serious note appears to have been taken by the TFC or its predecessors of the consequences of this practice for the taxable capacity of the poorer states.

Questions about inter-state equity also arise when the central government undertakes to provide counter guarantee for foreign investments flowing into some of the states. Since private investors would prefer to go only to states which are already relatively better placed, such counter-guarantees (even if adjustable against other transfers) would tend to accentuate the regional disparities. The implication of this newly emerging phenomenon called for some attention from the TFC.

The fact of the matter is that overseeing inter-jurisdictional equity in revenue allocation in a multi-level system of government needs constant vigilance along a wide front. Short-lived FCs like in India are scarcely equipped to guard against inroads that can occur in the course of the actual operation of the fiscal system. Which is why among other reasons it seems preferable to have a permanent body with strong technical support to adjudicate the allocation of resources among different levels so that harmony in inter-governmental relations does not get derailed by default.

Concluding Comments

The experience of the last four decades shows that the system of federal transfers in India while providing a mechanism for

addressing the vertical and horizontal imbalances significantly has run almost into a dead end primarily because of two factors (i) the approach of the FCs in tackling the tasks set for them and (ii) the dichotomy between plan and non-plan segments of the government budgets For all the sophistication in the devolution formulae the transfers have resulted in providing the relatively better placed states with surpluses for development expenditures on a much larger scale than those who need the funds more It is therefore not surprising that regional inequalities not only in per capita incomes but even public services persist On the other hand revenue accounts of both centre and the states are suffering from acute chronic imbalance Correction of the situation calls for a restructuring of the powers and functions of the centre and the states towards lessening of centre's involvement in activities which belong more to the states Federal transfers should focus mainly on redressing the fiscal disability of the poorer states

It is also necessary to take a fresh look at the respective roles of the FC and the Planning Commission This has become all the more necessary with delicensing of industries and the likely accentuation of regional inequalities The TFC was right in pointing to the plan revenue expenditure as a major factor in the revenue deficits The country needs a debate on how the inter governmental fiscal relations should be restructured in the new environment The initiative taken by Guhan (1995) towards this end is thus to be welcomed One only hopes that many more will join in deliberating on what should be done

Note

[The author wishes to thank Sujata Dutta for statistical computations and R Parameswaran for secretarial help]

1 The personal income tax is a case in point If taxation is to proceed on the benefit principle, governments providing public services should be able to recover the costs from the beneficiaries and therefore, lower level governments should have the powers to levy a residence base non-progressive income tax [McLure 1993] This justifies the assignment of taxes on professions, trades and callings to the states The constitutional limit of Rs 2 500 however greatly reduces the potential of the tax

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Kerala: Towards a New Agenda

Thomas Isaac T M
Michael Tharakan P K

The experience of Kerala shows that the conditions of life of the people can be improved even at low levels of economic development through appropriate public action for social provisioning and redistribution The mass of Indian people do not have to necessarily wait for an indefinite future for the hump of economic growth to be crossed for schooling, house sites, primary health care, food at fair prices and so on

The contemporary crisis that Kerala faces, nevertheless, underlines the limitations of what can be achieved within the present system It also shows that in the absence of economic growth it is difficult to sustain, much less expand, welfare gains The challenge is to enlist the increased political consciousness and organised strength of the people as an instrument to accelerate economic growth in a democratic fashion Correctives to the various distortions in the social and cultural areas are also required

From the dialogue at last year's International Congress on Kerala Studies certain broad perspectives emerged, though some important questions were indeed left open and unconcluded

KERALA has been in national and international attention for successful performance in key areas of human development, particularly education, health and social welfare measures Kerala's experience shows that conditions of life of the people can be improved even at a low level of economic growth through different forms of public action What is not so well known, however, is the grave crisis that has characterised the state during the past two decades The spheres of employment and material production have been in the grip of stagnation All around there have emerged visible signs of decay, resurgence of casteism and communalism and a virtual political stalemate with the left failing to effect a decisive breakthrough, degeneration of popular culture and so on Even the much acclaimed progress in education and health looks vulnerable There is a growing feeling that a new agenda responsive to the changed reality needs to be drawn up, so that the new challenges can be met, the progressive heritage preserved and the cultural and material life of the people further improved

The response to the initiative of AKG Centre for Research and Studies, Thiruvananthapuram, to bring together scholars from different disciplines in the broad area of Kerala studies and concerned socio-political activists in an International Congress (August 27-29, 1994) was overwhelming Perhaps such an initiative had indeed been long overdue Around 1,600 persons (nearly 700 being academic scholars from more than two dozen disciplines) attended the Congress There were participants from 23 countries other than India and nearly all the major states in India Over 600 papers were presented and discussed in 66 technical seminars and six symposia Altogether 170 hours of discussions took place in 17 venues of the Congress

No attempt is made here to undertake a comprehensive survey of all the papers presented at the Congress Our effort is only a selective reading of presentations around certain major connected themes — Kerala's development experience, the contemporary crisis and new initiatives — that one can discern in the proceedings

Kerala's development experience has come to be summed up in a commonly used phrase, 'Kerala Model' A considerable number of papers presented at the Congress mentioned this term in a bewildering variety of notions, some in explicitly normative terms As a result, a growing discomfort with the concept was discernible [1] The broad ideological approaches with regard to the concept that were expressed in discussions are analysed in Section I followed by an analysis of the problems of contemporary economic stagnation and socio-political challenges in Section II

The Congress was not expected to come up with an action plan and clear-cut conclusions It was to be an open and democratic dialogue with the widest participation. Even the normal practice of an individual delivering the valedictory address at the conclusion of the conference was done away with and, instead, a panel of experts of divergent persuasions was asked to sum up what the Congress meant to them Therefore, our discussion emphasising the importance of production and productivity (Section IV), a new development strategy (Section V), reassessment of educational and health policies (Section VI), importance of decentralisation (Section VII), need for the left to enter into dialogue with believers without compromising with casteism and communalism (Sections VIII and IX) and the gender question (Section X) should not be taken as an exhaustive agenda for future or a consensus reached by the Congress. At best, they may be termed as the emerging perspectives, as read by the authors.

I
Kerala Model

Kerala's development experience questions a widely held paradigm. first agriculture and industry have to develop and then, in due course, improvement in the standard of living of the masses would take place. It is this historical sequencing of economic growth and mass welfare sanctified by the experience of developed countries that is being challenged by Kerala One of the relatively economically backward states in India with per capita domestic production consistently below the national average, Kerala has been able to provide for the basic needs of most of its citizens This is revealed by comparative indicators of health, education and demographic transition [2] A composite index of quality of life taking into account various factors placed Kerala far above the general situation prevailing not only in India but also in most parts of the third world.[3]

These average indicators hide the experience of communities that have been left out of the development process such as the fisherfolk and the tribals A number of papers sought to discuss such 'outliers' rather than 'the central tendency' There were separate sessions devoted to the status and problems of tribals and those of the fisherfolk and also a session 'profiling poverty' among stone breakers, coir workers, Tamil migrants, etc. It was argued that the Kerala miracle had bypassed agricultural labourers too The days of employment for agricultural labourers had continued to shrink, adversely affecting their earnings [4] However, there were other papers which indicated that even though the relative backwardness of dalits persisted, their situation was relatively superior to that in the rest of India,[5] there was significant occupational mobility in terms of job diversification and aspirations[6] and the gap in terms of development indicators was rapidly narrowing within Kerala.[7]

The factors which hindered public action for 'capacity building' among the fisherfolk community were discussed in an interesting paper.[8] Caught in a peculiar matrix of socio-political factors there was no active demand from below from the community Thus the exceptions to the general societal tendencies in Kerala only underlines the active role of

the people in demanding the supply of development services and monitoring their effective implementation

It is precisely this active role of the masses in demanding redistributive policies or directly pursuing such goals themselves that is being ignored by two opposing ideological approaches to the Kerala model those who hail it as the ideal 'cheap' model and those who reject it as yet another distorted outcome of neo colonial development

It has been argued by the first school that Kerala has succeeded in achieving a quality of life nearly comparable to the developed countries at a much lower level of resource consumption [1] ce Kerala has been hailed as the 'the best sustainability model' No other large population on earth adequately meets the requirements small families combined with modest consumption' Another variant of this approach hails Kerala as a short-cut to development where quality of life can be improved without economic growth or social change Thus Kerala becomes an ideal 'cheap' model of development [1]

No wonder in his opening address I M S Namboodiripad made a request not to let "the praise that scholars shower on Kerala for its achievements divert attention from the intense economic crisis that we face We are behind other states of India in respect of economic growth and a solution to this crisis brooks no delay We can ignore our backwardness in respect of employment and production only at our own peril" [1]

Partly, as a reaction to the idealising of the present state of affairs there has risen a tendency to denigrate the achievements of Kerala in the social sectors Alternative indices of development, taking into consideration per capita income unemployment and other indicators of economic backwardness show Kerala slipping sharply down in the rank order of development [1] This portrays Kerala as a growthless model But the paradox of Kerala's experience lies precisely in achieving a relatively high quality of life at a low level of economic development Low economic development is normally associated with low quality of life A key question is if the people of Kerala are worse off because they had better education and health An affirmative answer to the above question implicitly accepts that there is an inherent trade-off between growth and equity

The logical extreme of the above argument is the condemnation of Kerala's educational and health development as yet another variant of the underdevelopment paradigm under colonial and neo colonial conditions [14] The commercialisation of agriculture and development of the modern Kerala economy took place under colonial conditions in response to largely external impulses [15] The development of the educational and health sectors, transport network, etc, were but yet another element of the above process The result has been that Kerala today is not only an exporter of raw materials but also of educated manpower The brief period of the World Bank's flirtation with the Kerala Model is often depicted as the final confirmation of the apparently imperialist design Discussion at this juncture assumes a conspiratorial overtone [15]

The colonial integration and consequent underdevelopment was a worldwide phenomenon but not many regions in the underdeveloped world experienced progress in social sectors as in Kerala Only a viewpoint that takes people as passive victims of imperialism can miss the struggle of the people for improving their social conditions and the underlying politics of improvement in social indicators It is in this context that the history of peoples' struggles and conscious generation of demand from below as the prime mover of social sector development becomes relevant

II
Making of the Model

It is likely that Kerala's literacy tradition predates modern political development [16] Available evidence from last century indicates relatively high rates of literacy for the different constituents of present-day Kerala It must be admitted that our knowledge of pre-colonial Kerala is extremely scanty The specific features of the pre-colonial agrarian society active trade links with foreign countries and Buddhist traditions in the state are some of the factors that have to be taken into consideration [1] There is a growing consensus today that the developments in the 18th century constitute an important turning point [1] The century witnessed a process of political centralisation under powerful monarchies The emergence of centralised monarchy was disrupted in Malabar In the south in the context of restricting the power of local barons, the monarchies built up an alliance with the middle level of agrarian and social hierarchy consisting mainly of tenant cultivators artisans traders etc [1] As a result we find the monarchy in Thiruvithamcore both as an independent power and under the British paramountcy inclined to various measures such as proprietary rights to the tenants in government lands opening waste-lands for cultivation and so on which were beneficial to the above strata These steps accelerated the process of commercialisation of agriculture The expansion of commerce and modernisation of administration increased the demand for educated personnel The government initiatives in mid-19th century like instituting grants-in aid to non-governmental institutions have to be seen in this context.

The process of commercialisation and modernisation gave rise to a new middle social strata of commercial farmers, traders, petty industrialists and professionals These strata were emerging from middle castes and communities like Syrian Christians and Ezhavas who were better placed to make use of the emerging opportunities in terms of their inheritance system, occupational diversity and links with the growth pole sectors The economic advances that these caste and communities could make did not coincide with their social status This was the context of the emergence of socio-religious movements to reform the various caste and community customs and rituals and in the case of the 'avarna' castes and communities to fight against upper caste domination [20]

Various reform-oriented interpretations of texts, rituals and customs arose Most significant among them was that of Sree Narayana Guru who enjoined upon his followers to "strengthen through organisation and liberate through education" [21] The upper castes, particularly the Nairs, were also forced into the reform stream due to the threat from the Syrian Christians and Ezhavas from below and the non Malayalee Brahmins from above who monopolised the upper echelons of the bureaucracy Education was the watchword of these movements as a ladder for upward social mobility for the lower castes and for self-preservation for the upper castes in the fast changing world Moreover and most importantly the community based organisations themselves competed with each other to found institutions with or without government aid to cater to the demand generated by the socio religious movements Temple entry was preceded for decades by the demand for the right to enter schools from castes lowest in the prevailing hierarchy The historic call of Ayyankali [3] the Pulaya leader of Thiruvithamkoor to agricultural labourers for an indefinite boycott of agricultural operations was for the right for education The models of new schools and hospitals were the contribution of missionaries for whom the services in sectors like education and health were part and parcel of their proselytising efforts They were forced by the dictates of their involvement to cater mainly to the marginalised sections [24]

The role played by the demand from below in the spread of educational facilities is most dramatically exhibited if one compares the widening literacy rate differential between Malabar and Thiruvithamkoor throughout the colonial period [25] The changes brought about in agrarian relations in southern Kerala facilitated faster commercialisation of agriculture and the emergence of relatively stronger new middle classes in southern Kerala when compared to the north The

[illegible] also relatively stronger in southern Kerala. While under colonial impact the indigenous educational system largely crumbled in Malabar, it got a new lease of life in the south

However, by 1930s and 40s the first stage of the Kerala renaissance[36] led by the great socio-religious reform movements had run out of steam and the energy for continuation of the renaissance traditions came from a new source the socialist and communist tendencies that had crystallised within the national movement in Malabar The class and mass organisations built up by the left attempted to organise people on the basis of their economic demands centred around wages and land In Malabar they transformed the tenancy reform movement dominated by the upper peasantry into a movement for comprehensive agrarian reforms This slogan had favourable reverberations in southern Kerala too At the same time they carried forward the demands for basic social services and justice Newspapers and journals were central to their campaigns the local village library was the centre of nationalist organisation and the schoolteacher was the political mentor of the local community [38] The anti caste campaign was an important element of the left nationalist agenda and an important element of the mobilisation strategy as in the case of agricultural labourers in Kuttanad [39] By the eve of independence the left had risen to the leadership of the national movement in Malabar The Punnapra Vayalar armed uprising helped the left to rise to a hegemonic position in southern Kerala also These set the background for rapid advance of left political forces in the 1950s and the 1960s The left governments in Kerala became important nodal points in the process of expansion of the social sectors and welfare measures [31]

An important achievement that needs to be specially mentioned was the setting up of a comprehensive public distribution system a direct outcome of the food struggles of the mid-60s Rationing had been introduced during the food famine of the war period Right from its inception rationing in Kerala was characterised by a high level of popular intervention and monitoring Various social security measures also came to be initiated during the post independence period

An important structural reform that generated demands for social services has been the implementation of the land reforms Land reforms were the culmination of a long history of peasant mobilisation from the 1930s Land reforms in Kerala have had many limitations, most important being the failure to implement the land ceiling clause and the exemption that was given to plantations [32] Yet land reforms brought about a fundamental change in rural society, particularly in southern Kerala, which [illegible] proprietary rights, the removal of a major parasitic claimant to the surplus, and agricultural labourers receiving ownership and security of residence in hutment land [33] It is significant that the gap between northern and southern Kerala in terms of social sector development began to narrow during the post-independence period The catching up process of the north has been remarkably rapid since the implementation of land reforms

It is possible to document the social intermediation [4] involved in the generation of demand for and supply of health services as in the case of education The socio religious movements laid special emphasis upon personal and social hygiene Literacy, particularly women's literacy was the key variable in the improvement of the health status of the people It is not possible yet to pinpoint the precise factors responsible for the remarkable expansion of female literacy in Kerala Most significantly there never has been a case of any organised opposition to female education The strong traditions of matriliny may have also contributed to the progressive attitude to women's education

The story will not be complete without mentioning the effect of the settlement pattern for which a separate session was devoted in the Congress The settlement pattern being dispersed and linear with high density of population resulting in congregation of large villages and small towns had helped the delivery of institutionalised and non institutionalised public services The number of beneficiaries and their accessibility increases as transport and communication facilities increase The rural urban continuum of Kerala's spatial ordering has facilitated more uniform dispersal of social infrastructural facilities [5]

III
Economic Stagnation

In the latter half of the 1970s as the achievements of Kerala in quality of life began to receive international admiration, the model itself was slipping into a major crisis [37] It was all pervasive but its most important constituent was the severe stagnation in the spheres of material production, soaring unemployment acute fiscal crisis and erosion of sustainability of the social welfare expenditures Therefore the focus of discussion at the Congress was more on the contemporary crisis and the possible solutions rather than on the much acclaimed achievements of the past

Kerala is one of the states that did not share in the acceleration of the national economy from the late 1970s Not only was the growth rate of SDP markedly lower than the national average but it was also significantly lower than the SDP growth rate achieved during the previous decade.[39] The greatest reversal was in the agrarian sector where expectations had been raised by the successful implementation of land reforms. However, the production of almost all major crops with the exception of rubber suffered an absolute decline between 1975-76 and 1986-87 Coconut output declined despite expansion in area On the other hand, the marginal increase in productivity of paddy was not sufficient to compensate for the sharp decline in the area under paddy due to shift in the cropping pattern With only 25 per cent of the area under paddy the dependence of the region on foodgrains from outside increased sharply

It is now evident that the severity of agricultural stagnation has been exaggerated by the gestation lags involved in the production cycle of perennial crops like coconut and rubber in favour of which an accelerated shift in cropping pattern has been taking place since the mid-70s [39] There has been a remarkable recovery in agricultural growth since the late 1980s largely due to the newly planted areas becoming productive But two caveats may be entered (1) Productivity of individual crops in Kerala is significantly lower than that in competing regions or countries (2) The new agricultural policies that are being implemented as a part of the structural adjustment programme threaten to rein in the upward swing of the agricultural production cycle While the increase in fertiliser prices has tended to push up the cost of cultivation in the predominantly potassium/phosphate fertiliser region the liberalisation of imports threatens rubber and coconut prices [40]

Similarly, industrial performance from the mid 70s has also been dismal Performance did improve for a brief period in the latter half of the 1980s But since the advent of the new economic policies, the industrial sector has slipped back into a severe recession with output declining at –1 14 per cent per annum As a result the share of the manufacturing sector in the state domestic product has tended to decline [41]

The traditional industries of Kerala like coir cashew and handloom have been in the throes of a crisis due to scarcity and escalation of prices of raw materials and increased competition in the product markets either from cheaper production outside Kerala or substitute products Employment and output in these industries have been declining [42] Performance of the small-scale sector has been poor when compared to the rest of India, with a higher level of sickness, smaller size of units, lack of diversification and slow growth [43] Investment in modern large-scale sector has been far from satisfactory with Kerala's share in central public sector investment declining to an all time low of 1 3 per cent in 1992 93 and the larger business

houses shying away from investment in the state

Stagnation of the agricultural and industrial sectors has aggravated the unemployment situation in the state The open unemployment rate is around three times the national average [44] Despite the high unemployment level the state also experiences acute labour scarcity in many traditional occupations as job expectations tend to rise with education and the educated tend to withdraw from low status jobs [45] At the same time, due to the prolonged waiting period involved in getting a formal sector job many educated unemployed seek employment in the new informal sectors which offer no security or fair wage but are nearer to their perceived reserve job status Thus despite widespread uni sation — a well known feature of Kerala — new informal sectors keep appearing Pursuit of higher qualification has been another adjustment mechanism during the waiting period for formal sector employment as the higher degree tends to raise the probabilit of getting some employm a even if it is non commensurate with the qualification Thus another paradox demand for degrees continues to rise despite high unemployment among the educated

The economic crisis has been camouflaged by the inflow of remittances from the Gulf region Fortunately for Kerala the migration to the Gulf began to pick up from mid-70s — precisely the period when the downward trend in the regional economy became visible [46] At the peak the remittance inflows constituted as much as a quarter of the state domestic product With the inclusion of the remittances, per capita income in Kerala would be higher than the national average [47] As a result, the phase of economic stagnation witnessed a remarkable improvement in the consumption standard in the state There was also remarkable improvement in the asset position of rural households during the same period Construction activities also boomed The demand for consumption and construction goods was largely met through inter-state import As a result the trade deficit of the state ballooned and in 1980 81 was estimated to be as high as 24 per cent of the SDP [48] Apart from the import leakage direct outflow of financial savings through banking and other channels tended to depress the linkage effect of remittances within the state While there has been a sharp increase in bank deposits, the credit deposit ratio has steadily declined to 43 per cent in 1994 [49] There was effective demand the financial resources were no constraint but the productive sectors remained stagnant

The picture would be incomplete without a reference to the acute fiscal crisis of the state government [50] The revenue account deficit has been rising from 5 per cent in 1985-86 to 16 5 per cent in 1994 95 The main reason for the revenue deficit is the refusal of successive finance commissions to take cognisance of the higher burden of recurring expenditure on the state due to its past investment pattern emphasising the social sectors The failure to generate sufficient budgetary surplus has been reflected in the low per capita plan outlay of the state The fiscal crisis of the state was aggravated under the new policy regime of the central government Given the popular resistance, the state government is forced to bear the burden of subsidy reduction in sectors like public distribution As a result, the ability of the state to sustain its much acclaimed social expenditures has already been severe ly compromised Kerala has earned the dubious distinction of being the only state in India whose real social expenditure has decreased during 1985-86/1991 92 period compared to the decade 1974-75/1984-85 [51] The public distribution system is also being undermined, threatening food security of the state [52]

IV
Reorientation of Mass Movements

The economic stagnation paved the way for an ideological backlash against the Left The dominance of the Left in the state was alleged to be the stumbling block for economic progress Trade unions and strikes for higher wages were blamed for the economic retardation, land reforms for agricultural stagnation, education for high unemployment and social welfare expenditure for the fiscal crisis Equity in Kerala it was argued was achieved at the cost of future economic progress The rigidities in the labour market and the political climate in the state discouraged investment Dismantling of the welfare structures removal of labour market rigidities caused by legislation and trade unions, removal of restrictions on changes in the cropping pattern elimination of land ceilings, privatisation of social sector services and reduction in social welfare expenditures constitute the main elements of the emerging rightist perspective Even some erstwhile liberals seem to argue that the Left in Kerala, whatever its achievements in the past in the shpere of distribution has to make way for new social forces that would launch the state on a trajectory of accelerated economic growth

The very same economic stagnation that has been fuelling the backlash has also been undermining the unity and the progress of the people's movements Thus for example, scarcity of employment opportunities converted reservations for dalits and backward castes, a tradition dating back to pre-independence days, into a hotly contested issue and a cause for casteist mobilisation Similarly, the stagnation of productivity is a major factor in the accentuation of the conflict between petty producers and wage labourers in the state

An important feature of production relations in Kerala is the relatively high prevalence of petty production. Eighty per cent of the landholders have less than half a hectare, the average size being less than 30 cents [53] Within the manufacturing sector, household units have tended to decline in the recent decades But rather than the factory sector it is the share of the non-household and non-factory small units which has been increasing [54] An important feature of these petty production units is the high incidence of wage labour In agriculture, even marginal landholders employ wage labour This is because small landholders, who cannot expect to make a living from their land often tend to seek wage or self-employment in the non-agricultural sector [55] Non-agricultural employment accounts for around 45 per cent of the workforce in the rural areas

Given the peculiar production relations, the growth of militant unions of agricultural labourers and labourers in small-scale industrial units tended to alienate from the Left the large body of petty owners, many of whom may well be employees in the non-agricultural sector Suspicions of such a process surfaced within Leftist circles while reviewing the 1978 electoral debacle when the LDF lost heavily in its traditional strongholds of Palakkad and Alappuzha [56] These two districts had witnessed the militant upsurge of agricultural labourers from the middle 60s It was evident that a large number of farmers who had gained land under the land reforms had shifted allegiance Attempts to restrict excessive' demands directed against small farmers created resentment among the agricultural labourers

Demand for remunerative prices became the main slogan for uniting agricultural labourers and farmers But with the prices of Kerala s crops being set in the national and international markets effective intervention in price formation had severe lim itations It is in this context that the question of productivity becomes relevant [57] From the point of view of the in ome of the petty producer how much is produced is as important as the price received It is only through sustained increase in productivity that the demands for higher wages can be realised in the long run Increase in real wages at a faster rate than increase in productivity, as is the situation in Kerala's agriculture and traditional industries, would result in a reduction in employment [58] The farmers have shifted to less labour-intensive crops or left their lands fallow The response in traditional industries to the wage increase has been varied—decentralisation of production into smaller units where trade unions are ineffective, adoption of labour displac

ing technologies or migration to neighbouring states where wages are low.[59]

The sessions on agrarian and trade union movements reflected a keen awareness of the above situation In fact the two sets of issues that figure prominently in the papers dealing with contemporary agrarian and trade union movements were (a) the implications of the new economic policies and the paramount need to mobilise the widest sections for resistance and (b) issues related to stagnation in productivity and its consequences for employment, real earnings and unity of the working people Apart from contemporary issues, the focus was also on the historical evolution of these movements The close links that these movements had with the larger socio political currents particularly the national movement emerged from the papers As a result these movements were not bound by narrow economism but were imbued with a wide perspective, a feature that had significant influence on the socio-political evolution of modern Kerala

The vibrant civil society in Kerala has facilitated the emergence and survival of a large number of cultural movements and groups which do not have direct political affiliation There was a separate session devoted to such movements The oldest and perhaps the richest of this tradition has been the library movement [60] There were a number of papers that analysed the experience of the popular science movement Kerala Sastra Sahitya Parishath (KSSP) [61] The literacy movement also drew the attention of a number of scholars [62] Many of these movements and groups address issues and problems that have not received adequate attention by the Left in Kerala and therefore, at times have proved to be controversial Some of the developmental initiatives of these movements like literacy resource mapping, village level planning, etc, have pointed to the untapped potential of local level human and natural resources to accelerate the developmental and democratisation process

It is the consciousness and struggles of the masses and not the manipulations of the politicians that will ultimately determine the issues in the political domain The sessions on 'Contemporary Politics' and 'Lessons of the History of the Left Movement in Kerala' drew attention to the above crucial link It was noted that the left movement in Kerala had entered a phase of relative stagnation from around the mid-70s with its electoral support still around the peak reached in 1961, approximately 40 per cent [63] A major barrier to the advance of the Left during the 1970s was the disunity among the Left parties, which has now been overcome From the 1980s, all the Left parties as well as some of the secular opposition parties have been united under the Left Democratic Front (LDF) which, despite its various problems, has proved to be a stable combination.[64] It was pointed out that the Left needs to make a reassessment of the changes in the objective conditions in Kerala economy and society Particularly the following points were mentioned the nature of agrarian question in the post-land reforms phase, the massive inflow of remittances and its socio-economic consequences, expansion of education and its impact on labour supply conditions and the regional implications of structural adjustment programme On the basis of such reassessment the Left needs to draw up a new agenda that is more responsive to the changed reality of contemporary Kerala

V
Towards a New Development Strategy

Nearly two dozen sessions dealing with agricultural and infrastructural development technological choice and environmental sustainability attempted to evaluate the present growth strategy and formulate alternative approaches Before we survey their broad findings the question of the feasibility of such alternatives has to be settled To what extent can a state in the Indian union pursue alternative development strategies? It must be admitted that the options are very limited The new economic policies of the central government are constantly eroding even the limited autonomy that exists [65] However to adopt a position that nothing can be done in the state until the national policies are reversed or till the revolutionary transformation of the system occurs would be defeatist It cannot be said that the potential of capitalist development has been exhausted To that extent economic space does exist and should be consciously utilised by the Left E M S Namboodiripad set the tone of the deliberations with the statement that 'within the limitations imposed by the global and national structures, we will have to find practical solutions to the problems that our state faces We cannot let the present situation drift we have got to reach a consensus as to what measures are to be adopted to accelerate economic growth without sacrificing the welfare gains and the democratic achievements of the past' [66]

Apart from a general session on 'Pattern of Industrialisation Problems and Prospects', there was also a separate session devoted to industrial sectoral studies The newly adopted industrial policy statement of the Kerala government was criticised for its misguided obsession with labour militancy as a stumbling block to industrialisation, its emphasis on privatisation and liquidation rather than reform and restructuring to deal with the problems of the public sector and its stress on financial incentives and fiscal concessions for industrial promotion rather than greater emphasis on the delivery system.[67] The labour militancy/high wage hypothesis for industrial retardation was the theme for a number of papers [68] There was no substantive data to support the high wage hypothesis in the modern industrial sector Inter-state comparison of strike-proneness indicated an improvement in industrial relations in the state from the mid-70s [69] The situation today is much better than the national average Interestingly, it was also demonstrated that industrial growth in the state is prone to political cycles — the upswings coinciding with Left governments The discussions also pointed to problems arising from multi-unionism and union rivalry Labour phobia continued to trouble the minds of entrepreneurs [70] Meanwhile managerial practices in the state's industrial concerns were found to be far from satisfactory [71]

The emerging perspective on industrialisation indicates the need to stimulate private investment, diversify the industrial structure strengthen inter-industrial linkages promote technological progress and improve productivity Of vital importance is a step up in central sector investment The new perspective calls for a labour-friendly approach in industrial relations and participatory management to develop a new work culture Multi-unionism is to be discouraged by giving recognition only to unions with a minimum worker support through secret ballot As regards the small scale sector, the emphasis is on organisational patterns like ancillarisation subcontracting or space-bound clusters of firms (industrial districts/parks) in areas where the state has comparative advantage in specific raw materials or skills Traditional industries are to be reorganised with emphasis on technological upgradation and product diversification A careful review of the ad hoc interventions that have been imposed in the product and raw material markets was also called for, The role of co-operative and public sector agencies in such a process of regulated modernisation was also emphasised

The infrastructural crisis which has emerged as a stumbling block to industrialisation requires urgent remedial measures [72] The session on 'Rail, Road, Air and Waterways' called for removal of the distortions in the transport mode mix It requires expansion of the railways and renovation of the waterways [73] In the context of growing international migration and tourist traffic, there is an urgent need to improve air transportation facilities [74] However the present campaign for three international airports is the best example of lopsided priorities Of greater importance would be the modernisation of the Cochin port It was pointed out that despite improvement in capacity utilisation, the total factor productivity of the port has been steadily declining [75]

The most critical infrastructure is energy supply Kerala with no coal or oil resources is dependent upon firewood for a major proportion of its thermal needs and hydel power for its electricity requirements The per capita electricity consumption in the state is one of the lowest in the country The state has been a power deficit region for more than a decade with demand steadily increasing Ongoing power projects are getting delayed with severe time overruns so that additional capacity generation has been negligible There was a consensus on (a) need to urgently increase the capacity of electricity generation in the state (b) diversify the sources of electricity and (c) minimise distribution losses Advantages could be harnessed through demand management Differences cropped up on the question whether immediate priority was to be given to a thermal project with shorter gestation period or on the Pooyankutty hydel project that was criticised for inadequate safeguards against ecological degradation None of the speakers however objected to hydel projects in principle Each project is to be judged on the basis of case by case analysis of merits and demerits

The deliberations on agricultural strategy reflected optimism arising from the recent improvement in performance and also fears of the implications of the new economic policies of the central government It was pointed out the structural adjustment in perennial-tree crop dominated agricultural sector would prove to be an extremely slow and painful process Since the possibility of extensive expansion of cultivation has been exhausted in Kerala improvement in productivity holds the key to agricultural progress [77] Cropwise productivity data show that there exists ample scope for such improvement It was held that the improvement in coconut productivity is of paramount importance [78] It would require a thorough re-evaluation of the irrigation strategy adopted in the state characterised by high cost canal irrigation schemes catering exclusively to dwindling paddy cultivation and that too with little concern for local level water control measures [79]

Kerala's undulating topography and natural endowments generate a wide spectrum of distinct micro environmental conditions that require local level planning and intervention strategies [80] Given the high soil erosion proneness and monsoon dependency, Kerala requires an integrated land and water management programme [81] Multicrop farmsteads are another feature of Kerala's agriculture that has been missed by policy-makers and planners [82] Two sessions on the generation and diffusion of agricultural technologies in Kerala brought out the significant gap between lab and land

The contemporary agrarian structure and its implications for productivity were another issue that received considerable attention The multiple sources of income for small landholders which eases the pressure to maximise production or even encourages withdrawal from labour-intensive agriculture, in the face of unfavourable conditions, called for innovative institutions There is need to fashion a consensus approach to (a) the emerging lease market in land[83] and (b) taking forward the experiment in group farming [84] Group farming was an innovative agrarian reform introduced by the last Left Front government to facilitate the small holders to reap economies of scale through collectively undertaking agricultural operations while land ownership continued to be individual based The evaluation of the programme indicates that after the initial success the initiative lost momentum the peasant and agricultural movements were not sufficiently involved the new UDF government was less than enthusiastic about its continuation and attempts to improve cultivation practices through integrated planning were inadequate [85]

Considerable attention was paid to the interrelationship between science technology and development It was the theme for one of the symposia The technological upgradation of the traditional industries and of even the existing modern industries was emphasised in the discussions It is in this context that the infrastructural weakness in several key areas of S and T programmes assumes importance The importance of quality of higher education and the need for an ambience of achievement and excellence was highlighted [86]

A refreshing feature of the deliberations on development strategy was the sensitiveness to environmental issues that they reflected It would appear that the environment development dialogue has passed the infantile stage of the either/or dichotomy The central concern was how to integrate environmental concerns with economic growth so that the development process becomes sustainable The session on Environmental Studies pointed to the problems created by unregulated conversion of paddy land to tree crops [87] issues related to resource depletion [88] water and industrial pollution[89] and new waste management problems generated by changes in the consumption pattern [90] The alarming decline in the forest cover[91] in the state demanded immediate intervention The struggle at Geerakapara where the entire local population, most of them settlers joined the protest against deforestation was described to be a significant turning point in the struggle for protection of the forests

VI
Education and Health

In the educational and health sectors there was the well articulated concern that the achievements of over a century of egalitarian growth are being dismantled The policy of privatisation through self-financing institutions disregarded the requirements of social justice and of creating and sustaining useful education for as wide a population as possible [92] Meanwhile in health, non-medical interventions such as in sanitation, nutrition, sewages and environmental upgradation as well as the earlier integrated approach with emphasis upon prevention of diseases are being neglected for the sake of high-cost curative medicine, particularly for degenerative diseases [94] There was an emerging consensus that these trends should be opposed On the other hand, there was also a perceptible awareness that (1) under the old system of distribution, these basic services have not reached all sections, (2) the quality of services rendered by public institutions has degenerated, and (3) there is need for diversification of educational and health services to cater to new requirements [95]

If we are to build upon the past achievements of Kerala, then there should be proper educational planning taking into consideration the requirements of national, regional and local development Admissions to the university level should be selective for specialised areas of studies and research (ensuring admission to all sections on merit through reservations subsidies freeships, scholarships, etc)[*] and those to the secondary level should be strengthened by identifying and introducing courses of high employability The lack of public financial resources may be taken care of by rationalising the affiliated colleges system, by making the university departments more autonomous and flexible rather than by investing in research institutions outside the university system, and by varied methods of generating greater internal financial resources Experiments such as school complexes[97] and 'vijnanolsavam' have already proved the viability of projects to improve the standard of education through community participation There are manifold problems associated with tribal and fisherfolk literacy which have to be tackled along with better use of primers, workbooks and neoliterate literature created with sensitivity to the problems of the marginalised sections [98] Existing movements like the library movement and their services should also be integrated in this effort Gender, communal and exploitative value biases that have crept into textbooks also received attention [99]

Appropriation of people's health by the medical profession and the health industry is happening in Kerala The direct medical expenditure per household and per person is now so high as to be beyond the reach of the common people [100] This is not only true of modern medicine but also of traditional medicine, which has the potential for a wide range of preventive and other applications such as in paediatrics and primary health care[101] and greater relevance because

to be significantly influenced by a generalised ayurvedic worldview.[102]

The KSSP health survey revealed the dimorphic nature of morbidity in Kerala.[103] The so-called high morbidity-low mortality syndrome generated considerable debate. It was argued that high level of morbidity is more a reflection of better health consciousness of the people.[104] Nevertheless, to the extent poverty-related diseases dominate the picture appropriate measures emphasising inter-sectoral health linkages are called for.[105] There was a general agreement that as in the case of education, the state needs to draw up a formal health policy that seeks to build upon achievements of the past. The emphasis of such a policy should be improvement in quality rather than quantitative expansion. The new health policy would[106] have to clearly define the role of the state sector, reorient the family welfare services, encourage novel ways of funding health care outside government allocation, emphasise para medical training, draw up a state level formulary and effectively decentralise the health care system.

VII
Decentralisation

An issue on which there was a consensus at the Congress was the imperative need for democratic decentralisation of administration and development planning. Being a precondition for the successful implementation of a participatory development strategy, it came to be referred to in every session related to development problems. A special session was devoted to review the experience of 'Decentralisation of Governance and Development in the State'. A startling finding was the relative backwardness of Kerala with respect to decentralisation, particularly when compared to states like Karnataka.[107]

The history of decentralisation in Kerala is a litany of frustrated efforts. The idea goes back to 1957-59 when the Administrative Reforms Committee recommended various measures towards devolution of powers. These suggestions could not be implemented because the government was dismissed by the central government. Though in 1967, 1979 and 1980 there were other efforts in this direction, a concrete advance could be made only in 1987-1991, when District Councils were created under the Districts Administration Act, with 18 departments and 143 subjects being allotted to them.[108] A high-power committee to suggest transfer of further powers and a Finance Commission for devolution of funds were also appointed. In 1991 elections were held and District Councils were in position but soon the state government changed and from that moment onwards, one by one, the powers of the councils were withdrawn and a number of schemes were scuttled. Even funds for establishment expenses were drastically reduced.

In spite of such difficulties several district councils planned and executed several imaginative schemes in areas like betterment of school education, raising finances for development work through the National Savings Scheme, preparation of district development plans, resource mapping, repairing of irrigation facilities, etc.[109]. In all these activities, the councils worked in close liaison with panchayats and people's organisations like the KSSP, thereby strengthening and widening community participation at the local level. Several case studies of local level development initiatives, most of them being sectoral interventions, were examined in a number of papers. Most important among them was the attempt of a village-level integrated planning exercise in Kalliassen under the Panchayat Level Resource Mapping Programme.[110] The programme attempts to create a comprehensive data base of village resources in easily understandable map-formats by volunteers drawn from the local population assisted by scientists. The data collection process itself is organised in such a way that it becomes a conscientisation campaign. Also a local group of development experts is crystallised. In Kalliassen the programme has moved from the stage of data collection to comprehensive planning and implementation with people's participation.[111] An impressive feature has been the active involvement of the village panchayat in the development programme. The discussions on this as well as other local-level development initiatives underlined the importance of new village-level institutions for sharing and regulation of resources.

The recent constitutional amendments have put decentralisation once again on the agenda.[112] Yet they suffer from some basic defects; for instance, no devolution of powers from the centre is envisaged and the rural-urban dichotomy is perpetuated. The present state legislation on decentralisation has made a mockery of the intentions of the central legislation and ignored the pressures for decentralisation from below. What is evident is the lack of political will, compulsions of coalition politics, sectarian interests and persisting bureaucratic hurdles in the way of effective decentralisation. There was criticism that even the left has not fully utilised its considerable political energy and organisation to mobilise the broad masses of people behind the ideal of decentralisation.[113]

VIII
Threat of Casteism and Communalism

The influence of casteism and communalism on the socio-political process was an important theme taken up by the Congress. Besides the sessions on 'Caste Structures and Social Process' and 'Caste, Community and Social Process' it also figured prominently in the discussions in the session on 'Issues in Contemporary Politics'.

As we have already seen, the emergence of caste and community based organisations and movements heralded the modern socio-political process in Kerala. While these movements were largely subsumed within the national movement in northern Kerala they continued to dominate political life in southern Kerala. The north-south divide in the relative influence of caste in socio-political life has survived to-date.

The leftists were by and large active in the various social reform movements and the nascent left movement actively supported the struggles of the lower castes. At the same time they also built up class and mass organisations irrespective of caste and community. The anti-caste struggle was independently raised from these new secular and left platforms as a part of the general anti-feudal task. The existence of such an independent platform and its active involvement in the anti-caste struggle facilitated the leftward shift of the masses as communal movements increasingly shrunk into sectarian shells dominated by elites with vested interests. The victory of the Communist Party in the first general elections to the state assembly and the formation of a government without participation of any casteist and communal group was the culmination of this secularisation process. The dialectics of this communal/casteist road to secular politics was a theme of discussion.[114]

In sharp contrast to the above process the period from mid-70s has been characterised by a resurgence of casteist and communal influence in the socio-political life of Kerala.[115] The story of this social retrogression remains yet to be fully analysed. It must be admitted that the material base of caste-communal divisions are being increasingly undermined. Class differentiation within caste and community groups and increased occupational mobility, partly due to the strong traditions of affirmative action, are important factors in this process. Yet the ability of the elites within various castes and communities to rally the masses around their sectarian slogans seems to have increased. The reasons mainly lie in developments within the political superstructure.

It was the Indian National Congress (INC) that resurrected moribund caste and communal groups in order to forge the grand anti-communist alliance of 1957.[116] As a result, the communists failed to gain a majority in the mid-term elections of 1961, despite improving their share of the popular vote. In the mid-term elections of 1965 the CPI(M) entered into an understanding with the Muslim League in order to break the anti-communist alliance in the special circumstances created by the split in the CPI and

the anti-communist hysteria generated by the India China conflict This understanding grew into a united front through the food struggles and the anti Congress popular upsurge during the next two years Thus the CPI(M) shared power with the Muslim League in the 1967 United Front government The Muslim League soon joined an anti-CPI(M) front with Congress along with some of the left parties The failure to effect any decisive shift in popular support in its favour despite the militant struggles and fears of the danger of semi fascist terror as in West Bengal prompted CPI(M) into an alliance with a breakaway faction from the Muslim League in 1974 Similarly a faction of the Kerala Congress was also brought into the Left Front Thus what in 1965 was a temporary electoral understanding over time developed into a political alliance

The political alliance with minority communal groups soon emerged as a major impediment to the efforts of the left to build up their independent strength in the minority communities It isolated the left from the progressive forces in these communities and enabled the fundamentalists and narrow communal elements to consolidate their position as spokespersons of the community The influence of Muslim League that was largely confined to northern Kerala spread to the south also The success of the Muslim League in bargaining with both the left and right fronts became a source of inspiration for various Hindu caste groups to enter into politics Even though the left steered clear of the various caste political outfits the Congress Party was only too happy to accommodate them The Congress alliance that won the 1981 election had perhaps the worst caste communal track record incorporating as the alliance did most of the caste communal groupings in Kerala But the left was handicapped in fighting the casteisation and communalisation due to its political alliance with a faction of the Muslim League An atmosphere of political cynicism was spreading among the people Most dangerous of all Hindu communalism began to gain support in the state riding on the crest of the Hindu backlash against minority communalism [117]

It was at this juncture that CPI(M) took a bold decision to end its alliance with all communal groupings in the state The decision proved to be a watershed in Kerala politics To the surprise of all the Left Front won the 1987 elections to the state assembly without help from any of the communal/casteist groupings The rising tide of communalism was checked But the unexpected defeat of the left in the 1991 election due to the passions aroused by the assassination of Rajiv Gandhi has been a major setback for the secular forces [118] The period since the formation of the present government has seen an ascendancy of caste and communal forces The communal passions aroused by the Ayodhya incidents and the caste confrontation on the question of reservation have further complicated the problems The threat posed by the casteist-communal forces to the radical and secular legacy of the state is a major challenge to the progressive forces in the state

IX
Religious Minorities and Progressive Movement

The phenomenon of communalism, however, should be considered distinct from religiosity While the communal elements in Kerala were in the forefront of denouncing the Congress [119] the Congress itself was attended by a large number of deeply religious persons including Nitya Chaitanya Yati the foremost contemporary exponent of Sree Narayana Guru's teachings Metropolitan Bishop Mar Paulos Gregorios of the Orthodox Church and more than a dozen Catholic priests and nuns including the leading theologian Samuel Ryan Thus the sessions on 'Religions and Social Change' and 'Ideas in the Context of Social Change' became the beginning of a new dialogue

The presidential address of E M S Namboodiripad had self critically drawn attention to the low level of influence that the left had among the believers in Muslim and Christian communities that constituted around 40 per cent of the state's population [120] This failure of the left movement was one of the most significant obstacles to be overcome for a political breakthrough in favour of the progressive forces in the state

The basic reason for the relative insulation of the religious minorities from the left movement is historical These communities did not experience the same kind of religious reform process that Hinduism in Kerala experienced from the late 19th and early 20th century It had been in the soil upturned by these movements and their radical currents that seeds of leftism sprouted and flourished However in the case of religious minorities the period under discussion proved to be one of greater institutionalism and inward orientation which were used in strengthening their bargaining capacity at the community interface

It is not our argument that there were no progressive religious traditions among Muslims and Christians Of particular interest in this context is K M Seethi's analysis of religious teachings of Vakkom Abdul Khader Moulavi who has been more famous as an associate of Ramakrishna Pillai the crusading editor against Travancore monarchy [121] Ramakrishna Pillai incidentally, was the author of one of the earliest biographies of Karl Marx to be published in any of the Indian languages Vakkom Moulavi held that the laws of Islam concerning temporal matters were not commutable and hence, depending on the conditions of time and place, they are subject to change. He emphasised the principle of 'ijthad ital' (independent judgment) against the Islamic fundamentalists But the reform movements led by progressive Ulamas best exemplified by Vakkom Moulavi never became the mainstream of the Muslim community, particularly in northern Kerala, where the sullen Muslim peasantry weighed down by the successive defeats of their numerous revolts against the British, adopted more and more self-defensive inward orientation The conservative Ulemmas throttled any attempt at reform and even shunned modern education [122]

The impact of colonialism and capitalist commercialisation on the traditional Christian community was a trend towards greater institutionalisation of the church Therefore the perspective of progressive Christian theological trends was initiated by the missionaries who operated on different sociological and theological premises from the indigenous Christians In fact a separate session was devoted to discuss the 'Missionary Interface with Kerala Unlike the "inward looking samudayam consciousness of the largely upper caste Syrian Christian community [123] the missionaries focused on backward castes and contributed significantly to their social awakening At the same time missionary activities were intertwined with colonial intervention and therefore had a conservative edge that blunted their emancipatory potential [124]

Given the orthodoxy of the religious minorities the left discourse laced strongly with profound atheism and ridicule of religion [125] a heritage of the bourgeois rationalist currents in the social reform movements failed to strike sympathetic notes Instead it facilitated the vested interests of the top hierarchy of these institutional religions to divide the people into believers and non believers even on matters of temporal life It was on the alleged communist threat to religion that the Christian and Muslim masses were mobilised in 1957-59 in the infamous liberation struggle' to scuttle the land reforms, minimum wage legislation and educational reforms of which the very same masses would have been the direct beneficiaries Ever since then the Church has attempted to resurrect the believer-nonbeliever divide as the central issue in every election in the state [126] The attempts of the left to break down this compartmentalisation have also not been helped by the bourgeois rationalist approach rather than the historical and dialectical approach to religion that the left has tended to adopt

In an important contribution to the Congress, F Houtart and G Lemercinier undertook a sociological analysis of religion in Kerala and discussed how its social function has tended to change over historical periods.[127] As was discussed earlier, the first assault on feudalism in Kerala was under-

taken in the religious garb by socio-religious movements from the latter half of 19th century It was pointed out that "recognition that there is also a spirituality that is transformative and socially relevant is crucial for any Christian Marxist dialogue [128] The emergence of liberation theology within the church and struggles for justice and equality like the struggle of the fisherfolk in the Latin Catholic Church[129] and the Faith Movement in the Church of South India are slowly but surely preparing the basis of a new dialogue The institutional church has also been keeping away from overt and direct intervention in day to day politics [130] Changes are also discernible among the Muslim community particularly in the post Ayodhya situation opening doors for co operation between devout Muslims and communists Hindus gurus like Nitya Chaitanya Yati have refused to join the conspiracy to institutionalise Hindu religion and fan Hindu religious fanaticism The need for a new encounter between religion and Marxism based on mutual respect and critical opinion was a recurrent theme of many of the papers presented at the Congress

Gender Question

The status of women in Kerala society was the focus of a lively and involved debate at the Congress We have already noted the role of women's agency in the making of the Kerala model Female literacy has been the key variable in the advance of health status and in turn the transition in demographic indicators Women in Kerala are as literate and healthy as the males and not victims of the worst forms of gender discrimination as in most parts of India Kerala is the only major state in India where the sex ratio is favourable to women — 1 040 females to 1 000 males against an Indian average of 928

The above is no small achievement and should not be trivialised But can this be the basis for considering that women in Kerala are empowered or liberated? In response to the tendency to make sweeping statements on the empowerment of women on the basis of the indicators of education health fertility, etc, and stylised features of matrilineal institutions and its remnants the following three socio economic phenomenon were highlighted

(1) Despite higher education and low fertility rate the visible female work participation rates is one of the lowest in the country Open female unemployment is very high [131] High incidence of unemployment of women has been an important factor influencing the withdrawal of women from the labour force Majority of women who are employed are concentrated in low paying, unskilled or semi-skilled and casual employment There has been a strong tendency for feminisation of poverty and the number of female-headed poor households has been sharply increasing [132]

(2) Despite the higher level of education and participation in grass roots-level movements, women are conspicuously absent in the higher levels of decision-making Even in mass movements where membership is predominantly of women, representation of women in the leadership is marginal [133]

(3) In the recent period there are visible and disturbing signs of erosion of progressive attitudes to gender issues like the spread of dowry system purdah among Muslims, degrading depiction of women in the mass media sexual harassment and violence [134]

Why are historical traditions of matriliny, higher female educational and health status and the spread of the left movement not successful in empowering women in Kerala? Three sessions were devoted explicitly to gender related issues matriliny and modernity social construction of gender and feminisation of poverty A major gap was the absence of papers on women's movements and groups in Kerala

The session on matriliny and modernity explained in some detail the construction of gender historically What advantages if any did the matrilineal system provide women? An answer is rendered difficult given the fluidity and flexibility of the system [135] There was a general consensus that it offered greater freedom and security to women in comparison to other agrarian societies that were patrilineal [136] The above positive features of matriliny also contributed to widespread progressive attitudes towards female education and survival These influences have continued to survive formal changes in law [137]

But one has to guard against orientalist romanticisation of matriliny as an age of gender equality women were ultimately subjected to the authority of the male head of the joint family [138] The Nair matriliny survived as a facilitator of the extreme patriarchy of Brahmins Further matriliny was imbedded in the general ethos of feudal decadence

The development of capitalism tended to undermine the economic structures of joint family as its customs and traditions stood in opposition to individual initiatives and incentives for accumulation Feudal decadence gave romantic love and nuclear family an aura of idealism The critique of the *ancien regime* carried out by the social reform movements was thoroughgoing and facilitated legal enactments dismantling the traditional system with little social opposition But the emerging critique suffered on two counts it condemned the feudal past from the bourgeois standpoint and discourse was dominated by males with little recognition of the positive aspects of traditional matriliny [139]

The anti colonial and anti-feudal mass movements that emerged in the post first world war period further expanded democratic public sphere where the oppressed castes and classes had greater possibilities of articulating their concerns and needs [140] Women, through their participation at varied levels in struggles, organisations and popular discourse, emerged as an important constituent of the public sphere But the system of decadent feudal norms was followed by the idealisation of the patriarchal nuclear family and neglected the rising bourgeois familial ideology [141] No rigorous left critique of bourgeois patriarchal familial values or the persistence of feudal influences made their appearance in spite of the ideological hegemony of the left in the 1950s and 1960s The undermining of this hegemony and degeneration of the popular culture and ascendancy of consumerism has led to acceleration of commodification of women in media and erosion of progressive attitudes to gender issues in general

The session on social construction of gender revealed several constituents of patriarchal ideology that have been deeply embedded in Kerala society and political culture They called for a re-evaluation of the movements institutions customs and traditions from a gender perspective and development of a thoroughgoing critique of the patriarchal ideology from the positions of the left Similarly the economic marginalisation of women in the economic development process calls for a re-examination of the development policies [142] It is not sufficient to have women targeted in special programmes but the development policy at large has got to reflect a sensitivity to the gender issue

Many of the above issues are closely connected with contemporary developments in the cultural sphere The long history of popular culture in the state is now in danger of being subsumed or submerged by the emerging mass culture [143] The difference between popular culture and mass culture is that popular culture is rooted in the lives and experiences of the people, particularly the subaltern classes of the people, while mass culture is dominantly a product of the mass media Popular culture predominantly reflects disenchantment and struggles, not that it does not encompass a way of life also The left should take a positive stand in this matter and lay claim to the tradition of popular culture which can be a stimulating and effective undercurrent of contemporary struggles

The defect in executing such a perspective is in assuming all elements of popular culture, including popular religion, to be unidimensional — that of struggles against the establishment Within the broad area of cultural expressions, various experiences of peoples' lives can find expression, including that of the non subaltern classes Only on the basis of the inherent unity at that level could a phalanx of cultural defence be forged against

the creeping in of mass culture. In the spirit of cultural-subaltern purity, genuine opposition to mass culture can degenerate into sectarian disputes, hampering such unity. It also must be stated that there were comments that the treatment of the contemporary cultural crisis was neither comprehensive nor deep enough, even though a dozen sessions were organised around various themes related to culture and literature and various cultural events were organised along with the Congress.

XI
Conclusion

The International Congress on Kerala Studies was not merely a stock-taking. It was a major initiative to facilitate the interaction of scholars from various academic disciplines and practical activists. On the basis of such an interaction it was hoped to move towards a new agenda for the state, particularly in the sphere of development action. The response to the first objective was unprecedented and is reflected by the large number and wide range of participants and papers contributed. These papers and discussions are a veritable compendium of Kerala studies.

The experience of Kerala shows that the conditions of life of the people can be improved even at low levels of economic development through appropriate public action for social provisioning and redistribution. The mass of Indian people do not have to necessarily wait for an indefinite future for the hump of economic growth to be crossed for schooling, house sites, primary health care, food at fair prices and so on. The struggle for basic needs is an important component of social mobilisation strategies. The contemporary crisis that Kerala faces, nevertheless, underlines the limitations of what can be achieved within the present system. It also shows that in the absence of economic growth it is difficult to sustain, much less expand, these welfare gains. The challenge before the domestic forces is to enlist the increased political consciousness and organised strength of the people as an instrument to accelerate economic growth in a democratic fashion. Corrections to the various distortions in the social and cultural areas are also required.

Through the dialogue at the Congress certain broad perspectives have emerged without necessarily a formal consensus. Some important questions were indeed left open and unconcluded. An overwhelming feeling among all participants was that the process of dialogues should continue. Bishop Paulose Mar Gregorios was speaking for all when he in his valedictory presentation appealed that the Congress should be regarded not as the conclusion but as the beginning of a long dialogue. The proposal of the organisers to publish full texts of selected papers in thematic volumes would certainly be an important contribution in this direction. Further, a series of thematic state-level workshops and seminars are being planned to undertake in-depth discussion of selected papers and move towards more concrete policy perspectives. It is hoped that by the end of 1995 or the first half of 1996 the dialogue would have developed to such a stage so as to facilitate integration of these policy perspectives at district and panchayat levels taking into consideration the concrete local conditions so that integrated area-specific development perspectives to emerge. Such a programme arrived at through the widest possible dialogue and participation of different sections and enjoying the support of a wide spectrum of intelligentsia would contribute to raising the level of political discourse in the state to pitches qualitatively different from the present, facilitate the breakdown of the two-front compartmentalisation of state politics and, along with others, also contribute to the further advance of the democratic forces in the state.

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Civil Society and Nation State

In Context of Globalisation

Ajit Roy

The problematique of the recent interest in civil society is how the latter can defend its autonomy against the many forces that are eroding its autonomy. To understand this problematique this paper first attempts to delineate the processes of globalisation and then to develop an approach to understanding the concept of civil society, before evaluating its contributions to the struggle against globalisation.

THE role of vibrant civil society came into sharper focus in theoretical-academic discussions as well as social political activity about a quarter century ago. The impetus in both spheres was received more or less simultaneously. Moreover, the two dimensions of development interacted with each other from an early stage. The theoretical interest evolved out of the revelation to a wider readership of Antonio Gramsci's thought in general and his attention to civil society in particular. The Gramscian universe of discourse covers the actual and potential roles of civil society as well as the allied question of the dialectic of its development. The social-political practical aspect came to the fore with the irruption of vast popular activism in various parts of the world more or less simultaneously in the late 1960s. One very significant feature of this phenomenon which subsequently influenced its conceptualisation considerably was its rootedness in the soil in each case while at the same time revealing an attitude of conscious confrontation with global forces and issues in most cases. In retrospect, it may be imagined that the participants had sensed, vaguely at least, the advancing process of globalisation embracing the socio-economic and political dimensions of human existence in the extant reality. And, in the process of conceptualisation and elaboration of this developing reality, Gramsci's insights on the role and dynamics of civil society increasingly assumed a central place.

Today, as we approach the mid-1990s, globalisation is no longer a theoretical concept or construct: it is an indisputably solid, glaring reality, impinging upon almost every aspect of human existence - environmental, economic, political, cultural and so on. The coinage, 'global village', to denote the present-day world is a commonplace truism today. It is also widely seen that the motive power of this process is provided by the multinational or transnational corporations or global companies which are seen to be "driving the world towards commonality, speeded by mass communi-cation, transport and travel".

This indeed is the global reality today which has critically altered and is steadily altering the role of the nation-state. More specifically, this process is subverting and circumscribing the powers, reach and even orientations of the nation-state - needless to say not in the sense of liberating the people from the oppression and exploitation of the dominant power-structure, but only substituting their subjugation, from the more direct, easily identifiable and confrontable forces to indirect, often invisible and always remote centres of domination.

This is the context in which the new interest in civil society assumes its present importance. The relative autonomy of civil society – that is, various communities and collectives of the people, often informal and inarticulate, within a particular political structure – is being perceptibly eroded by the advancing process of overbearing economic, political and cultural influences of remote forces beyond, at least, their palpable reach. How to defend themselves against these encroachments and how to beat back these encroachments in order to expand the space for their own articulation and action – this is the problematique of the new interest in civil society.

In order to understand and deal with this problematique, we have to, first, clearly understand the origin, development and features of the phenomenon of globalisation, and, second, define the approach to an understanding of the concept of civil society. And we have to tackle both of these tasks historically, even if somewhat schematically, within the constraints of the present paper. This is what we attempt to do below, before we finally try to formulate the prospects and potentialities of vibrant civil society and its contributions to the global struggle against globalisation under the domination of global companies and their agencies.

I

Globalisation which has now become the supreme catchword of the high priests of capitalism the world over, is, however, not really a new development. It is inherent in the organic logic of capitalism. All of its principal elements were succinctly enumerated a century and a half ago. For instance, *The Communist Manifesto* stated:

> Constant revolutionising of production (and) The need of a constantly expanded market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.
>
> The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. It has drawn from under the feet of industry the national ground on which it stood. All old national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction has become a life and death question for all civilised nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones, industries whose products are consumed not only at home but in every quarter of the globe. In place of the old wants, satisfied by the products of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations. And as in material production, so also in intellectual production.[1]

The secret of this achievement, the *Manifesto* held, lies in "the rapid improvement of all instruments of production, and by the immensely facilitated means of communication".[1]

Even 'consumerism', the hallmark of present-day globalisation was not overlooked in this pathological dissection. *Excess and intemperance*, Marx wrote even earlier,

> come to be its [capitalism's] true norm. Subjectively, this is even partly manifested in that the extension of products and needs falls into *contriving and ever-calculating* subservience to inhuman, refined, unnatural and *imaginary* appetites. . . and no eunuch flatters his despot more basely or uses more despicable means to stimulate his dulled capacity for pleasure in order to sneak a favour for himself than does the industrial eunuch – the producer – to sneak for himself a few pennies. He puts himself in the service of the other's most depraved fancies, plays the pimp between him and his need, excites in him morbid appetites, lies in wait for each of his weaknesses ...[2]

Even the phenomenon of the MNC or global company which is perceived as the principal architect of the 'global village' of today was not beyond the anticipation of the founders of Marxism. The tendency towards concentration and centralisation – the basic law of capitalism leading to the growth of monopolies and world cartels which have reached the pinnacle of development in the form of the MNC or global company today – was clearly formulated by Marx in his magnum opus *Capital*, and this analysis was carried forward by Lenin in his work *Imperialism – The Highest Phase of Capitalism*, written in 1914.

These tendencies noted by Marx were not supposed to follow a path of clear cut and linear advance. The growth of capitalism, although a global system in its essence, has taken place historically within the framework of nation-states, and world monopolies have developed through an interplay of mutual struggles and collaboration of huge national conglomerates. The spectacular advance of globalisation notwithstanding, these conditioning factors continue to operate today, if only in a relatively lower key, and will in all likelihood continue to do so in the future too, as long as capitalism survives.

Needless to say, the capitalist globalisation of today is far removed from the universal development of humans envisaged by the founders of Marxism and all true humanists, as this overcoming of local and national limitations under capitalism is based on "shameless, direct, brutal exploitation" and under this dispensation, there is "no other nexus between man and man other than naked self interest, than callous cash payment".[1]

To come now to the MNC or TNC (transnational corporation is perhaps a more appropriate term), the central force behind the present level of globalisation, its position today was delineated by the present writer in a recent article as below:[2]

> The number of TNCs, according to the UNCTAD, has shot up from 7,000 to 37,000 in the past two decades, and their direct foreign investment (FDI) today amounts to US $ 2 trillion. Of this, however, only about a hundred top TNCs, or about 0.003 per cent of the total number of the TNCs, account for US $ 660 billion or about one third of the total FDI for all the TNCs. About one-third of the world exports in goods and non-factor services today take the form of intra-firm trade between the parent firm and their foreign affiliates. Two other characteristic features are:
>
> (1) Almost one half of the FDI stock of TNCs in developed countries in 1990 was in the services sector, while manufacturing accounted for the largest sector in the developing countries. In other words, cheap labour and natural resources along with unconcern for environmental pollution in the developing countries have persuaded the TNCs to shift a large share of their investment allocation to the latter.
>
> (2) TNCs are building up integrated multi-tier networks embracing parent firms, their foreign affiliates, firms linked through sub-contracting, licensing and similar contractual arrangements and firms tied together through alliances. These networks include all major corporate functions, such as research and development, manufacturing, marketing, finance, accounts, and so on, and they embrace both the developed and developing worlds.
>
> It should be added that the powers of these top TNCs have become much more consolidated by their close alliance with multinational banks (MNBs), which have become tremendously powerful in recent years, and with the assistance and collaboration of international institutions like the World Bank and the IMF. With the revolutionary changes in telecommunications and information technologies, these top centres of financial and corporate control can today easily bypass the regulations of national states and can manipulate the movement of finance, credit and various other resources on a global scale in the interest of their own profits and power.
>
> The globalisation of production and marketing functions in the new era is graphically exemplified by the following case:
>
> > Some models of the Honda automobiles are designed in Japan and assembled in the United States with American labour and with parts manufactured in Europe, the US and Japan. Is this Honda a Japanese car? In truth it's a global car coming from a Japanese company which has become a global company. The rise of global marketing has come from the rapid global expansion of multinational companies like Honda".
>
> Global operations of the TNCs in manufacturing and marketing are accompanied by vital changes in many other areas. First, there is a growing shift from the manufacturing to the services production. About 60 per cent of the total employment in developed countries is now provided by the services sector. The same trend is seen in the developing countries too. According to an estimate, the travel and tourism industry today is generating more than US $ 3,500 billion or about 6 per cent of world GDP. Presently, it employs 127 million or one of every 15 persons in the world. In other words, instead of providing food, clothes, shelter, etc, to the millions and millions of the hungry, naked and roofless population of the world, the economy is getting increasingly geared to catering to the fancies of the affluent.
>
> Second, even in the sphere of material production, arms production and arms trade occupy a major place, notwithstanding the collapse of the rival power system and the proclaimed end of the cold war.
>
> Third, the working of the globalised economy is leading to a continuous and growing impoverishment of the extremely poor developing countries through the rising deficit in the balance of trade and debt burdens.
>
> All this is accompanied by environmental pollution and cultural degradation on massive scales. The TNCs in their lust for more and more profits are systematically denuding the forests, exhausting the irreplaceable resources of the planet and polluting the land, water and air of the world – more so of the developing and dependent parts of the world.
>
> An inseparable counterpart of these developments is the pollution of humanity – through the spread of drugs, crimes, sex and so on – accompanied by the growing scourge of AIDS. This human pollution has been facilitated by the infection spread through the powerful electronic mass media like films, TV, video and so on, which has followed the technological advance represented by the development of the microchips. Satellite transmissions have spread and are spreading the germs of infection all over the globe instantaneously. This is both a gift and a creator of globalisation. This cultural inundation has two inextricably intermixed objectives. First, it is aimed at promoting consumerism and thereby expanding markets for mass produced commodities. Second, through this indirect process of commercial bombardment, accompanied by ideological brainwashing, it aims at diluting and dispersing critical and combustible sentiments of the people. Indeed, it aims at implanting in people's minds bland, illusory and often downright false and reactionary perceptions of national and international environments.
>
> Decades ago, the *New York Times* carried a full page advertisement which, along with a visual carried in capitals almost an inch high, the *first commandment* of the new era, Create More Desire'. Capitalism in general and its latest and most powerful protagonists, the TNCs, in particular have developed advertisements into a most effective socio-political global influence. Originally based on the economy's requirement of establishing linkage between scattered consumers and mass produced commodities, advertisements have today developed into a fine 'art', and advertising itself is an immense industry for manipulating the mass mind. "This apparatus", Lucas rightly said some years ago, "now dominates all external life from presidential elections to the consumption of ties and cigarettes".[3]
>
> In the course of this development, advertising 'art' has given birth to what one German philosopher calls 'commodity

aesthetics', in which, the commodity is created in the image of the consumer's desire. Later on, this image, divorced from its commodity, is the subject of advertising promotion" [10] In the course of developing this 'art' based on commodity aesthetics, these 'artists' have developed sexualisation in this craft

> The suppression of instincts plus the simultaneous illusory satisfaction of instincts tend towards a general sexualisation of the human condition The response of the commodities is to reflect sexual images from all sides Here it is not the sexual object which takes on commodity form, but the tendency of all objects of use in commodity form to assume a sexual form to some extent [11]

The overall "strategic task of the 'mass culture' is to develop consumer instincts in the people to the utmost, to transfer the people's consciousness on to philistine, narrow-minded lines, to emasculate as far as possible the socio-political activity of mass consciousness, and to divert people from advanced social ideals" [12]

The central objective and resultant of the operations of the modern mass media mechanism is to emasculate civil society As C Wright Mills pointed out years ago, under the new dispensation

> there is a movement from widely scattered little powers and *laissez faire* to concentrated powers and attempts at monopoly control from powerful centres And in both centres, economic and opinion, power is partially hidden, they are centres of manipulation as well as of authority
> In the simple democratic society of primary publics, competition of opinions and ideas goes on between people holding various views which service their special interests and their reasoning But in the mass society of media markets, competition goes on between the crowds of manipulators with the mass media on the one hand, and the people receiving their communication on the other 'Answering back' by the people is systematically unavailable.[13]

The aim of the manipulators (Mills concludes) is to keep the underlying population in continuous emotional subjection, this being more important than the inculcation of specific beliefs; for, if the frame of the mind is set for docility in opinion, for obedience in will, the people will be ready to believe and to feel any number of specific beliefs. In this the regimenters work deeper than specific views and emotions: they are trying to modify the basic ideological predisposition of the person. And they want to do this on a mass scale: to make all the population alike in their ideological predisposition, in order that they will all think as it is desired that they think. So the volume of assertion becomes 'stunning'; from all sides and through all senses it converges on the isolated individual. All power and all social initiative is exercised from above downward.[14]

For decades past, this domination of what has rightly been called 'cultural imperialism' flowered in the US through the development of the most advanced information media and techniques and was utilised to extend its grip over the world Not only the developing countries, even the most advanced capitalist countries did not escape its reach According to one source, in the mid-1980s about one-third of programmes screened on west European television were made in the US Even in a country like France, so proud of its national culture, 70 per cent of feature films screened in that country were foreign made, mostly in the US About 75 per cent of publicly performed musical shows in Sweden were imported from the US also [15]

The expansion of the mass market under capitalism along with the development of mass culture and mass media, has historically been steadily encroaching upon the sensibilities and activities of civil society The structural progress of capitalist concentration leading to the rise of TNCs to a highly dominant position in economic terms accompanied by the revolutionary leap in information technologies has created the present situation, in which the space for civil society everywhere in the world, has been squeezed into extremely narrow proportions These days, decisions are imposed, actions restricted by manipulations into wrong or inane channels Even thought and sentiments are sought to be tightly controlled from centres, not only remote from the people, as it has been for decades, but in the final analysis from outside the country's frontiers

Significantly, however, this regime of extra-national or supra-national control economic, political and ideational - is not something that suddenly caught an unwary world in its net The supra-national philosophy - if that is the right word - behind the fast advancing process of politico-economic-ideational globalisation was proclaimed by the high priests of this tendency years ago from the house tops, so to say Twenty years ago, a seminal and authoritative work[16] on the subject quoted extensively from the proud pronouncements of the topmost executives of the topmost TNCs of the world about their perceptions of and intentions about the developing 'globalised world', and more than 10 years ago, the present writer extensively quoted from that work to underline the significance of this development. Some excerpts are quoted below

> 'For business purposes', says the president of the IBM World Trade Corporation, 'the boundaries that separate one nation from another are no more real than the equator The world outside the home country is no longer viewed as a series of disconnected customers and prospects for its products, but as an extension of a single market'.
> 'The political boundaries of nation states', declares William I Spencer, president of the First National City Corporation, which does business with 90 countries, 'are too narrow and constricted to define the scope and sweep of modern business' For George Ball (former US under secretary of state), 'the world corporation is planning and acting well in advance of the world's political ideas', because it is 'a modern concept designed to meet modern requirements' The nation state unfortunately is 'a very old-fashioned idea and badly adapted to our present complex world'
> 'The critical issue of our times', says Maisonrouge (a top US technocrat), 'is the conceptual conflict between the search for global optimisation of resources and the independence of nation states
> *Business International* warns, 'the nation state is becoming obsolete tomorrow in any meaningful sense it will be dead and so will the corporation that remains essentially national
> (As the large US corporations and banks earn more than 50 per cent of their profits overseas) the US-owned and managed global corporations have transcended their own country's interest, outlook and strategy' [17]

A most crucial distinction between the operations of the present-day global corporations and the old style imperialist formations, that has important socio-political implications, follows from this transcendence of the narrowly national perception by the global corporations They are now capable of becoming relatively more accommodating to sections of the overseas capitalists Their present economic and political strategies permit, even enjoin them to coopt and integrate, of course at a subsidiary level, sections of the bourgeoisie from their overseas fields of operation This is done in three ways, first, the local bourgeoisie may now get a small share of the profits and revenue, second, this enables the local bourgeoisie to achieve a limited degree of expansion of their economic activities, and third, this leads to an expansion of the elitist stratum which tends to think that they are gaining through this global association by way of relative affluence and a flood of sophisticated goods with which to pursue a high lifestyle; through these and other means like cultural assaults on the local population that go along with these operations, they increase their capacity to extend their social base - in both urban and rural sectors - by integrating 10, 15 or even 20 per cent of the country's population into their socio-political-cultural system.

The shock waves that these developments administer to local civil society are as intense as they are varied and pervasive Before we seek to study them, we should first try to define our approach to, and understanding

of, the concept of civil society in general terms, necessarily briefly, within the scope and constraints of the present exercise.

A word of caution here. It would be extremely simplistic to believe that transcendence of national limitations has been or can soon be fully achieved. The foregoing analysis is intended only to highlight an ongoing process whose progress is very uneven over time and space. It should not also be forgotten socio-political institutions, and culture based on them, enjoy some autonomy. The powers of political parties, politicians, institutions such as parliament, government, bureaucracy and so on, are directly correlated with the political independence of the state. Hence, these institutions may not readily abdicate the vantage position they occupy in a nation state. Moreover, it should be remembered that even through centuries of evolution, nation states have seldom, if ever, been able to overcome fully local, regional and other forms of parochial pull. Hence there will continue to be tensions between the tendency toward supra-national domination and attachment to national identity.

II

'Civil society', so much in vogue today, is an old theme, originating as it did with 17th century political philosophers such as Thomas Hobbes and John Locke. The concept assumed sharper focus in Hegel's writings and subsequently in Marx's critique of them, but was therafter relegated to the background till Gramsci took up this subject in his prison writings.

Without using the term directly, Hobbes defined civil society as the area "wherein the liberty of a subject lieth... only in those things which in regulating their actions, the sovereign hath pretermitted: such as is the liberty to buy, and sell, and otherwise contract with one another; to choose their own abode, their own diet, their own trade of life, and institute their children as they themselves think fit; and the like", without, however, limiting the "sovereign power of life and death".[18] In Locke's conception, civil society has two dimensions. On the one hand, it provides redress and security against anarchy and arbitrariness of the 'state of nature', and on the other, through the devolution of legislative powers "in collective bodies of men, call them senate, parliament or call what you please", gives them (the population) security against the arbitrariness of the government.[19]

If we leave aside the latent philosophical thrusts, Hegel's concept of civil society in plainer terms embraces the realm of economic interests, labour, private property and class distinctions, which Hegel characterised, after Hobbes, as "the war of all against all". Essentially, civil society in Hegel's terminology simply refers to the totality of the material conditions of life. While conceding the duality of political society (the state) and civil society (material conditions of life), Hegel lays down that concrete freedom consists in their identity:

> In contrast with the family and civil society, the spheres of private rights and private welfare, the state is from one point of view an *external necessity* and their higher authority, its nature is such that their laws and interests are subordinate to it and dependent on it. On the other hand, however, the state is their *immanent* aim; its strength lies in the unity of its universal end and aim with the particular interest of individuals.[20] The paragraph above [according to Marx's interpretation] informs us that *concrete freedom* consists in the identity (to be achieved on both sides) of the system of particular interests (of family and civil society) with the system of general interests (of the state).[21]

Marx and Engels, on the other hand, give an independent identity to civil society, that is, they refuse to concede the fundamental identity of the state and civil society. As they say in *German Ideology*,

> Civil society comprises the entire material interaction among individuals at a particular evolutionary stage of the productive forces. It comprises the entire commercial and industrial life of a stage and hence transcends the state and the nation even though that life, on the other hand, is manifested in foreign affairs as nationality and organised within a state. The term 'civil society' emerged in the 18th century when property relations had already evolved from the community of antiquity and medieval times. Civil society as such only develops with the bourgeoisie. The social organisation, however, which evolves directly from production and commerce, which in all ages forms the basis of the state and the rest of the idealistic superstructure, has always been designated by the same name.[22]

While underlining the historical continuity of civil society in general, Marx makes a fundamental distinction between the *old* civil society and the *new*. Under feudalism,

> The old civil society had a *directly political* character, that is, elements of civil life such as property, the family, the mode and manner of work, for example, were raised into elements of political life in the form of landlordism, estates and corporations. In this form they determined the relation of a particular individual to the *state as a whole*, that is, his political relation, his separation and exclusion from other parts of society. For the feudal organisation of national life did not elevate property or labour to the level of social elements but rather completed their *separation* from the state as whole and established them as *separate* societies within society. Thus the vital functions and conditions of civil society always remained political, but political in the feudal sense. That is, they excluded the individual from the state as a whole and transformed the *special* relation between his corporation and the state into his own general relation to the national life, just as they transformed his specific civil activity and situation into a general activity and situation.
>
> The political revolution, which overthrew this domination, turned the state into the people's business and made the political state the business of all... this revolution inevitably destroyed all estates, corporations, guilds and privileges variously expressing the separation of the people from their community. The political revolution thereby *abolished the political character of civil society*. It shattered civil society into its constituent elements – on the one hand *individuals* and on the other the *material* and *spiritual elements* constituting the vital content and civil situation of these individuals. It released the political spirit, which had been broken, fragmented, and lost, as it were, in the various *cul-de sacs* of feudal society. It gathered up this scattered spirit, liberated it from its entanglement with civil life, and turned it into the sphere of the community, and the *general* concern of the people ideally independent of those *particular* elements of civil life.[23]

Marx demands the abolition of the antithesis between political society (state) and civil society through the abolition of both. This is to be achieved by the introduction of unrestricted voting as a means to the fullest extension of democracy, which he broadly equates with the transition to socialism. The essence of this perspective is formulated in his 'Young Marx' idioms:

> All emancipation is *restoration* of the human world and the relationship of *men themselves*. Political emancipation is a reduction of man into a member of civil society, to an *egoistic independent* individual on the one hand and to a *citizen*, a moral person on the other. Only when the actual individual man has taken back into himself the abstract citizen and in his everyday life, his individual work, and his individual relationship has become a *species-being*, only when he has recognised and organised his own powers *social* powers so that social force is no longer separated from his as *political* power, only then is human emancipation complete.[24]

As mentioned earlier, it is Antonio Gramsci whose writings have created the new interest in 'civil society' and its role and potentialities in contemporary socio-political life. Gramsci's contributions to this concept have two distinctive aspects, not explicit in either Hegel or Marx. These are, (1) interpenetration of political society and economic society, or the state and civil society, and (2) a recognisable autonomy of civil society which gives it a distinct space for operation and

development. According to Gramsci, there are "two major superstructural 'levels': the one that can be called 'civil society', that is the ensemble of organisms commonly called 'private', and that of political society' or 'the state'."[25]

Gramsci used this concept in his elaboration of politics *vis-a-vis* a number of distinct spheres, such as his conception of hegemony and domination, war of position and war of manoeuvres, role of intellectuals, Jacobinism, passive revolution, and so on. It is beyond the scope of this exercise to give an exposition of his rich views. The operational implications of Gramsci's concept of civil society were formulated by the present writer some years ago in his monograph on Gramsci (in Bengali) as below:

> The expansive structures of a modern state which includes state institutions as well as organisations of civil society resemble the 'trenches' (in the fortification of a country's war front) in the sphere of practical politics and serve as secure defence system in a war of position. In the previous era, the war of manoeuvre which used to extend almost throughout the warfront now seems to have been reduced to partial war.
> In simpler terms its essence is: because of expansion of civil society, the role of direct revolutionary uprising has become relatively reduced. In other words, without sufficiently reducing the ethical-ideological influence of the ruling class by waging war of position within various institutions of civil society, it will not be possible either to prepare for a revolutionary uprising, or to ensure the final victory of a successful uprising.[26]

With this theoretical exposition of the origin and development of the concept of civil society, we can now proceed to our concluding section about the contemporary problems of civil society and the evaluation of one of the major viewpoints about it.

III

There is a proliferation these days of contributions on the various aspects of the problematique of civil society. While there is a general agreement about the diversity, role of local initiative and greater autonomy in the development of movements in civil society that goes under the general label of social action, sharp controversies, however, rage over the question of their essential politics, if we ignore the view that it is altogether non-political. Instead of wading through the huge body of literature available today on the subject, I have chosen to concentrate on three or four well-articulated essays, which are themselves based on wide surveys of available material.

To take a prominent contribution, although it does not use the term 'civil society', 'Nine Theses on Social Movements' by Andre Gunder Frank and Marta Fuentes actually deals with important issues related to the actions of civil society. It is a good descriptive piece which ties together various strands and streams of contemporary autonomous mass movements in various parts of the world and draws nine generalisations from the survey. Taken separately, Frank and his colleague are mostly correct in their observations except on two issues. First, though these movements may have started locally and in isolation from one another and even with objectives of some immediate defensive or offensive gains, they in reality operate in and against a power system sometimes national in form but with international ramifications, and sometimes obviously international. Hence without the consciousness of this international dimension and without moves for corresponding strategy, isolated local struggles with hazy perceptions can only fizzle out, maybe after gaining some small and temporary concessions. In one context Frank and Fuentes note the global frame, including the pervasive domination of MNCs, but refuse to draw appropriate operational conclusions therefrom.

Although Frank and Fuentes more than once note the "uncontrollable forces of national and world economy" and the characteristic feature of the contemporary situation in which "not even national states have sufficient power", as well as the impact of the global economic crisis on local struggles they seek to offer no strategic or tactical perspectives in facing these problems. More significantly, although they occasionally mention the emergence of MNCs as global factors, they do not draw out the crucial significance of their emergence. Further, they either keep silent or belittle the role of the working class as the pivot of a global front against the MNCs within each nation and on the international scale.[27]

Another prominent social thinker who has been active in promoting the self-activation of civil society in india, Rajni Kothari, goes much further than Frank and Fuentes in depicting the present world process, particularly as manifested in developing countries such as India. He also concedes *some* role to the working class and their organisations including parties, but he gives the latter only a minor role. Kothari correctly and sharply brings out the features and significance of the ongoing globalisation process when he says:

> [In] the picture of four-fold confluence - the multinationals, the corporate sector at home, foreign governments and local regimes - there entered a fifth set of actors which in the course of time took on a pivotal role in influencing policy priorities and the broad thrust of economic philosophy in a large number of developing countries. The World Bank, the International Monetary Fund, along with important UN agencies like UNDP, UNIDO, FAO, IFAD [to serve] the interests of world capitalism and transnational companies in particular.[28]

Against this pivot – of concentrated world capitalism – Kothari refuses to concede a corresponding pivotal role to its polar opposite, namely, the world working class and its agencies. About trade unions, he dismisses them almost contemptuously when he says, "As regards the trade unions, there has taken place a near collapse of them as catalysts of a working class consciousness and a working class movement". His real attitude to trade unions is reflected in the next sentence wherein he places the press and the judiciary at a higher level as he says: "Even the press and the judiciary are found to fail in their appointed tasks..." . He is of the opinion that "political parties on the one hand and trade unions on the other" have "given way before larger forces, or rather forces that are seductive and corrupting in a way".[29]

In this situation, representing sort of a 'vacuum', Kothari counts upon the NGOs (non-governmental organisations), of a particular sort of course,

> partly to revitalise the party political space, partly to correct its inadequacies but most of all to provide a constant grass roots infrastructural process . to intervene whenever necessary and above all, to permit direct involvement of the people in both non-party and party political spaces...[30]

Kothari is apparently oblivious of the fact that he is putting the cart before the horse, so to say. That is, unless the trade unions and other working class organisations, including the parties of the radical left, keep on struggling – and of coure self-critically raising the levels of their consciousness and mobilisation – there will be no climate or environment for the atomistic grass roots formations to strike their roots and sprout.

More balanced and much nearer to the correct approach is Neera Chandoke's exposition. It correctly notes that much of the contemporary discussions on civil society amounts to the effort to

> retrieve civil society as a domain of theorisation autonomous from state-centric theory [which] has led to a fetishisation of the way people struggle in distinctive ways. The opposite of homogenisation launched by the state becomes plurality, the counterposition of standardisation becomes distinctiveness and variation, the inversion of class becomes 'people' and the reverse of the macro-processes becomes micro-episodes.[31]

The author is worth quoting on a number of determinants. For instance.

> The contemporary age of politics is marked increasingly by the recognition and appreciation that politics is not shaped solely

by the social practices of classes privileged in radical discourse as actors, viz, the propertied classes and the organised working class, but by myriads of struggles over the means of production and social reproduction in people's spaces [32]

[People's struggles] have expanded the concept of democracy itself Democracy rests in social practices of people at every level of social interaction It is embedded in the efforts of people to expand areas of human rights and dignity in all spheres of life, and not merely in ritualistic and episodic participation in engagements, viz, electoral occasions. Democracy is more identified with emancipation [33] in with modes of governance [34]

The conception of power has undergone a change - ... no longer "identified with state and its functionaries, but emerges in the local contexts of concrete social interaction and in the processes of social life"

What is specific to these social movements is that they are multi class, single issue oriented and focus on local power determi- nts restricted to specific places, happenings and events and on near time goals [35]

What has been seen is the reduction of the organised industrial proletariate This has however been paralleled by the expansion of points of production, at the household, sweat shops, sub-contracting workshops, putting out work The working class has not vanished, it has been reconstituted in larger numbers, its labour is appropriated and it does not receive adequate social wages [36]

The author, however, commits a lapse of omission, but not of commission, by failing to focus on the continued key role of the working class in organised industries - the working class of the old classical conception. Though reduced in number, this segment of the working class still retains its objective position within the core of the global capitalist economy as well as its objective potentialities, born out of its existentialist characteristics as well as its inheritance of historical experience of class struggle With the growing crisis of the capitalist world economy and the consequent breakdown of the post second world war welfare build-up in the developed capitalist countries, this historical working class is steadily reviving today its militant confrontation with the hard core of the world capitalist order This is the fundamental reference point to all struggles for people's rights and livelihood all over the world. The future of people's actions in any part of the world rests in the final analysis on the two-fold base. (1) development of working class action in the core sector of capitalism, and (2) linkage of the relatively peripheral struggles to the struggles in the core sector.

People's action and the problematique of civil society can be fruitfully viewed only in this defined context

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7 The pernicious impact of 'globalisation' is best and most dramatically exemplified by the present-day developments in Russia Liberalisation and Restructuring which made Yeltsin's Russia a part of the 'globalised village' has brought to it as part of the 'Free World's gift package' large-scale prostitution and organised crime While precise statistical information about prostitution is not presently available, a recent report in the Russian government run *Rossiskava Gazeta* says on the basis of interior ministry sources' information that the number of operating organised criminal gangs increased from 785 in 1990 to 5 600 today In 1993 more than 22,000 crimes were committed involving use of weapons and 293 instances of hostage taking were reported See *The Economic Times* Calcutta, June 19, 1994
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Agrarian Changes, Unfreedom and Attached Labour

Surinder S Jodhka

IN his comment on my paper [Jodhka 1994] Brass (1995) has tried to contest my argument by claiming that not only are there no 'counter-tendencies' leading to a decline in the incidence of attached labour or in the elements of unfreedom in labour relations, but, restating his earlier position, that the trend in Haryana agriculture is an opposite one. Using the mechanism of debt, Brass argues, farmers control and discipline agricultural labour. This leads to 'decomposition/recomposition' or 'deproletarianisation' of labour. Hence for Brass, indebted labourers, both permanent as well as casual, are like unfree slaves and the incidence of unfreedom is growing with capitalist development in Haryana agriculture.

While apparently trying to counter my formulation, the actual scope of his comment goes much beyond what I have tried to argue in the article. My paper deals exclusively with the issue of emerging patterns in the system of attached labour (i e, permanent labourers working with a specific farmer on annual contract basis) in Haryana agriculture. Though much of the field data[1] used in the paper has been taken from the data collected for a broader project on changing debt relations in Haryana agriculture which I submitted as a PhD thesis in 1990 [Jodhka 1990], the formulations and arguments presented in the paper, particularly my disagreements with Brass, were developed to a large extent later in response to an article that Brass wrote and published after I had submitted my thesis and to several other books and papers that came out thereafter.

However, it is surprising that Brass in his response has commented more on my unpublished tentative formulations presented in the thesis than on the paper in which I engage with his position (references to my PhD thesis appears 16 times in his comment and to my article only 12 times). My objection is not to the reference to my PhD thesis as such, but to the fact that Brass refuses to read my article independently of my PhD thesis and to the way in which he picks up statements from the thesis and clubs them with those from the paper in order to prove his point. In a rather unfair way, he even goes to the extent to trying to find contradictions in my argument presented in the paper by picking up statements from the unpublished thesis [see Brass 1995: notes 3, 4, 7 and 8].

I am also surprised that even where I have no disagreements with his position, Brass tries to project that I have a completely opposite point of view and attributes to me those positions that I criticise in my paper. For example, on the question of characterisation of attached labour in Haryana agriculture, in many ways I have tried to substantiate Brass's position by arguing that they are "the most deprived category in the agrarian society of Haryana today" and that the elements of unfreedom are very obviously present in the relationship. I also do not have much problem in accepting his definition of unfreedom. As he argues, and I agree, attached labour is an unfree relationship in the sense that though a labourer willingly offers himself for work it does not follow that the production relations will be correspondingly free in terms of the worker's capacity to re-enter the labour market" [Brass 1990:55, note 2].

However, I disagree with Brass when he claims that not only is attached labour an unfree relationship, but also that the incidence of unfreedom is growing – what he describes as a process of deproletarianisation. I also hesitate to conceptualise present-day attached labour and other forms of labour-tying arrangements that are mediated through debt as 'debt bondage' or 'debt slavery' (or accept that it is growing). I prefer to call it 'labour mortgage system'.

And I have very clearly spelled out what I mean by it. Above all, in this framework, accepting attached labour would imply giving up or surrendering one's freedom. It also suggests compulsions arising out of a weak economic position. My respondents had to choose this 'unfree relation' when they needed a comparatively large amount of money. Such situations arose generally when there was a wedding in the family or the house had to be renovated or at the time of a major illness in the family. And in such situations they had to forgo their freedom because they did not have any other assets. And hence 'the labour mortgage'. This is an instrumental decision in the sense that the labourers are aware of the bargain, dislike the arrangement, but have no other choice. And they try to come out of it as soon as they can.

Brass finds this formulation "curious and contradictory" and insists on describing it as "a form of subsistence guarantee" [Brass 1995:697], which for Brass operates within the system of "patron-clientage" and provides "its subjects with economic security" [Brass 1990:37].

One of the main reasons for a decline in the system of attached labour that I identified in my paper was a near complete erosion of the ideology of patronage and loyalty. Moreover, hardly any of my respondents saw attached labour positively or as a source of economic security. Nor have I said it was so in my paper. They chose attached labour not because of regular subsistence requirements but clearly because of contingent needs. And it is precisely in the absence of 'patron-clientage' ideology that it becomes a system of labour mortgage (compulsive and negatively viewed) and not a system of subsistence security (desirable and positively viewed).

The more contentious issue for Brass is my assertion that though attached labour is an unfree relation, there are also 'counter-tendencies' leading to a gradual decline in the system of permanent labour relations. The three main factors responsible for this trend that I have identified in the paper are (i) the growing dislike of the "loss of freedom" involved in working as an attached labourer; (ii) changing power equations at local and regional level along with a near complete erosion of the ideology of patronage and loyalty, (iii) growing linkages with the urban market, opening-up alternative sources of employment to the workers.

Notwithstanding his own contention that the agrarian capitalists in Haryana are indeed preferring "casual instead of permanent workers" [Brass 1995: 697], he finds my claim about a trend towards decline in attached labour "as an optimistic (and premature) view" [Brass 1995:697]. For Brass, the shift towards casual labour has been engineered by the capitalist farmers who continue to maintain, or even tighten, control over these labourers through the mechanism of debt and find it comparatively cheaper. Thus, substantively, not only is there no change in the phenomenon of 'attachment' or 'unfreedom', but there is in fact an opposite trend leading to deproletarianisation.

I strongly disagree with Brass here because for me this shift is not a result of changing labour needs of the capitalist farmers, but a consequence of growing assertiveness among the workers and a weakening of the hold of the farmers over the labourers – both politically as well as ideologically. In fact there was a general scarcity of those willing to work as permanent labourers.

Brass also finds my claim about a trend towards a decline in the incidence of attached labour not substantiated with any quantitative evidence and accuses me of basing my opinion exclusively on information supplied to me by the employer farmers and which should therefore be treated with "extreme caution and scepticism" [Brass 1995: note 5]. This is rather curious. I have very explicitly stated that the paper is largely based on the 75 case studies of agricultural labourers, permanent

as well as casual [Jodhka 1994:A103]. I also interviewed 110 farmers of whom 29 were big farmers who regularly employed permanent labourers. However, Brass chooses to ignore this and attributes my claim to the opinions of the big farmers alone. Moreover, I am not the first person to report a decline in the incidence of attached labour in Indian agriculture. Even in the case of Haryana, Shiela Bhalla has been stated to have made a similar observation [see Chaudhary 1993:A-148, note 88].

This, however, may not be significant for Brass because he also argues that "the structure of debt and bondage in Haryana has shifted from permanent to casual labour" [Brass 1995: note 2]. For him, the process of deproletarianisation affects the casual labourers more. This claim can, however, be easily contested with the quantitative evidence that I have provided in my paper and elsewhere [see Jodhka 1990]. As reported in the paper, average standing debt of a casual labourer from informal sources was Rs 3,024, while permanent labourers had an average informal debt (largely from employer farmers) of Rs 5,786. Also it was much easier for a casual labourer to get an IRDP scheme sanctioned than it was for a permanent labourer. Out of 45 casual labourers interviewed, 31 (69 per cent) had availed of 44 IRDP schemes, while out of 30 permanent labourers, only 12 (40 per cent) had been able to get 14 schemes sanctioned. Consequently, the proportion of standing informal debt on an average for an attached labourer was 89 per cent while for a casual labourer it was 59 per cent. If debt leads to growing unfreedom (or, to put in Brass's words, 'deproletarianisation'), casualisation of labour implies an opposite trend.

In qualitative terms also labourers preferred casual labour because they say much more freedom in it. It was when they had to work as permanent labourers that they felt their freedom was being surrendered. And nowhere in my paper have I argued that attached labourers are not unfree. However, I have no evidence, quantitative or qualitative, to be able to agree with Brass that there is a process of increasing unfreedom in Haryana agriculture – either in terms of an increase in the number of those working as permanent labourers or in the form of growing unfreedom of labourers.

Also, unlike some other parts of India, the system of 'beck and call' (Thorner's expression), as claimed to be growing in Haryana by Brass, did not exist in my study villages. Though casual labourers did report that they often borrowed from the big farmers with the commitment of working for them during the peak season, this did not work as a system and unlike the 'naukar' system, it did not have a local name. Therefore, such debt obligations were of temporary nature and describing it 'bondage' would be an overstatement. Peak season work is largely done on contractual basis and most of the labourers anyway preferred working on the farm during the peak season. Apart from the better wages that they got during such times, they also looked forward to storing some grain for the household. In fact, peak season labour-tying by big farmers worked more against the smaller farmers who also needed to employ labour during the peak seasons but could not afford to pay advance wages to tie the labour. Hence they had to wait till the work got over in the bigger farms.

Farmers in my study villages did not have the kind of control that Brass seems to suggest in his formulation. Not always could they discipline their workers through the mechanism of debt. There were instances where a labourer would either run away with the debt to a nearby village or would simply stop working and refuse to pay back the debt. As reported in my paper, there were at least five such cases where a labourer was either absconding with the debt or he was staying in the village but had refused to pay back the amount [Jodhka 1994: A-105]. Such a situation generally arose when an ongoing conflict reached the stage of a scuffle or a physical fight. In a fluid and changing political context, not always could the farmers compel such estranged workers to pay back the outstanding debt. They also hesitated to report such cases to the police for fear of litigation. Once the case went to the 'labour court', farmers lost whatever chances they had of recovering the debt.

On the issue of 'changing masters' also my argument is very different from that of Brass. While for Brass, the ability of the labourers to change their masters is of no consequence, to me it seems that the new possibilities opened up by the formalised contractual arrangement in the present-day naukar system has made at least some difference. Payment in the form of an annual cash wage makes it possible to translate the annual wage into monthly or even daily wages. Such a possibility did not exist in the older 'sajhi' system where a labourer received payment for his labour in form of a share from the farm yield. Hence he had no choice of shifting over to another master till the harvesting was over. While in the present day naukar system, a labourer had to only find a new farmer who was willing to employ him with an advance to clear the debt of the previous employer.

In the context of the factional divisions among big farmers and general scarcity of those willing to work as naukars, it was not very difficult for a labourer to find another employer. There were some such cases in my study villages where labourers had actually shifted their masters before the contract year was over. Though this does not imply a complete opening up of the labour market or freedom of the attached labourers, it does point to a need to rethink the working of the system. By drawing a parallel between the possibility of changing masters in the present-day naukar system and the ability of a slave ploughman of the Mughal period to change master by borrowing from a new master in order to liquidate his obligation to the old [see Brass 1995: note 8]. Brass is only trying to suggest that over the centuries nothing substantive has changed in the social relations of production in Haryana agriculture.

The availability of alternative sources of employment, repeated experiences of participation in the electoral process of electing representatives at local, regional and national levels, growing urban contact, exposures to mass media and above all a near-complete erosion of the ideology of patronage and loyalty have led to a qualitative change in the politics of the subordinate groups in rural Haryana. The empirical instance of this new politics ranged from increasing assertiveness in everyday life (which at times led to conflicts) to the emergence of a pan-Indian dalit movement.

However, in his analysis of class struggle in Haryana agriculture, Brass not only neglects the changes taking place in the broader context of regional and national politics, but also provides no scope for an agency to the subordinate class. Even the availability of alternative sources of employment Brass seems to view from the perspective of the farmers who "might accept – and even encourage – their labourers seeking alternative employment during the off-season" [Brass 1995: 698]. The fact that additional employment would also mean

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more income and consequently lesser dependence has been completely ignored by Brass. Even the migrant labourer, who for Brass is an important source of recomposition and deproletarianisation, has another dimension. The fact that such labourers generally have rural origins and are able to migrate out also points to a process of weakening of unfree relations which makes it possible for them to go out of the villages of their origin.

Though I agree with Brass that programmes like IRDP do not function independent of the agrarian class structure, I did not find the scheme being completely controlled and monitored by the big farmers. Big farmers did try to influence the bank bureaucracy against advancing IRDP loans, particularly to their attached labourers (as reported above, it was more difficult for a permanent labourer to get an IRDP scheme sanctioned than it was for a casual labourer), but it was not always that they could succeed. Factional politics in the village, competing political interests of the different sections of the dominant class, the incremental policies that they pursued to consolidate their votes among the menial castes and growing politicisation of the subordinate groups were also among the factors that influenced the working of programmes like the IRDP. It is in this complex set of processes that one has to locate the 'counter tendencies' that are weakening the power of big farmers and perhaps also leading to a limited empowerment of the subordinate groups in rural Haryana. A possible trend towards a decline in attached labour is only an aspect of this broader process.

Notes

1 I also visited my field villages again in May 1992 for two weeks.

2 I am grateful to D N Reddy for pointing this out.

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Poverty and Income Distribution

Edited by

K S Krishnaswamy

While there has been, over the years, a perceptible increase in per capita income and expenditure and possibly some decline in the incidence of poverty in India, what still remains is massive and of a kind that is not remedied quickly or smoothly. Even with radical policies, the shifts in income and occupational structures to make a serious dent on it will take more than the rest of this century. In the welter of recent exchanges between the government and the opposition as well as between planners and market advocates on the strategy of growth, these issues have been largely obfuscated. It is therefore more than ever necessary today to recognise the magnitude of the problem and the inadequacy of the measures adopted so far to deal with it.

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INDIAN BRANCHES

BALANCE SHEET AS ON 31ST MARCH, 1995

	Schedule	As on 31.3.95 Rs in 000's	As on 31.3.94 Rs in 000's
CAPITAL & LIABILITIES			
Capital	1	156,825	156,825
Reserves and Surplus	2	2,846,557	1,850,211
Deposits	3	24,511,491	21,931,477
Borrowings	4	2,697,843	2,940,346
Other Liabilities and Provisions	5	1,746,374	1,971,265
TOTAL		31,959,090	28,850,124
ASSETS			
Cash and balances with Reserve Bank of India	6	5,036,075	746,324
Balances with banks and money at call and short notice	7	682,467	795,188
Investments	8	11,201,488	15,423,157
Advances	9	12,300,411	9,344,036
Fixed Assets	10	386,811	359,595
Other Assets	11	2,351,838	2,181,824
TOTAL		31,959,090	28,850,124
Contingent liabilities	12	83,967,361	80,425,757
Bills for collection		1,529,875	1,125,616
Notes to Accounts	17		

The schedules referred to above form an integral part of the Balance Sheet

As per our report of even date attached

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants
Sd/-
V. R. Mehta
Partner

Bombay
Dated: 4th August, 1995

Signatures to Balance Sheet and schedules 1 to 12 and 17

For American Express Bank Ltd
Sd/-
Bharat Parashar
Chief Executive

New Jersey (U.S.A)
Dated: 31st July, 1995

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995

	Schedule	Year Ended 31.3.95 Rs in 000's	Year Ended 31.3.94 Rs in 000's
I. INCOME			
Interest earned	13	3,206,756	3,074,714
Other income	14	815,409	648,537
TOTAL		4,022,165	3,723,251
II. EXPENDITURE			
Interest expended	15	1,558,974	1,442,149
Operating expenses	16	877,529	706,627
Provisions and contingencies		577,485	771,021
TOTAL		3,013,988	2,919,797
III. PROFIT/LOSS			
Net profit for the year		1,008,177	803,454
Profit brought forward		1,304,268	661,505
Hedging cost of Remittable Profits to be borne by Head Office		(11,831)	Nil
TOTAL		2,300,614	1,464,959
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		201,635	160,691
Transfer to Capital Reserves		13,507	Nil
Balance carried over to Balance Sheet		2,085,472	1,304,268
TOTAL		2,300,614	1,464,959
Notes to Accounts	17		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date attached

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants
Sd/-
V. R. Mehta
Partner

Bombay
Dated: 4th August, 1995

Signatures to Profit and Loss Account and schedules 13 to 17

For American Express Bank Ltd
Sd/-
Bharat Parashar
Chief Executive

New Jersey (U.S.A)
Dated: 31st July, 1995

AMERICAN EXPRESS BANK LIMITED

(INCORPORATED IN THE U.S.A. WITH LIMITED LIABILITY)

INDIAN BRANCHES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1995

	As on 31.3.95 Rs in 000's	As on 31.3.94 Rs in 000's
SCHEDULE 1—CAPITAL		
1. For Banks Incorporated Outside India		
Capital		
i) Amount of deposit kept with the Reserve Bank of India under Section 11(2) of the Banking Regulation Act, 1949	500,000	340,000
ii) Amount brought in by the bank by way of capital	156,825	156,825
TOTAL	156,825	156,825
SCHEDULE 2—RESERVES AND SURPLUS		
I. Statutory Reserves		
Opening Balance	432,004	271,313
Additions during the year	201,635	160,691
II. Capital Reserve		
Additions during the year	13,507	Nil
III. Capital Asset Reserve*		
Opening Balance	39,888	39,888
IV. Property Revaluation Reserve		
Opening Balance	74,051	74,051
V. Balance in Profit & Loss Account	2,085,472	1,304,268
TOTAL (I, II, III, IV & V)	2,846,557	1,850,211
* This represents the profits retained in India and invested in the purchase of premises or long term leases thereof before March 31st, 1993. This reserve is not repatriable so long as the bank continues doing business in India.		

	As on 31.3.95 Rs in 000's	As on 31.3.94 Rs in 000's
SCHEDULE 3—DEPOSITS		
A I. Demand Deposits		
i) From Banks	250,710	147,529
ii) From Others	3,514,333	3,253,413
II. Savings Bank Deposits	920,931	738,730
III. Term Deposits		
i) From Banks	82,361	83,972
ii) From Others	19,743,156	17,707,833
TOTAL (I, II & III)	24,511,491	21,931,477
B I. Deposits of Branches in India	24,511,491	21,931,477
II. Deposits of Branches outside India	Nil	Nil
TOTAL	24,511,491	21,931,477
SCHEDULE 4—BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	239,584	789,269
ii) Other banks	813,730	1,850,000
iii) Other institutions and agencies	373,914	22,340
II. Borrowings outside India	1,270,615	278,737
TOTAL (I & II)	2,697,843	2,940,346
Secured borrowings included in I & II above	Nil	Nil
SCHEDULE 5—OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	271,803	414,554
II. Inter-office adjustments (net)	Nil	69,699
III. Interest accrued	1,069,391	759,446
IV. Others (including provisions)**	405,180	727,566
TOTAL	1,746,374	1,971,265
** Including (i) Rs. 1 thousand (previous year Rs. 1 thousand) due to Amexco Nominees Pvt. Ltd., a subsidiary.; (ii) Rs. 497,021 thousand (previous year Rs. 414,100 thousand) pertaining to Travel Related Services Division—Net Liabilities.		

AMERICAN EXPRESS BANK LIMITED

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INDIAN BRANCHES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1995

	As on 31.3.95 Rs in 000's	As on 31.3.94 Rs in 000's
SCHEDULE 6—CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in Hand (Including foreign currency notes)	25,055	24,669
II. Balances with Reserve Bank of India		
i) In current account	5,011,020	721,655
ii) In other accounts	Nil	Nil
TOTAL (I & II)	5,036,075	746,324
SCHEDULE 7—BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
a) In current accounts	228,257	139,625
b) In other deposit accounts	Nil	Nil
ii) Money at call and short notice		
a) With banks	Nil	Nil
b) With other institutions	Nil	Nil
TOTAL (i & ii)	228,257	139,625
II. Outside India		
i) In current accounts	176,689	306,853
ii) In other deposit accounts	Nil	Nil
iii) Money at call and short notice	277,521	348,710
TOTAL (i, ii & iii)	454,210	655,563
GRAND TOTAL (I & II)	682,467	795,188

	As on 31.3.95 Rs in 000's	As on 31.3.94 Rs in 000's
SCHEDULE 8—INVESTMENTS		
I. Investments in India in:		
i) Government Securities	7,658,957	8,429,104
ii) Other Approved Securities	Nil	Nil
iii) Shares	28,431	28,431
iv) Debentures & Bonds	3,270,708	1,664,850
v) Subsidiaries and/or joint ventures	Nil	Nil
vi) Others (to be specified)		
Units of Unit Trust of India	1,184	569,620
Commercial Paper	242,208	4,731,152
TOTAL	11,201,488	15,423,157
II. Investments outside India	Nil	Nil
GRAND TOTAL (I & II)	11,201,488	15,423,157
SCHEDULE 9—ADVANCES		
A i) Bills purchased and discounted	1,080,300	1,002,782
ii) Cash credits, overdrafts and loans repayable on demand	10,281,289	7,737,302
iii) Term loans	938,822	603,952
TOTAL	12,300,411	9,344,036
B i) Secured by tangible assets	7,169,069	4,223,573
ii) Covered by Bank/ Government Guarantees	376,907	747,207
iii) Unsecured	4,754,435	4,373,256
TOTAL	12,300,411	9,344,036

AMERICAN EXPRESS BANK LIMITED

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INDIAN BRANCHES

SCHEDULES FORMING PART OF THE BALANCE SHEET AS ON 31ST MARCH, 1995

	As on 31.3.95 Rs in 000's	As on 31.3.94 Rs in 000's
C I. Advances in India		
i) Priority Sector	2,403,447	2,032,757
ii) Public Sector	Nil	509,597
iii) Banks	1,506	18,668
iv) Others	9,895,458	6,783,014
TOTAL	12,300,411	9,344,036
II. Advances outside India	Nil	Nil
TOTAL (C I & II)	12,300,411	9,344,036

SCHEDULE 10—FIXED ASSETS

I Premises		
At cost as on 31st March of the preceding year	180,194	105,343
Additions during the year	55	74,851
Deductions during the year	(367)	Nil
Revaluation during the year	Nil	Nil
Depreciation to date	(6,257)	(4,879)
TOTAL	173,625	175,315
II Other Fixed Assets (including furniture & fixtures)		
At cost as on 31st March of the preceding year	234,217	138,556
Additions during the year	87,960	119,430
Deductions during the year	(39,403)	(23,769)
Depreciation to date	(69,588)	(49,937)
TOTAL	213,186	184,280
GRAND TOTAL (I & II)	386,811	359,595

SCHEDULE 11—OTHER ASSETS

	As on 31.3.95 Rs in 000's	As on 31.3.94 Rs in 000's
I. Inter-office adjustments (net)	84,590	Nil
II. Interest accrued	566,608	497,411
III. Tax paid in advance/tax deducted at source (net of provisions)	122,677	73,112
IV. Stationery and stamps	Nil	Nil
V. Non-banking assets acquired in satisfaction of claims	Nil	Nil
VI. Others*	1,577,963	1,611,301
TOTAL	2,351,838	2,181,824

* Including Rs. 500,000 thousand deposit with Small Industries Development Bank of India (previous year Rs. 940,000 thousand).

* Including Rs. 457,463 thousand, (previous year Rs. 346,287 thousand) pertaining to Travel Related Service Division—Net Assets.

* Including Rs. 1 thousand, (previous year Rs. 1 thousand) in Amexco Nominees Pvt. Ltd., a subsidiary.

* Including Rs. 290,817 thousand (previous year Nil) pertaining to American Express (India) Pvt. Ltd., a subsidiary of American Express Company Inc., the holding company of the Bank

SCHEDULE 12—CONTINGENT LIABILITIES

I. Claims against the bank not acknowledged as debts	5,146	3,439
II. Liability for partly paid investments	62,500	Nil
III. Liability on account of outstanding forward exchange contracts	78,176,831	67,824,993
IV. Guarantees given on behalf of constituents		
a) In India	2,494,925	3,243,882
b) Outside India	189,727	79,729
V. Acceptances, endorsements and other obligations	2,355,557	7,874,491
VI. Other items for which the bank is contingently liable	682,675	1,399,223
TOTAL	83,967,361	80,425,757

AMERICAN EXPRESS BANK LIMITED

(INCORPORATED IN THE U.S.A. WITH LIMITED LIABILITY)

INDIAN BRANCHES

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1995

	Year Ended 31.3.95 Rs in 000's	Year Ended 31.3.94 Rs in 000's
SCHEDULE 13—INTEREST EARNED		
I. Interest/discount on advances/bills	1,351,567	1,902,898
II. Income on investments	1,607,879	963,085
III. Interest on balances with the Reserve Bank of India and other inter-bank funds	88,722	105,981
IV. Others #	158,588	102,750
TOTAL	3,206,756	3,074,714
"#" includes Rs. 11,712 thousand interest received from American Express (India) Pvt. Ltd., a subsidiary of American Express Company Inc., the holding company of the Bank		
"#" includes Rs. 14,501 thousand interest on Income Tax refunds relating to earlier years		
SCHEDULE 14—OTHER INCOME		
I. Commission, exchange and brokerage	355,943	289,215
II. Profit/(loss) on sale of investments (Net)	15,213	5,442
III. Profit/(loss) on revaluation of investments (Net)	288,860	45,334
IV. Profit/(loss) on sale of land building and other assets (Net)	(17,200)	947
V. Profit on exchange transactions (Net)	163,924	292,203
VI. Income earned by way of dividends etc from subsidiaries/companies and/or joint ventures abroad/in India	Nil	Nil
VII. Miscellaneous income	8,669	15,396
TOTAL	815,409	648,537

	Year Ended 31.3.95 Rs in 000's	Year Ended 31.3.94 Rs in 000's
SCHEDULE 15—INTEREST EXPENDED		
I. Interest on deposits	1,362,199	1,143,750
II. Interest on Reserve Bank of India/inter-bank borrowings	159,760	224,210
III. Others	37,015	74,189
TOTAL	1,558,974	1,442,149
SCHEDULE 16—OPERATING EXPENSES		
I. Payments to and provisions for employees	231,383	163,467
II. Rent, taxes and lighting	77,571	69,361
III. Printing and stationery	26,387	24,855
IV. Advertisement and publicity	34,850	39,647
V. Depreciation on bank's property	59,027	21,500
VI. Directors' fees, allowances and expenses	107	11
VII. Auditors' fees and other expenses (including branch auditors)	700	944
VIII. Law charges	1,124	1,217
IX. Postage, telegram, telephones etc.	127,252	92,067
X. Repairs and maintenance	35,344	27,267
XI. Insurance	13,824	7,146
XII. Interest Tax	74,274	73,688
XIII. Outside Data Processing	8,346	12,523
XIV. Travelling Expenses	70,231	46,994
XV. Other Expenditure	117,109	125,940
TOTAL	877,529	706,627

AMERICAN EXPRESS BANK LIMITED

(INCORPORATED IN THE U.S.A. WITH LIMITED LIABILITY)

INDIAN BRANCHES

SCHEDULE 17—NOTES TO ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

1.1 General

The accompanying financial statements have been prepared according to the historical cost convention, except premises of the bank which have been stated at revalued amounts. They conform to generally accepted accounting principles and to the practices prevailing within the banking industry in India.

1.2 Foreign Currency

a) Assets and liabilities in foreign currencies, except deposits from Non-Residents held under Foreign Currency Non Resident (A) and (Banks) schemes, are translated into Indian Rupees at the rates notified by FEDAI as at the balance sheet date. Resultant gains or losses are taken to the profit and loss account. Transactions during the year are converted into Indian Rupees at the rates current on the date of the transaction. The balances held under Foreign Currency Non Resident (A) Deposits scheme are valued at the rates specified by the Reserve Bank of India from time to time, whereas, balances held under Foreign Currency Non Resident (Banks) Deposits scheme are stated at the rates at which they were originally sold, with the costs of forward exchange cover for such deposits being spread over the period of the contracts.

b) Contingent liabilities in respect of Forward Contracts are included at contracted rates.

c) Outstanding Forward Exchange Contracts are revalued at the rates notified by FEDAI as at the balance sheet date in order to account for the financial effect thereof.

1.3 Investments

a) Investments in Approved Securities:

i. Permanent Investments

These are valued at the cost of acquisition, adjusted for the premium on acquisition. Premium on acquisition is amortised over the residual period to its maturity.

ii. Current Investments

These are valued at the lower of cost of acquisition and market value. Treasury bills and Zero Coupon Bonds are valued at carrying cost which includes discount accrued over the residual period to its maturity.

b) Other Investments

These are valued at lower of cost and market value. Commercial Paper is valued at carrying cost which includes discount accrued over the residual period to its maturity.

c) Market Value

The Market value in case of securities for which quotes are not available has been determined on the Yield To Maturity(YTM) method in accordance with the yield pattern determined by the Reserve Bank of India. Provision for diminution in value of investments is ascertained on an aggregate basis for each category of Investment.

1.4 Fixed Assets

All fixed assets except premises are stated at historical cost less accumulated depreciation. Premises, have been revalued on 31st March, 1993, and are stated at the values as determined by the firm of valuers, less accumulated depreciation. The surplus arising on revaluation has been credited to Property Revaluation Reserve Account.

1.5 Depreciation

Depreciation on the fixed assets of the Bank is provided on the straight line method and on those of Travel Related Services (TRS) division, on the written down value method. The rates of depreciation are as prescribed by Schedule XIV to the Companies Act, 1956, except for Furniture & Fixtures in the case of the bank, and Improvements to Premises in general, where higher rates have been adopted in accordance with their useful economic lives. Depreciation on revalued assets is provided for on the revalued amounts and charged to profit and loss account.

1.6 Advances

Advances are stated net of loan loss provisions in respect of identified advances and provision for doubtful interest. Provision for loan losses is made in respect of identified advances based on a periodic review as per the Bank's policy which also satisfies the provisioning guidelines issued by the Reserve Bank of India.

1.7 Income Recognition

Interest income is recognised on an accrual basis except in case of non-performing advances, where it is taken to Profit and Loss Account on realisation.

1.8 Staff Benefits

Provisions for gratuity and pension benefits to staff have been made on the basis of actuarial assessments.

1.9 Provision for Taxation

Provision for taxation has been made based on the 'liability method' of accounting which is generally followed in India.

1.10 Net Profit

The net profit disclosed in the Profit and Loss Account is after:-

a) the effect of revaluation of "investments" (see paragraph 1.3 above)

b) provisions for loan losses (see paragraph 1.6 above).

c) provision for taxes on income in accordance with statutory requirements.

d) other usual and necessary provisions.

AMERICAN EXPRESS BANK LIMITED

(INCORPORATED IN THE U.S.A. WITH LIMITED LIABILITY)

INDIAN BRANCHES

2. In accordance with the instructions received from the Reserve Bank of India, the assets and liabilities related to, and as appearing in the books of, the Travel Related Services Division, after adjusting the loss for the year, have been shown under "Other Assets" and "Other Liabilities".
3. During the year, the Bank has changed the policy relating to valuation of permanent investments. Discount on acquisition of permanent securities, which was accrued over the residual period to maturity up to the previous year has not been accrued during the year as per the guidelines of the Reserve Bank of India. As a result of this change the profits are lower by Rs. 44,700 thousand.
4. Demands to the extent of Rs. 1,168,094 thousand, raised by the Income tax authorities in respect of Assessment years 1990-91 to 1992-93, have not been provided in these accounts since these are being contested in appeal and the bank is confident of the appeals being decided in its favour.
5. All balances with other overseas branches of the Bank and the Head Office have been grouped in the appropriate heads of account.
6. Figures for the previous year have been regrouped and reclassified wherever necessary.

AUDITORS' REPORT ON THE ACCOUNTS OF THE INDIAN BRANCHES OF AMERICAN EXPRESS BANK LIMITED UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

We have audited the attached Balance Sheet of the Indian Branches of American Express Bank Ltd. (Incorporated in the U.S.A. with limited liability) as at 31st March, 1995 and the related Profit and Loss Account for the year ended on that date annexed thereto, in which are incorporated the transactions of the Office of the Chief Executive Officer and the transactions of Travel Related Services Division in India.

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949, read with the provisions of Section 211 and Section 227 of the Companies Act, 1956

We report that:

1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory.

2) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branches of the Bank.

3) In our opinion, proper books of account as required by law, have been kept by the Indian Branches of the Bank so far as appears from our examination of these books.

4) The abovementioned Balance Sheet and Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account.

5) In our opinion and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies, and on such basis, the Balance Sheet gives a true and fair view of the state of affairs of the Indian Branches of the Bank as at March 31, 1995 and the Profit and Loss Account gives a true and fair view of the profit of the Indian Branches of the Bank for the year ended on that date.

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS

Sd/-
V.R. MEHTA
PARTNER

Bombay
Dated: 4th August, 1995

Rajiv, a valued customer, has discovered the advantage of getting his Home Loan sanctioned before he started his search for a house. Because the moment he found a house that met his approval, the money was ready and waiting! No delay. No worries about someone else cornering the house as he got the money together.

Rajiv not only saved himself from needless anxiety, but also valuable time and money. HDFC sanctioned his loan, based on his repaying capacity and scrutiny of basic documents. Soon after he found his house, HDFC was able to disburse the loan quickly as the loan had already been sanctioned.

Rajiv took a loan of Rs. 1,50,000 repayable over 15 years and his monthly instalment was Rs.2,190, which he was able to calculate from the tables given here.

"Getting my loan sanctioned from HDFC even before I found a flat, saved me a big headache."



H·D·F·C

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

Regd. Office: Bombay.

Loan Amount (Rs.)	Rate of Interest (% per annum)
0 - 25,000	12.00
25,001-1,00,000	15.00
Above 1,00,000	15.50

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10	148	167	170
15	123	143	146

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BALANCE SHEET (ABRIDGED) AS AT 31ST MARCH 1995

(Rs. In lakhs)

LIABILITIES	31.3.1995	31.3.1994	ASSETS	31.3.1995	31.3.1994
Capital	14,80 63	11,09 79	Cash and balances with		
Reserves & Surplus	126,09 95	57,51 31	Reserve Bank of India	322,50 49	470,21 80
Deposits	2790,96 09	2433,08 70	Balances with Banks and		
Borrowings	208,11 34	54,29 12	money at call & short notice	49,11 49	87,63 31
Other Liabilities & Provisions	184,13 84	156,11 15	Investments	1057,79 43	807,48 60
			Advances	1631,50 70	1197,34 43
			Fixed Assets	69,80 71	9,68 40
			Other Assets	193,39 03	139,75.53
TOTAL	3324,11.85	2712,10.07	TOTAL	3324,11.85	2712,10.07

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.1995

(Rs. In lakhs)

EXPENDITURE	31.3.1995	31.3.1994	INCOME	31.3.1995	31.3.1994
Interest Expended	223,42 60	158,74 59	Interest Earned	334,97.46	232,15.25
Operating Expenses	76,28 10	52,37 73	Other Income	42,38.60	21,65 25
Provisions & Contingencies	34,34.88	24,81 76			
Net Profit	43,30 48	17,86 42			
TOTAL	377,36.06	253,80.50	TOTAL	377,36.06	253,80.50

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ECONOMIC AND POLITICAL WEEKLY

Sameeksha Trust Publication . Rs 15.00 Vol XXX No 33 August 19, 1995

NATION-STATE IN ERA OF 'GLOBALISATION'

LIFE AFTER ENRON

COLONIALISM AND ENVIRONMENT IN INDIA

V M DANDEKAR

ECONOMIC REFORM AND RURAL POOR

DEMAND FACTORS AND INDIAN INDUSTRY

MISSING FEMALES: A DISAGGREGATED VIEW

FISCAL DEFICIT: RETURN TO ORIGINAL SIN

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Colonialism and Environment

Although colonial rule throughout the world was accompanied and supported by exploitation of forests and environmental destruction, independence has not put a stop anywhere to these processes. Rather, the disruption of the relationship between local societies and their natural resource bases has continued. But instead of contrasting this situation with a mythical golden age of equilibrium between society and nature, what is needed is a radical critique, with regard to this aspect, of capitalist expansionism of which colonisation of nature on a world scale has been one of the major objectives. **2059**

Missing Females

The problem of the adverse sex ratio in India calls for disaggregated analysis. The absence of such analysis masks the seriousness of the situation among certain groups and in certain areas. Data on the male/female ratio for scheduled castes and scheduled tribes bring out some major problem areas **2074**

Life after Enron

The Enron fiasco has brought out the pitfalls in the current path of power development in the country. The high rates of return, the incentive to inflate project costs and the use of imported fuels are all common to most of the power projects being considered with private investment. If the current policies are not viable, what should be the core of the alternative ones? And what should be the regulatory regime that needs to be put in place? **2042**

The terms of the eight so-called 'fast track' agreements for power projects with multinational companies, of which Enron was one, are undoubtedly ruinous for the concerned state governments and for power consumers. But the danger of focusing on these specific projects is that attention is likely to be diverted from the more fundamental task of framing a new policy for the power sector based on a correct understanding of the dimensions of the crisis facing the sector and how it can be resolved. **2038**

State under Siege

The current phase of capitalism is marked by the rise to dominance of financial and rentier interests and the fluidity of finance across national boundaries. This has the effect of undermining the 'control area' of nation-states, of making all agendas of state intervention for improving the living conditions of the people appear vacuous, of precipitating stagnation and unemployment even in the metropolitan countries and of prising open third world economies for penetration not only of metropolitan goods but, more importantly, of metropolitan finance. **2049**

V M Dandekar

While insisting on and himself maintaining rigorous academic standards, V M Dandekar's writings reflected the activist side of him — his view that knowledge was not merely a matter of scholarship but was meant to be used to educate and to clarify issues to the public at large to facilitate better-informed debate and decision-making. **2044**

Demand Constraint

Exploration of the extent to which demand side factors have served as a constraint on industrial growth has become all the more relevant in the context of the government's structural adjustment programme and policies of liberalisation and privatisation. **2070**

Back to Square One

The phenomenal rise in the government's borrowing from the Reserve Bank together with some easing of the demand or commercial credit, reflecting a possible slow-down of industrial investment and production, have eased the severe shortage of liquidity experienced in the money market in the first quarter of this financial year. **2031**

Holocaust Remembered

The commemoration of the 50th anniversary of the end of the second world war and the dawn of the nuclear era makes clear that neither the leaders nor public opinion in the US and Japan have yet come to terms with the moral-political issues posed by the holocaust **2047**

LETTERS TO EDITOR

Remembering V M Dandekar

V M DANDEKAR who symbolised the spirit of Gokhale Institute of Politics and Economics for an extended period of time is no more The roaring lion has dissolved into cosmos

I would like to share my reminiscences of Dandekar with our readers. As a UGC Teacher Fellow for four years (1978-82) at Gokhale Institute, I had the pleasant privilege of watching the dynamic professor in action.

He was an excellent teacher, a serious researcher and a good debater. He evoked respect and affection from his colleagues and students by his intellectual standing and simple living. His lifestyle and work culture are worth emulating by any academician.

Although he is quoted and remembered for his pioneering work, *Poverty in India*, carried out in collaboration with Nilakanta Rath, his seminal papers on diverse themes pertaining to the Indian economy in *Economic and Political Weekly* would bear testimony to his academic scholarship and professional commitment to society. He had basic love, respect and concern for fellow human beings

Once a Pune-based gentleman working in the IMF came from the US to deliver a five-day lecture series on the IMF at the Gokhale Institute (August 1978). In the inaugural session, after patiently hearing him for half an hour, Dandekar intervened and asked the chief guest to go into analytical details instead of telling the story. He could not tolerate shallow speeches by anyone.

His M Phil class lectures on Karl Marx and Sraffa (our first M Phil set of 1978-79) provided him the solid foundation to challenge Gautam Mathur who inadvertently or deliberately made a statement that Dandekar was a statistician in the Indian Economic Association conference held at our institute in the early 1980s. Offended by this unwarranted statement, the lion called for a debate on the very same day to discuss Sraffa's system and demonstrated that he was a good theoretician as well

His emotional side came to the fore in a farewell party arranged for Niranjan Rao (now a professor at Centre for Development Studies, Trivandrum). In a choked voice he said that he was too eager to retain Rao and would not let him go but he did not want to stand in the way of his going for greener pasture and academic growth.

Dandekar was a multidimensional personality and age did not wither him. His analytical articles written in *EPW*, with profound clarity and a sense of commitment, would be a treasure for any serious student of economics. His papers such as 'Monetary Planning for Indian Authority' and 'The Economy and the Budget' reveal what a keen economics student Dandekar always was.

D SAMBANDHAN

Pondicherry

False Dichotomy

THIS is with reference to K Satyanarayana's 'Rhetoric of Neo-liberalism' (May 24) in which he has made some contentious and unsubstantiated generalisations about the personality and personal integrity of K Balagopal as well as the civil liberties movement which are both unnecessary and irrelevant and do not contribute in any way to the ongoing debate.

(1) The dichotomous separation of Balagopal as a civil liberties activist and Balagopal as a marxist seems to be crude and personalised, especially when one notices that Satyanarayana does not offer any supporting statements by Balagopal proclaiming himself to be a 'marxist' The suggestion that Balagopal "has chosen to work in a civil rights organisation for strategic reasons" also seems to have sprung from the author's imagination rather than any evidence On the contrary, Balagopal is known for his continuous efforts to separate the civil liberties movement in Andhra from other mass movements and to maintain the autonomy of the civil liberties movement at any cost.

(2) Secondly, the author's accusation that Balagopal deliberately avoided mentioning anti-state struggles because he had ceased to be a marxist does not go with the Balagopal known in Andhra Pradesh who still ceaselessly works for civil liberties and who still uses categories such as state, class, gender and so on

(3) Thirdly, by equating civil liberties/human rights with liberalism and posing the civil liberties perspective as dichotomous and the opposite of marxist political practice the author proposes a very rigid reading of the 'marxist politics' which lacks the essence of marxist methodology, i e, dialectics. The insistence on anti-state struggles without the simultaneous expansion of the rights already vested in the state seems to be the essence of marxist political practice, according to the author This confusion leads to the conflation of human rights with civil rights as well as human rights with 'liberalism' which shows the author's lack of knowledge of the history of the development of human rights movement(s) as well as ignorance of the history of the civil liberties movement in his home state

A SUNITA

Central University of Hyderabad, Hyderabad.

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ECONOMIC AND POLITICAL WEEKLY

So Many Dabhols

SO the heavens did not fall after all. The cancellation of Enron's Dabhol power project by the Maharashtra government has not reduced the country to rack and ruin, as some very eminent personages had been assuring us it would. Indeed what is remarkable is that those who just weeks ago were hurling dire threats on behalf of Enron that any untoward action against its project would be regarded as quite intolerable and would result in nothing less than total loss of foreign investors' confidence in India appear to have suddenly mellowed and are now straining hard to sound reasonable and understanding. Take, for instance, the US energy secretary who on lobbying visits to this country earlier this year had read us the riot law and told us in no uncertain terms that cancellation of the Enron project would jeopardise all the private power projects being proposed for international financing. Her brashness had been such as to cause some raising of eyebrows even in the US Congress but our own ministers took her statements with the utmost earnestness. Now the redoubtable Hazel O'Leary is singing a different tune, however. Her response to the Maharashtra government's decision on Enron has been notably moderate. She has merely asked that India's policies in respect of the power sector be more clearly spelt out. And in place of the earlier bluster, she is all concern for the long-run relationship between India and the US and is at pains to emphasise that "rough patches" such as the Enron episode "cannot be allowed to get in the way". Or take the Independent Power Producers' Association which too had campaigned aggressively on behalf of Enron, but faced with the Maharashtra government's decision it has likewise confined itself to calling for a national dialogue on energy policy to evolve clear-cut guidelines to attract foreign investors. Who can possibly disagree with that?

No, not one of the companies, foreign and Indian, which have rushed with the 190 or so proposals for private power projects, including the other seven 'fast-track' projects, have given the least indication of entertaining any second thoughts in the light of the Enron project's fate. Their uppermost concern is clearly to avoid similar criticism and review of their own projects and towards that end they are exhibiting a hitherto unsuspected readiness to consider modifications, cosmetic or otherwise, in the agreements already concluded or under discussion. There is really nothing surprising about this. The established capacity in the developed countries for manufacture of power generation plants is currently far in excess of the demand and India is very much in a buyers' market. So one may be quite certain that none of the power multinationals with any chance of bagging a power project or two here will be in a hurry to walk away in a huff. It is a different story that thanks to the central government's slavish conviction that the country's salvation lies in gratefully accepting whatever foreign investment comes its way, on whatever terms, this advantage has remained unexploited.

Despite the secrecy surrounding the terms on which the agreements for the other 'fast-track' power projects have been concluded, it is evident that they are not particularly less unfavourable than those of Enron's Dabhol project. Nor is the disease apparently confined to the power sector. A striking case is the agreement the government has got the ONGC to enter into for handing over the Mukta/Panna offshore oilfields to a joint venture company in which the same Enron and Reliance Industries will together have majority equity holding with only a 40 per cent share for ONGC. The oil reserves in question had been explored and proven by the ONGC and there was no case for transferring them at this stage to a private company. The terms of the deal, wholly arbitrary in the absence of any clearly laid down policy or norms, had to be forced out of the government by the opposition in parliament. They reveal that as per the formulae for recovery of costs and sharing of profits, while the costs to be incurred by Enron in production of oil from the fully proven fields will be recovered by the company through the mechanism of 'cost oil', the ONGC is to get no compensation for the exploration and development costs incurred by it, including the costs of drilling a number of development wells and installing other facilities even after the conclusion of the agreement for creation of the new company. These wells and facilities are simply *assumed* to have been commissioned and installed by the ONGC before the date of the agreement. The agreement also explicitly leaves to Enron vital decisions about exploitation of the country's oil and related resources; the foreign company is to decide when commercial production is to commence and whether or not associated gas is to be recovered or flared. No less shocking are the terms on which the minister of state for steel has coerced another public sector enterprise, the National Mineral Development Corporation (NMDC), to hand over its prized Bailadilla iron ore mine to an Indian business group through a so-called joint venture in which the NMDC's equity participation is to be just 11 per cent. To justify the decision to transfer the mine for a paltry consideration of Rs 16 crore, against the commercial consideration of at least Rs 120 crore as reportedly calculated by experts, the ministry has advanced the brazen plea that the transfer should not be viewed as a "normal commercial transaction" but should be seen "in the larger perspective of the urgent need to promote iron and steel projects in the private sector".

The rent element in these deals as in the agreements for the 'fast-track' power projects is so blatant that corruption and bribery are to be expected, indeed to be taken for granted. Even so corruption is not the heart of the matter, though it has figured prominently in the public controversy surrounding each of the deals. The central fact must not be allowed to be lost sight of that the ultimate blame must rest on the architects of the current economic policies which have elevated foreign investment and privatisation to the status of national goals with the result that today no deal is so outrageous that it cannot be justified on those grounds and pushed through. And the well-grounded apprehension that these good times may not last longer than a few months more will no doubt prompt the Salves and the Santosh Mohan Devs to redouble their efforts.

MEDICAL EDUCATION

Wrong Subsidy

IN an interim decision the Supreme Court has directed the government of India and the Reserve Bank of India to subsidise medical and dental education by providing an amount of Rs 5,000 per annum to all students admitted to private medical colleges, regardless of whether the student is admitted under the 'free-merit' or 'payment' category. The government has been directed to provide a subvention for that amount for a period of five years or until the student completes the course whichever is earlier, which shall be sent directly to the concerned college towards fee every year. This is an interim directive to be effective immediately, pending the final disposal of the case with regard to fee structure, etc. The court has also directed the RBI and the centre to evolve a loan scheme for providing low interest loans to medical and dental students on a priority basis. Till the scheme is worked out, the court has taken it upon itself to direct the RBI to provide a loan of Rs 15,000 for 'free-merit' students and Rs 50,000 for payment students at a differential rate of interest.

The directives raise several serious issues, at least one of which was touched upon by the solicitor-general. Opposing the court's directive on the issue of the government providing a subsidy, the centre's counsel pointed out that this would involve a payment of millions of rupees annually to private medical colleges and went against the centre's education policy, one component of which was the acknowledgment of the need for private resources to supplement the state's efforts in education. Further, the centre had not been issued notice or been heard on the subject. According to reports, the court merely pointed out that this was an interim directive and the government could put its case forward later when the case would be heard by a seven-judge bench for final disposal. The fact that even if the directive was withdrawn later, the government would be bound to pay out the amounts as directed by the Supreme Court to students commencing their medical studies this year for the full five years was apparently ignored. While issuing their directive, the judges said, "we need not emphasise the fundamental significance of investment in education. It is, therefore, time that the government and public financial institutions involve themselves more actively in promoting education".

It is indeed commendable that the apex court has deemed it necessary to remind the government of its duties in promoting education and investing in it. However, it appears to have overlooked the fact that such investment if it is to be of long-term significance to the development of human resources of the country, has to be directed at strengthening the base of education and not at subsidising the 'cream'. For, it is an incontrovertible fact that only a minuscule proportion of those who enter high school complete the course and of the few who continue their education up to the higher secondary level only half pass out and of these only very few can think of applying for a five-year professional course. In other words, the state is already ensuring, directly and indirectly, that only a small proportion of its youth will be able to take advantage of the educational facilities it has promoted. The court's reminder to the government together with its directive only emphasise that the state's priorities were indeed correct. Thus the entire question of fee subsidies and soft loans can only be discussed in the rarefied context of the very few who have come to regard higher education as a right.

Within these narrow confines, professional education and especially medical and dental education have been the subject of considerable debate over the decades. In the 1950s, when the concept of planning for the country's development and therefore of harnessing all its resources, including human resources, towards that goal was a dominant paradigm, targets were laid down for the creation of medical personnel.

By the time the Sixth Plan document was being drafted, it was clear that the number of medical seats available in the country would provide sufficient doctors to make up the specified ratios. And so the document recommended that there should be no more medical colleges. While in the present ethos, which sees the state's directives on any matter of investment as a curtailment of entrepreneurial freedom, this may sound old-fashioned, there were sound reasons for the position taken in the Sixth Plan. Most importantly, for the pattern of diseases predominant in the country at that time and even now, doctors trained at high cost to the state were not deemed necessary. The assumption was that most of the medicare needs of the population could be provided by health functionaries, far less expensively trained. However, the planners had all along ignored the burgeoning private medicare structures and the steady stream of medical migration. This plus a variety of other factors ensured that the public health sector remained under-staffed while the private sector and the call of the west drew away the medical graduates being produced by the state at great expense. The medical profession thus became a profession of choice, it combined the ethos of philanthropy with the excellent returns of private practice. The opening of private medical colleges became inevitable, as also the charging of capitation fees and/or high tuition fees so that medical practice and medical education became part of a growing medical industry. Not surprisingly, the content of medical education remained geared to tertiary level and hi-tech care and, with no real authority to enforce regulations, quality fell by the wayside. All this the state, its institutions and allied bodies which are charged with the responsibility of ensuring the quality and content of medical education have allowed to happen. If now the apex court, falling in with the current ethos of viewing medical education merely as a means to obtain the wherewithal to practise one of the most lucrative professions in the world, sends out a directive to the government to actually subsidise those who opt for such education, the state has only itself to blame. Or rather, the state is now in the happy position of not taking a politically incorrect decision - to subsidise professional education - and yet being compelled to do so by a directive of the apex court.

By leaving out such factors as the nature and quality of education provided in the medical colleges for which the fee structure is being prescribed, the Supreme Court has firmly and formally shifted the spotlight to those who benefit from the expensive subsidy rather than the relevance or otherwise of the content of that education.

GOLD IMPORT

Drain of Saving

DATA compiled by the World Gold Council, an organisation dedicated to promoting the use of gold the world over that has opened an office in Bombay recently, confirm that India continued to be the world's largest consumer of gold in the first half of 1995. India had topped the list of gold-consuming countries in 1994 with a consumption of 415 tonnes, followed by the US with 283

tonnes, Japan 228 tonnes, China 224 tonnes and Saudi Arabia 174 tonnes. Thus India's consumption of gold was almost 50 per cent more than that of the US, the second largest consumer.

In the first half of 1995 the US was replaced by Japan in the second position, though the Japanese economy has been in the throes of one of its worst recessions in recent decades. This is not altogether inexplicable, for Japan has one of the highest saving rates in the world, with gross saving of 34 to 35 per cent of GDP during 1990-93 and around 32 per cent in 1994. Japan's domestic savings exceed investment needs. Households in Japan thus have large accummulated assets and, in the wake of the financial market turbulence and loss of bond and equity values, their asset preference seems to have shifted from financial assets to gold.

Demand for gold in India in the first half of 1995 was 235.1 tonnes compared to 193.9 tonnes in the first half of 1994, an increase of 21.2 per cent. Japanese demand for gold in the first six months of 1995 was way behind at 164 tonnes followed by the US with 139 tonnes, China 119 tonnes and Saudi Arabia 99 tonnes.

There can be no doubt that the government's policy of permitting legal import of gold has stimulated consumption of gold. Demand for gold – met by (i) legal and illegal imports, (ii) unrecorded jewellery imports, and (iii) recycling – is estimated to have shot up from 240 tonnes in 1990 and 260 tonnes in 1991 to 454 tonnes in 1992 when the government first permitted legal import of gold by NRIs. After that quantum leap, demand has remained high at 424 tonnes in 1993 and 415 tonnes in 1994.

Scarcely any gold is produced in India with barely a tonne or two trickling out of the Kolar mines per year. So the growing demand for gold has to be met entirely by imports. Legal imports have risen from 95.3 tonnes in 1992 to 114 tonnes in 1993 and 178.4 tonnes in 1994. There was a further sharp rise in the first half of 1995, by 54.3 per cent from 81.7 tonnes in January-June 1994 to 126.1 tonnes. It is true that smuggling of gold has declined from the peak level of 225 tonnes in 1992 to 150 tonnes in 1993 and about 105 tonnes in 1994. But the distinction between legal import and smuggling is relevant only up to a point, for much of the legal import is reportedly financed by smugglers. It is the total import of gold that is significant and it shot up from 150 tonnes in 1991 to 320 tonnes in 1992, the year when legal imports were first permitted, and has continued at the high levels of 264 tonnes in 1993 and 283 tonnes in 1994 (excluding import under export schemes). It is also significant that, despite the government's policy of permitting import legally, over 100 tonnes of gold continue to be smuggled into the country annually.

When legal import of gold was permitted in 1992, the government had claimed that the objective of the new policy was, apart from earning some revenue by way of the customs duty on legally imported gold, to reduce illegal transactions in foreign exchange and thereby curb the 'havala' market. The duty on gold import has been drastically reduced because of pressure from the smugglers' lobby. As a result, revenue collection, in the range of Rs 250 to Rs 300 crore annually, has been a pittance. In fact sale of confiscated gold and silver yielded the government Rs 200 crore in 1994-95. On the other hand, the 'havala' market in foreign exchange is nowhere near being eliminated. Even now the rupee is quoted in Dubai at about 35 per US dollar against the official exchange rate of Rs 31.37.

A far more damaging effect of the liberal import of gold has been on domestic saving. Willy-nilly, the bulk of the import of the near-300 tonnes of gold annually worth some Rs 14,000 crore, which is still financed by smugglers, has to be paid for from out of domestic savings. Even the genuine NRI imports are financed by foreign exchange which would have been otherwise remitted to the country. The amount involved in the financing of the import of gold, legal and illegal, comes to about 1.5 per cent of GDP. Thus, year after year, the country has been transferring abroad domestic savings to the tune of about 1.5 per cent of GDP to satisfy the urge of the middle and richer classes to acquire gold, which has been stoked by the government's decision to allow legal import of gold.

UTTAR PRADESH

Tactical Retreat

THE grand plan of the Vishwa Hindu Parishad (VHP) to conduct a 'kalash yatra', a 'mahayagya', a 'parikrama' and a 'virat' Hindu 'sammelan' during janmashtami at Mathura has been foiled by the tough stand taken by the BSP government and the centre. The VHP had threatened to launch a stir against the state government if the latter did not allow it to carry out its programme. But the unbending attitude of the state government forced the VHP to shift the site of the yagya, scale down the kalash yatra and abandon the proposed parikrama. This is the VHP's second retreat after its decision earlier this month to give up its earlier announced programme of performing 'jalabhishek' on every Monday of the month of Shravan at the Kashi Vishwanath temple in Varanasi.

After the lifting of the ban on it, an emboldened VHP has yoked itself to the task of consolidating the Hindu vote bank for the forthcoming Lok Sabha elections. The jalabhishek programme at the Kashi Vishwanath temple in Varanasi, the Vishnu mahayagya at Krishna Janmasthan in Mathura and the proposed 'ekatmata yatras' from October are part of an orchestrated plan to bring hindutva forces to power at the centre. But given the changed political scenario in UP where the BJP is supporting a dalit-led government, VHP cannot risk damaging BJP's political calculations too much. Kashi and Mathura may be on the hidden agenda of the BJP which supports the VHP's demand for revocation of the Places of Worship (Protection) Act for maintaining the status quo on religious sites. A prominent BJP leader from Maharashtra, Pramod Mahajan, recently exhorted party members to wholeheartedly support the VHP's jalabhishek programme in Varanasi which was to start the following day. But the BJP has chosen to maintain a distinct posture from the VHP for two reasons. First, the recent court rulings and the injunctions of the Election Commission prevent it from openly espousing religious causes from its platform. Second, the party does not want to spoil the pro-dalit image it has gained by propping up the Mayavati government in UP which it thinks will pay it rich dividends in the parliamentary elections. Hence, it would defer any controversial issue from reaching a flashpoint resulting in possible dismissal of the Mayavati government or in sundering of BSP-BJP ties. Internal security minister Rajesh Pilot's visit to Mathura to beef up security measures also made the BJP worry about the gains the Congress might make from a political crisis at this stage. So the Sangh parivar had to tone down its stand and make out that the Mathura mahayagya had been planned as 'a symbolic affair' and had been "never an issue of prestige for VHP".

The BJP will nevertheless have to take stock of the effects of these developments on its support base, in UP in particular. The soft-pedalling of highly-publicised issues cannot but lead to disenchantment within the party's traditional support base and also cause tensions within the Sangh parivar. The VHP at any rate remains committed to keeping the hindutva time-bomb ticking.

Correction

In 'Current Statistics' (July 29) in the table on 'Social Indicators' (p 1895) birth, death and natural growth rates should have been expressed as 'per 000' instead of 'in 000s' and infant mortality rate as 'per 000 live births' instead of 'in 000s'. The errors are regretted.

Ed.

The annual rate of inflation touched the lowest level in 102 weeks at 7 56 per cent in the week ended July 29 The rise in net RBI credit to the centre continues, reaching Rs 21 075 crore on July 21 (compared to Rs 3,788 crore in the same period of 1994-95) Exports grew by 25 2 per cent in April-June, but a 32 6 per cent growth in imports (34 6 per cent in non-POL imports) pushed up the trade deficit to 824 million Full-year data for 1994 95 show an 8 4 per cent growth in the general index of industrial production Capital goods industries registered a robust 24 per cent rise Among individual industries metal products, electrical machinery, transport equipment and paper and paper products recorded large production increases

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	July 29, 1995	Variation (Per Cent) Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
All Commodities	100 0	293 2	0 4	7 6	11 3	2 8	5.5	10 4	10 8	7 0	13 6
Primary Articles	32 3	300 5	0 3	5 3	13 8	2 9	10 2	12 7	11 5	3 0	15 3
Food Articles	17 4	330 2	-0 8	2.1	12 5	5 2	15 3	11 9	4 4	5 4	20 9
Non-Food Articles	10 1	320 7	1 8	11.7	18 3	-0 9	2 5	15 5	24 9	-1.4	8.1
Fuel, Power, Light and Lubricants	10 7	284 3	0 1	1 6	10 0	-0 1	0 6	2 4	13 1	15 2	13 2
Manufactured Products	57 0	290.7	0 6	10 1	10 0	3 3	3 9	10 7	9 9	7 9	12 6
Food Products	10 1	279 0	0 6	2 9	9 6	2 4	7 6	8 1	12 3	6 8	10 2
Food Index (computed)	27 5	310 3	0 4	2 4	11 5	4 3	12 7	10 6	7 0	5 8	17 1
All Commodities (Average Basis) (April-July 29 1995)	100 0	290 7	-	9 9	10 0	8 9	11 8	10 9	8 3	10 1	13 7

Cost of Living Indices	Latest Month	Variation (Per Cent) Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1995 96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1982=100)	306[6]	2 0	10 5	10 8	4 4	3 7	9 7	9 9	6 1	13 9
Urban Non-Man Emp (1984-85=100)*	244[5]	0 4	9 9	8 3	9 9	8 3	9 9	8 3	6 8	13 6
Agri Lab (July 60 to June 61 =100)	1316[5]	0 8	12 0	13 2	1 2	0 0	10 6	11 6	0 7	21 9

* for 1994 95

Money and Banking (Rs crore)	July 21, 1995	Variation: Over Month	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93
Money Supply (M_3)	539101	5377 (1 0)	8263 (1 6)	12187 (2 7)	78653 (17 4)	73307 (19 3)	50484 (15 4)
Currency with Public	108592	-2559 (-2 3)	7722 (7 7)	7000 (8 5)	18887 (23 0)	14170 (20 9)	7111 (11 7)
Deposits with Banks	422994	7435 (1 8)	-3624 (-0 8)	544 (0 1)	58941 (16 0)	57925 (18 7)	42945 (16 1)
Net Bank Credit to Govt	243651	8770 (3 7)	24060 (11 0)	14126 (6 9)	14248 (6 9)	29508 (16 8)	17903 (11 3)
Bank Credit to Comml Sector	291301	4256 (1 5)	1557 (0 5)	3333 (-1 4)	45080 (18 4)	17161 (7 5)	30187 (15 3)
Net Foreign Exchange Assets	73389	675 (0 9)	-2501 (-3 3)	10692 (20 3)	23264 (44 2)	27674 (110 9)	3747 (17 7)
Reserve Money	177767	-729 (-0 4)	8793 (5 2)	11567 (8 3)	30303 (21 9)	27892 (25 2)	11274 (11 3)
Net RBI Credit to Centre	119988	8076 (7 2)	21310 (21 6)	2842 (2 9)	949 (1 0)	1306 (1 4)	3586 (3 9)
Scheduled Commercial Banks							
Deposits	380160	5520 (1 5)	-2340 (-0 6)	-1831 (-0 5)	49271 (14 8)	52144 (18 6)	39017 (16 1)
Advances	211793	3762 (1 8)	2087 (1 0)	3241 (-1 9)	38784 (22 7)	11566 (7 3)	23757 (17 5)
Non-Food Advances	196512	3953 (2 1)	-919 (-0 5)	4466 (2 8)	37416 (23 4)	7402 (4 9)	21684 (16 6)
Investments	152102	641 (0 4)	2848 (1 9)	10251 (7 6)	14172 (10.5)	28435 (26.7)	16820 (18 7)

For comparability, all monetary and banking data presented here are based on March 31 figures before closure of government accounts

Foodgrain Stocks (million tonnes) At the end of the period	Minimum norm as in April	May 1995	May 1994	End of Fiscal Year: 1994-95	1993-94	1992-93	1991 92	1990-91	1989-90	1988-89	1987-88
Total (incl others)	14 5	37 5	31 9	27 7	22 2	14 7	12 2	17 3	11 6	7.4	9 4
Rice	10 8	18 2	15 0	18 9	14 7	11 0	9 8	11 2	7 9	4 7	5 9
Wheat	3 7	19 2	16 7	8 8	7 3	3 0	2 4	5.8	3 6	2 7	3.3

Capital Market	Aug 11, 1995	Month Ago	Year Ago	1995-96 So Far: Trough	1995-96 So Far: Peak	1994-95: Trough	1994-95: Peak	End of Fiscal Year: 1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3405	3332	4394	3015	3557	3233	4604	3261	3779	2281
	(22 5)		(76 9)					(-13 7)	(65 7)	(-46.8)
National Index (1983 84=100)	1570	1546	2076	1482	1691	1572	2176	1606	1830	1021
	(24 4)		(79 9)					(-12 2)	(79 2)	(-48 1)

Foreign Trade	June 1995	Cumulative for Fiscal Year So Far: 1995-96	1994 95	Full Fiscal Year Variations: 1994-95	1993-94	1992-93	1991-92	1990-91
Exports Rs crore	7291	22514 (25 2)	17989 (11 9)	82330 (18 4)	69547 (30 4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US $ mn	2289	7170 (25 2)	5729 (11 7)	26233 (18 3)	22173 (20 4)	18537 (3 8)	17866 (-1.5)	18143 (9 1)
Imports Rs crore	8635	25103 (32 6)	18932 (11 2)	88705 (21 8)	72806 (15 7)	63375 (32 4)	47851 (10 8)	43193 (22 0)
US $ mn	2711	7995 (32 6)	6029 (11 1)	28251 (21 7)	23212 (6 8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US $ mn	2224	6409 (34.6)	4761 (21 49)	22538 (29 1)	17456 (10 6)	15782 (12 3)	14047 (-22.2)	18045 (3 1)
Balance of Trade Rs crore	-1344	2589	-943	-6375	-3259	-9687	-3809	-10640
US $ mn	-422	824	-300	2018	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Aug 04 1995	Aug 05 1994	Mar 31, 1995	Variation Over: Month Ago	Year Ago	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
Rs crore	62139	54979	66028	-134	7160	-3889	7353	18402	27430	5385	10223
US $ mn	19655	17491	20816	-222	2164	-1161	2315	5640	8724	731	3383

Industrial Production

Index Numbers of Industrial Production: Major Groupwise (1980-81=100)	Weights	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
General Index	1000.00	250 6	231 1	218 9	213.9	212.6	196.4	180.9	166 4	155 1	142 1
		(8 4)	(5.6)	(2 3)	(0 6)	(8.2)	(8.6)	(8 7)	(7.3)	(9.2)	(8 7)
Mining and quarrying	114 64	245.8	231 2	223 7	222.5	221.2	211 6	199 1	184.6	177.9	167 5
		(6.3)	(3.4)	(0 6)	(4.5)	(6 3)	(7.9)	(3 7)	(6.2)	(4.1)	(8 8)
Manufacturing	771 07	241.8	222.3	210.7	206.2	207 8	190.7	175 6	161 5	149 7	136 9
		(8.8)	(5 5)	(2.2)	(–0 8)	(8 9)	(8.6)	(8 7)	(7.9)	(9.4)	(9 7)
Electricity	114 29	314.6	290.0	269 9	257 0	236.8	219 7	198 2	181 0	168 1	152 4
		(8 5)	(7.4)	(5 0)	(8.5)	(7.8)	(10.9)	(9 5)	(7.6)	(10 3)	(8 5)
Index Numbers of Industrial Production: Use-Based Classification											
Basic industries	394 18	263 1	253 5	232 9	226 9	213.1	199.4	189 2	172.2	163.2	149 2
		(3.8)	(8 8)	(2 6)	(6 5)	(6.9)	(5 4)	(9 9)	(5 5)	(9 4)	(6 8)
Capital goods industries	164 27	313 6	253.0	266 4	266.8	291 6	251 5	206 2	192 8	166 3	140 7
		(24.0)	(–5 0)	(–0.1)	(–8 5)	(15 9)	(22.0)	(7 0)	(15 9)	(18.2)	(10 6)
Intermediate goods industries	205 07	212 6	203 7	182 6	173 2	176 8	168.9	165 4	148 3	141 5	135 5
		(4 4)	(11 6)	(5 4)	(–2 1)	(4 7)	(2 1)	(11 5)	(4.8)	(4 4)	(7 5)
Consumer goods industries	236 48	218 7	202.1	194 2	190 8	189 0	177 0	163 2	156 6	147 1	137.3
		(8 2)	(4 1)	(1 8)	(1 0)	(6 8)	(8 5)	(4 2)	(6.5)	(7 1)	(12 5)
Consumer durables	25 50	403 1	368 1	318 1	320.6	359 6	324.9	291 2	260.1	241 2	202.8
		(9 5)	(15 7)	(–0 7)	(–10 9)	(10 7)	(11.6)	(12 0)	(7 8)	(18 9)	(18 7)
Consumer non-durables	210 98	196 4	182 0	179 3	175 1	168 4	159 2	147 7	144.1	135 7	129 4
		(7 9)	(1 5)	(2 4)	(4 0)	(5 8)	(7 8)	(2 5)	(6.2)	(4 9)	(11 5)
Groupwise Index Numbers of Industrial Production											
20-21 Food products	53 27	182 7	161.1	175 3	178.0	169 8	150 9	148 5	139 0	133 2	125 6
		(13 4)	(–8 1)	(–1 5)	(4.8)	(12 5)	(1 6)	(6 8)	(4.4)	(6.1)	(4 7)
22 Beverages, tobacco and tobacco products	15 71	131 0	137 8	113 7	107 3	104 8	103 0	92 1	84 9	98 5	112 1
		(–4 9)	(21 2)	(6 0)	(2.4)	(1 7)	(11 8)	(8 5)	(–13 8)	(–12 1)	(0 4)
23 Cotton textiles	123 09	155.8	160 5	150 1	139 0	126 6	112.3	107 8	111 2	112 5	110 4
		(–2 9)	(6 9)	(8 0)	(9 8)	(12 7)	(4 2)	(–3 1)	(–1 2)	(1 9)	(8 0)
25 Jute, hemp and mesta textiles	19.99	92 4	103 2	87 0	90.8	101 6	97 4	101 9	91 0	101 1	97 2
		(–10 5)	(18 6)	(–4 2)	(–10.6)	(4.3)	(–4 4)	(12 0)	(–10 0)	(4 0)	(–2 2)
26 Textile products (incl wearing apparel other than footwear)	8 17	78 4	73 4	75 8	97 2	103 2	151 7	134 2	91 8	87 1	112 8
		(6 8)	(–3 2)	(–22 0)	(–5 8)	(–32.0)	(13 0)	(46 2)	(5 4)	(–22.8)	(18 0)
27 Wood and wood products, furniture and fixtures	4 48	207 9	199 3	190 5	185 0	197.2	176 0	171 7	161 7	246 1	223 2
		(4 3)	(4 6)	(3 0)	(–6 2)	(12 0)	(2 5)	(6 2)	(–34 3)	(10 3)	(3 1)
28 Paper and paper products and printing, publishing and allied industries	32 35	256 6	224 9	210 9	203 0	198 0	181 5	171 3	166 3	163 2	148 5
		(14 1)	(6 6)	(3 9)	(2 5)	(9.1)	(6 0)	(3 0)	(1 9)	(9 9)	(12 6)
29 Leather, leather and fur products (except repairs)	1 89	210 9	203.0	187 7	181 3	194.3	188 3	177 4	185 5	177 7	169.2
		(3 9)	(8.2)	(3 5)	(–6 7)	(3 2)	(6.1)	(–4 4)	(4 4)	(5 0)	(21 1)
30 Rubber, plastic, petroleum and coal products	40 00	184 5	176 4	174 6	172.0	174 0	173 5	168 3	155 1	149.6	153 0
		(4.6)	(1 0)	(1 5)	(–1 1)	(0 3)	(3 1)	(8 5)	(3 7)	(–2 2)	(3 9)
31 Chemicals and chemical products except petroleum and coal products	125 13	327 8	297 6	276 9	261.2	254 1	247 6	233 4	200 9	175 5	154 8
		(10 1)	(7 5)	(6 0)	(2 8)	(2 6)	(6 1)	(16 2)	(14 5)	(19 2)	(8 4)
32 Non-metallic mineral products	29 99	233 4	218 5	209 0	205 2	193.1	189 9	184 6	158 1	160.3	157 3
		(6 8)	(4.5)	(1 9)	(6 3)	(6 3)	(2 9)	(16 80	(–1.4)	(1 9)	(13 7)
33 Basic metal and alloy products	98 02	193.9	219 0	168 5	167.8	158.8	143 7	144 9	135 6	126 8	117 0
		(–11 5)	(30 0)	(0 4)	(5.7)	(10 5)	(–0 8)	(6 9)	(6 9)	(8.4)	(9 0)
34 Metal products and parts except machinery and transport equipment	22 88	150 8	126 6	124 6	133 1	143 1	142.6	133 5	129 6	124 5	114 7
		(19.1)	(1 6)	(–6 4)	(–7 0)	(0.4)	(6 8)	(3 0)	(4 1)	(8 5)	(9 2)
35 Machinery, machine tools and parts except electrical machinery	62 40	204.0	188 4	181 1	183.3	186 9	171 9	161 1	139 2	141 8	130 2
		(8.3)	(4 0)	(–1.2)	(–1.9)	(8.7)	(6 7)	(15 7)	(–1.8)	(8 9)	(2 0)
36 Electrical machinery, apparatus and appliances	57.79	597.8	453.5	483 6	493 7	563.6	459 2	348.2	335.2	254 7	200 6
		(31.8)	(–6.2)	(–2 0)	(–12.4)	(22 7)	(31 9)	(3 9)	(31 6)	(27 0)	(34 8)
37 Transport equipment and parts	63 86	237.6	211 2	200.6	191.1	192.5	181.1	172 5	151 9	144 9	135 8
		(12 5)	(5.3)	(5 0)	(–0 7)	(6.3)	(5 0)	(13.6)	(4 8)	(6 7)	(3 2)
38 Other manufacturing industries	9.05	262.5	266 5	281 3	269 9	321 8	333.2	305 6	272 1	235 4	152 7
		(–1.5)	(–5 3)	(4.2)	(–16.1)	(–3.4)	(9.0)	(12.3)	(15 6)	(54.2)	(24 3)
Index of Infrastructure Industries		270.0	249 9	237.4	229 9	215.0	205 3	193 2	178 6	168 4	156 7
		(8 0)	(5.3)	(3.3)	(6.9)	(4 7)	(6.3)	(8 2)	(6.1)[1]	(7 5)	(8 1)

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript [8] stands for August (ii) Figures in brackets are percentage over the period specified or over the comparable period of the previous year.

RELIANCE INDUSTRIES

Growth as a Habit

AN extensively diversified group with interests in fibres, polymers, chemicals and textiles, Reliance Industries is a story of integration, both backward and forward. Reliance started small with the manufacture of synthetic textiles at the Naroda plant in 1966. The first step in backward integration was yarn and fibre manufacture. This was followed by manufacture of inputs like purified terephthalic acid (PTA) and mono ethylene glycol (MEG) that go into fibre and yarn. Basic petrochemicals was the next link in the chain of backward integration. Forward integration was achieved by moving into commodity plastics like polyvinyl chloride (PVC), polypropylene and polyethylene, manufactured from the same basic petrochemicals used to make fibre and yarn intermediates

Reliance Industries closed its financial year ended March 1995 with net sales touching Rs 5,502 crore, a rise of 29 per cent over Rs 4,254 crore in the previous year. The company's other income galloped from Rs 46 crore to Rs 91 crore, a rise of 99 per cent. Post-tax profit stood at Rs 1,065 crore, a massive rise of 85 per cent, from Rs 579 crore in the previous year. The net profit was on a net worth of Rs 7,192 crore. Interest charges came down to Rs 114 crore from Rs Rs 234 crore, the result of sourcing funds by private placement from the low-cost GDR and Euro markets as well as by private placement of equity at large. As in the previous year, RIL has made no provision for direct taxes. About Rs 3,000 crore was invested by RIL in asset creation during the year and with another Rs 3,000 crore to be spent over the next two years, RIL might still have some years to go before it pays any direct taxes. Reliance's equity base has gone up sharply from Rs 324 crore in the previous year to Rs 461 crore as a result of issue of shares to shareholders of Reliance Polyethylene (RPEL) and Reliance Polyproplene (RPPL) consequent upon their merger with RIL in October 1994 as also to UTI and two other institutions on private placement. It collected a premium amount of Rs 1,266 crore from those issues (Rs 921 crore from private placements).

About 34 per cent of RIL's turnover in 1994-95 came from polyester staple fibre (PSF). Fibre intermediaries contributed 28 per cent, plastics 31 per cent and chemicals and textiles 9 per cent and 6 per cent, respectively. Export earnings were Rs 174 crore in 1994-95, up sharply from Rs 60 crore in the previous year.

The company is moving into oil and gas, power and telecommunications. The Reliance-Enron consortium has bagged the contract to develop the Mukta, Panna and Tapti oilfields. Reliance holds a 30 per cent stake in the venture with Enron and ONGC holding 30 and 40 per cent, respectively. Another $1.2 billion proposal has been submitted to the government by the Reliance-Enron consortium for the coal bed methane exploration and development project in MP and Orissa. Reliance and Enron will each have a 50 per cent stake in the project. Unrestricted repatriation of funds by Enron Exploration Company and a 10-year tax holiday exempting 30 per cent of taxable income following commencement of production are some of the fiscal reliefs asked for in the proposal.

Reliance plans to invest Rs 3,500 crore in power generation in Gujarat. The proposal is to set up a 1,000 MW power station at Pipavav in Saurashtra where two major projects – a copper smelting plant and a cement factory – are coming up. Reliance has floated a new company, Reliance Assam Industries (RAIL), to set up a gas cracker project in Tengakhat in Upper Assam. Reliance Industries is joining hands with MMTC in collaboration with the Australian mining comapny, Cluff Resources Pacific, for diamond prospecting and mining projects in Orissa. Reliance is also partnering De Beers in a diamond mining project in MP.

It has also launched a new generation of pillows under licence from E I Du Pont de Nemours, made from specially engineered hollow fibres with equipment imported from Du Pont.

Reliance Petroleum's refinery with a capacity of 15 million tonnes per annum will be commissioned in the second half of 1997. Reliance Industries is setting up a second polypropylene (PP) plant of 3.5 lakh tonnes near its refinery at Jamnagar to be completed in 1998-99. The second PP plant at Jamnagar will take Reliance's installed capacity to 7.5 lakh tonnes by the end of the decade. Reliance is already implementing a PP plant of similar capacity at Hazira along with a 7.5 lakh tonne, Rs 1,900 crore naphtha/natural gas multi-feed cracker. This is expected to be completed by 1996-97. Besides, the company's upcoming cracker project with a capacity of 2.2 million tonnes will be the largest multi-feed cracker in the world. RIL is also expanding its polyester and polymer capacities.

RIL, Salgaonkar Heavy Industries and a Candian consortium led by Lassing Dibben (Pacific) are to set up an 'Asian Bulk Terminal' off the Goa coast. The $230 million terminal is specifically targeted at bulk handling of solid and liquid cargoes. To implement its plans in the telecom and power sectors, RIL is promoting two new companies, Reliance Power and Reliance Telecom.

Apart from the private placement of equities referred to above, the company has raised Rs $600 million in the form of two GDRs ($450 million) and one FCCB ($140 million). With the FCCBs being converted into GDRs, the foreign equity raised by RIL will aggregate $590 million. It is estimated that the company requires an additional $750 million to meet the foreign exchange costs of its projects. Against the requirement of $450 million, RIL is proposing to raise $300 million through an FRN issue. Reliance has concluded a $150 million seven-year bullet loan, without any bank guarantee or government assurances. This is the first private sector transaction from India for a seven-year bullet maturity, meaning that the principal amount of $150 million will be repaid in a single instalment after seven years. The entire amount is being fully underwritten by Union Bank of Switzerland (UBS), ABN-Amro Bank and Bank of America. RIL proposes to meet the balance of its financial requirements through internal accruals.

KIRLOSKAR CUMMINS

On a Strong Wicket

Kirloskar Cummins (KCL), based in Pune, is the country's largest independent diesel/gas engine manufacturer in the non-automotive market. The company was promoted as a joint venture in 1962 by Kirloskar Oil Engines and Cummins Engine Company (CECO), USA, with a 50 per cent shareholding by CECO and 25.5 per cent by Kirloskar Oil Engines. KCL manufactures engines in the 60-1600 horsepower range and has a strong presence in the 150-1600 horsepower range. In the diesel engine market KCL faces competition from Hindustan Power Plus, Greaves and L&T. The main applications of these engines are power generation, construction equipment, industrial equipment, marine equipment, locomotives, etc. It also has collaboration with Holset Engineering Co of the UK for the manufacture of turbo chargers. The company's turnover for the year ended March 1995 stood at Rs 501 crore, up by around 23 per cent, from Rs 408 in the previous year. Despite a sharp rise in tax provision net profit was higher at Rs 5¼ crore compared Rs 34 crore in the previous year. A dividend of 25 per cent has been recommended by the directors. The company's performance on the export front has been satisfactory with export earnings of Rs 108 crore, down by a very small fraction from Rs 109 crore in

(Rs lakh)

Financial Indicators	Reliance Industries		Birla Jute		Kirloskar Cummins	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	550165	425400	74992	66094	50123	40824
2 Value of production	550583	428005	75491	65639	50301	41115
3 Other Income	9111	4571	2655	2246	1173	778
4 *Total income*	559694	432576	78146	67885	51474	41893
5 Ra materials/Stores and and spares consumed	130526	116769	24081	21040	34748	25400
6 Other manufacturing expenses	66253	47962	19432	17272	2531	1969
7 Remuneration to employees	13635	10620	8249	7505	3401	2818
8 Other expenses	205479	157374	16823	14703	2962	3903
9 *Operating profit*	143801	99851	9561	7365	7832	7803
10 Interest	11432	23358	3991	3967	1255	1879
11 *Gross profit*	137998	83520	5544	3727	6663	5917
12 Depreciation	27824	25519	2417	2316	1509	1486
13 *Profit before tax*	106485	57549	3127	1411	5154	3431
14 Tax provision	0	0	250	2	162	26
15 *Profit after tax*	106485	57549	2877	1409	4992	3405
16 Dividends	20017	13918	1070	764	990	792
17 Retained profit	86468	43631	1807	645	4002	2613
Liabilities/assets						
18 Paid-up capital	46136	32382	3056	5000	3960	2640
19 Reserves and surplus	673129	401107	22570	21050	14023	11342
20 Long term loans	235132	214512	20908	18737	4905	3878
21 Short term loans	58860	51438	4815	3369	622	4088
22 Of which bank borrowings	13716	13479	0	0	0	0
23 Gross fixed assets	839049	513232	69250	65339	21407	20216
24 Accumulated depreciation	180578	153268	34877	32454	11696	10234
25 Inventories	66256	58464	12155	11782	9848	7397
26 Total assets/liabilities	1152904	812146	62455	58535	34619	29706
Miscellaneous items						
27 Excise duty	151713	109078	13271	12194	81	78
28 Gross value added	158175	121507	18923	16754	10919	9254
29 Total foreign exchange income	20581	7711	9483	6437	10178	10876
30 Total foreign exchange outgo	169229	88599	2610	743	13491	8446
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	47 72	52.38	120.07	112 91	144.78	137.43
32 Sales to total net assets (%)	54.30	60.83	146.04	137 25	213.20	186.00
33 Gross value added to gross fixed assets (%)	18.85	23.67	27.33	25 64	51.01	45.78
34 Return on investment (gross profit to total assets) (%)	11.97	10.28	8.88	6.37	19.25	19.92
35 Gross profit to sales (gross margin) (%)	25.08	19.63	7.39	5.64	13.29	14.49
36 Operating profit to sales (%)	26.14	23.47	12.75	11.14	15.63	19 11
37 Profit before tax to sales (%)	19 36	13.53	4.17	2.13	10.28	8.40
38 Tax provision to profit before tax (%)	0.00	0.00	7.99	0.14	3.14	0 76
39 Profit after tax to net worth (return on equity) (%)	14.80	13.28	11.23	5.41	27.76	24.35
40 Dividend (%)	55.00	51.00	35.00	25.00	25.00	30.00
41 Earning per share (Rs)	23.06	17.75	11.26	3.13	12.61	12.90
42 Book value per share (Rs)	155.90	133.87	98.30	56.78	45.41	52.96
43 P/E ratio (based on latest and corresponding last year's price)	11.97	19.44	17.77	105.39	26.34	44.97
44 Debt-equity ratio (adjusted for revaluation) (%)	32.69	49.48	81.59	71.93	27.28	27.74
45 Short term bank borrowings to inventories (%)	20.70	23.06	0.00	0.00	0.00	0.00
46 Sundry creditors to sundry debtors (%)	206.62	158.38	153.77	35.61	79.03	61.32
47 Total remuneration to employees to gross value added (%)	8.62	8.74	43.59	44.80	31.15	30.45
48 Total remuneration to employees to value of production (%)	2.48	2.48	10.93	11.43	6.76	6.85
49 Gross fixed assets formation (%)	63.48	10.60	5.99	6.26	5.89	5.56
50 Growth in inventories (%)	13.33	11.76	3.17	-11.37	33.14	4.67

the previous year. Exports accounted for about 26 per cent of total turnover in 1993-94. The 600-900 horsepower 'V-28' engines account for a substantial portion of KCL's exports with KCL having been identified by CECO as its sole worldwide supplier for the same. KCL has won the Engineering Export Promotion Council's award for export performance for the fifth successive year. In addition, the company also bagged the EEPC's Western Region Top Exporter Award for the highest foreign exchange earnings for any engineering product in the western region. However, the company's foreign exchange outgo too rose from Rs 85 crore to Rs 138 crore in 1994-95 because of larger import of components and sub-assemblies.

The company has many firsts to its credit. Along with being the first IC-engine manufacturer in India to get ISO 9001 certification, it is the first company to achieve recognition in the form of self-certification approvals from world class independent agencies such as Lloyds Register of Shipping, American Bureau of Shipping, Factory Mutual Research Association, Underwriters Laboratories, etc. KCL is also the first to develop and introduce in the country natural gas and dual-fuel engines for oilfields applications. The entire fuel system of KCL's engines known as the 'PT' fuel system is designed, serviced and manufactured by the company with its in-house technology. It allows the engine to be optimised at any load condition with a minor adjustment, thus providing KCL with the flexibility of customising its engine to customer specifications without making major changes in the fuel injection system. The result has been that KCL, unlike its competitors, is not confined to standard applications and has developed engines for varied applications. The PT system is developed and patented by CECO. The diesel engine industry is cyclical in nature but KCL has not been affected significantly by the ups and downs in the industry because, first, KCL's buyers come from diversified industries and the company is not dependent on any particular industry and, second, with a large number of engines in operation all over the country sale of spares is a substantial business for KCL.

BIRLA JUTE AND INDUSTRIES

Rapid Diversification

A new era in the Indian jute industry began with the setting up of the Birla Jute Manufacturing Company in 1919 by G D Birla. The first of the Birla group in India, the company is now known as Birla Jute and Industries. The company, which completed 75 years in August 1994, has come a long way from manufacturing only jute goods and now has a wide range of diversified

activities. It has seven divisions producing cement, jute goods, auto trim parts, textile yarns, calcium carbide, industrial gases, linoleum and PVC floor coverings.

The company closed its financial year ended March 1995 with net sales of Rs 750 crore against Rs 661 crore in the previous year, a rise of 13 per cent. Gross profit increased by 49 per cent, from Rs 37 crore to Rs 55 crore. Despite a sharp increase in tax provision, from a mere Rs 2 lakh in the previous year to Rs 250 lakh, coupled with a 4 per cent increase in the provision for depreciation, net profit doubled from Rs 14 crore to Rs 29 crore in 1994-95. Exports grew by 47 per cent from Rs 64 crore to Rs 95 crore. A dividend of 35 per cent has been recommended by the directors.

All the five cement plants of the company achieved the highest ever production of 29.74 lakh tonnes of clinker, 33.49 lakh tonnes of cement and 2.74 lakh tonnes of granulated slag against 29.07 lakh tonnes, 33.49 lakh tonnes and 1.85 lakh tonnes respectively in 1993-94.

The company is planning further expansion and has been on the look out for suitable sites to set up new cement units, possibly in Andhra Pradesh and Karnataka. The Chittor plant is proposed to be expanded by one million tonnes and expansion of the Satna unit is to be taken up in the second phase. The company's efforts to reduce energy consumption have led to modification of the fuller grate coller with the IKN clinker inlet distribution system at the Satna cement works. At Chittor the FLS grate coller was in the process of being modified. BJIL has commissioned a coal beneficiation unit at one of its plants at Chittor, the first of its kind in India. This became necessary because of the lack of consistency in the quality of coal supplied which left the company with two options, either to instal a coal washery or go in for a dry coal beneficiation unit (DCBU).

Sales of the linoleum division increased from 1.80 lakh sq metres to 2.86 sq metres, reflecting efforts to upgrade quality and introduce new designs. The company has signed two memorandums of understanding to modernise and upgrade technology. It has also entered into a joint venture with DLW Aktiengesellschaft of Germany, which has been marketing linoleum products manufactured by BJIL for the last several years, for the manufacture and export of quality linoleum. BJIL manufactures natural PVC linoleum which is made on jute backing with wood powder on top and is environment-friendly. The company increased sales of vinoleum from 3.75 lakh sq metres to 4.90 lakh sq metres and a start was made in export of vinoleum. Birla Vinoleum plans to launch PVC-coated wall paper and certain special grades of coated fabrics.

The jute division increased production from 59,168 tonnes to 72593 tonnes, a growth of 22 per cent. Exports went up to Rs 45 crore. As a result of a lower raw jute crop coupled with a small carryover from the previous year, raw jute prices rose and manufacture of standard goods became uneconomic, justifying the company's move into higher value added products. Production of such items during the year amounted to 19,410 mt, valued at Rs 49.30 crore, and constituted 27 per cent of total production against 13,389 mt, Rs 32.70 crore and 23 per cent respectively in the previous year. However, the export market support available to a wide range of jute goods has been withdrawn by the government with effect from March 31 this year. Also the EC, the largest buyer of high value jute products, has imposed a tariff of 3.4 per cent from January 1, 1995.

BJIL has diversified into the use of non-conventional jute fibre through its newly created auto trim division. The pilot plant with imported equipment has already been commissioned, with the first commercial export to the company's collaborator, EMPE-WERKE of Germany, being made in March this year. According to N C Vardarajan, senior vice-president of the auto trim division, a new technology involving jute felt impregnated with unsaturated polyester resin is being used for the first time in India. BJIL had also acquired know-how for the manufacture of PU sandwich headliners from EMPE and was negotiating with car . The auto trim division has given a new lease of life to the ailing jute industry by developing moulded door panels using jute felt.

The synthetics division recorded lower production, down from 6,145 mt to 5,994 mt as a result of shortage of viscose staple fibre from Grasim, the major supplier. The impact was reduced to a certain extent by a move towards blended yarns and import of fibre, which finds reflection in the import of raw materials rising from Rs 378 lakh to Rs 1,683 lakh. In order to reduce dependence on viscose fibre the company increased its coning capacity with the installation of additional imported autocones. Availability of autoconed yarn helped the division to increase exports.

The carbide division increased production substantially, with the highest ever production at 15,029 mt against last year's 11,839 mt, an increase of 27 per cent, thanks to efficient furnace operations and steadier power supply.

The company's cement division recieved the CAPEXIL Special Export Award for 1993-94, the fourth consecutive year for which its export performance was recognised by CAPEXIL. During the year the Durgapur cement works and Birla synthetics received ISO 9002 certification. This will give a boost to the company's marketing efforts, nationally and globally.

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Fiscal Deficit: Return to Original Sin

The phenomenal rise in net RBI credit to the central government together with some slackening of the demand for commercial credit, reflecting a possible slow-down in industrial investment and production, have eased the severe shortage of liquidity experienced in the money market in the first quarter of this financial year.

I
Emerging Easiness in Liquidity

THE severe liquidity strain, experienced by the money markets in India during the first quarter of the current fiscal year, continued until the first half of July and has suddenly given way to some easiness during the latter half of the month. Apart from the seasonal factors of supply of and demand for banks' resources, the emergence of underlying signs of slackness in demand for bank credit due to some possible slow-down in industrial investment and output activity is probably reflected in the current trends. To an extent, the massive year-end bulge in banks' balance sheets as of March 31 and the subsequent unwinding make it difficult to get a clearer view of the liquidity situation from the available banking data for the early months of the year. As the size of the year-end build-up of banks' deposits and advances, arising from interest crediting, draw-down of public sector funds towards the fag end of the year and window-dressing, has been growing year-by-year, the process of unwinding has also been increasingly getting prolonged. Last year by July 22, the declining trend in aggregate deposits from the March 31, 1994 bulge had stopped; there was in fact a rise of Rs 1,486 crore by then. On the other hand, this year the aggregate deposits at Rs 380,160 crore continue to remain lower than the level of March 31, 1995 by as much as Rs 6,699 crore. Such a large swing in banking trends cannot be entirely explained by the last year's foreign exchange accruals and the consequential increase in bank deposits – a phenomenon which has been generally absent this year.

Overall, there is no doubt that deposit accruals this year have been more moderate than last year. However, a distinct feature of the current year's development has been the rise in bank deposits during July 1995 which has been much more than the increase in July 1994, despite the fact that the two periods are not comparable in that the foreign exchange inflow was much higher last year. The expansion in deposit liabilities of banks in recent fortnights may be attributable to secondary expansion arising from massive reserve money growth which in turn should be sourced to phenomenal increases in net RBI credit to the central government during the current fiscal year so far; the latter has already touched Rs 21,075 crore as of July 21 (Table 1). Government recourse to ad hoc treasury bills has also touched Rs 17,835 crore as on that date compared with a negative amount of Rs 995 crore in the corresponding period of the previous year. Apart from the use of ad hocs, the devolvement on the RBI of undersubscribed amounts in the 91-day TB floatations aggregated Rs 761 crore during July. Besides the RBI credit to the central government, the level of RBI refinance facilities used by the commercial banks, as also the DFHI and the STCI in the wake of the credit market stringency, has been about 75 per cent more this fiscal year (an average outstanding level of Rs 12,461 crore) as compared with the corresponding period last year (Rs 7,105 crore).

That the flow of liquidity was probably not from any fresh inflows of primary deposits is evident from the reduced tempo of financial savings in the form of accruals to various instruments. For instance, the Unit Trust of India (UTI) could mobilise only Rs 750 crore under its special offer of US-64 scheme as against Rs 3,000 crore achieved in the corresponding month of the previous year (though primarily because of the lukewarm response from corporate bodies in the wake of the withdrawal of section 80M of the Income Tax Act concerning intercorporate dividends as from this year-end). Subscriptions for other mutual fund issues, as also for capital issues of corporates, have been poor as compared with the previous year except for the bulk issue of the Industrial Development Bank of India (IDBI)'s initial public offering aggregating over Rs 2,371 crore, which has been oversubscribed essentially because of the financial institutions' clout and liberal subscription by investment institutions like the UTI, LIC and GIC and corporate bodies like the Reliance Industries, NOCIL and others. The subscription was facilitated by a series of initiatives such as (i) the exemption by the RBI of bank investments from the 5 per cent limit in respect of the equities of financial institutions; (ii) the permission granted by the RBI to primary co-operative banks and district co-operative banks to invest in equity issues of development financial institutions; and (iii) the declaration by the Maharashtra government of the IDBI equity issue as an eligible security for investment by provident funds and other trusts. There were also firm allotments made in favour of the investment institutions.

To an extent this forced extraction of subscriptions in favour of a mega issue has, as an immediate consequence, tended to augment liquidity with the banking system at least until after the funds are deployed by the IDBI in loans and other assets. Also, the declining trend in foreign exchange reserves since the beginning of the current fiscal year (a loss of Rs 4,303 crore until June 23, 1995) stood arrested in July (a rise of Rs 933 crore). The data published by the Securities and Exchange Board of India (SEBI) suggest that foreign institutional investors (FIIs) made a net investment of Rs 356.3 crore in June and Rs 654.08 crore in July 1995, which have been a substantial improvement over the investment levels since November 1994 (ranging from Rs 34 crore to Rs 211 crore).

II
Primary Auctions of Gilts

Though the central government's normal borrowing of Rs 3,700 crore (net) was completed by the end of June, it was the sizeable borrowing of Rs 19,000 crore budgeted under 'other medium and long-term loans' comprising zero coupon bonds and loans in conversion of maturity treasury bills which largely remained to be undertaken and to which the attention was paid in July.

Funding Operations

The government and the RBI had made a bold attempt to convert Rs 7,603.44 crore worth of 364-day TBs into a five-year security in April last but the market response, in the face of impending liquidity shortages, was poor; only Rs 1,653.58 crore (or 21.75 per cent of the offer amount) worth of bids at a cut-off yield of 13.25 per cent were accepted then by the RBI.

On July 10, the government offered to convert 12 per cent 1995 government stock maturing this October for a 13.25 per cent 1997 stock. Originally converted from 364-day TBs in 1993, the outstanding amount in 12 per cent 1995 stock was Rs 4,045.66 crore (It is a moot point if this should constitute a part of 'other medium and long-term loans' or that of the regular borrowing programme in gross terms). The auction

held on July 13 received again a damp response; the market offered only Rs 803.08 crore or 19.85 per cent of the eligible stock for conversion. Apart from the unattractive nature of the yield, the response clearly indicated market preference for liquidity. Even on the day of conversion, the 12 per cent 1995 paper was traded on NSE in two deals worth Rs 10 crore at a yield of 14.035 per cent as against the previous day's yield of 13.93 per cent.

Zero Coupon Bonds

Given the poor market response to the coupon bearing securities the RBI changed track and decided to offer zero coupon bonds on behalf of the government. Announced on July 20 and auction held on July 26, the notified amount of this five-year bond was Rs 3,000 crore. Zero coupon bonds are a novel instrument and they have always been a success. There have been two earlier issues of this instrument, both for a five-year maturity. The first zero coupon bond was issued in January 1994 and the second in February 1995.

The February auction had received Rs 2,393.30 crore as against a notified amount of Rs 2,000 crore. The cut-off price then was Rs 54.00 yielding 12.71 per cent. The previous first zero coupon bond issued in January 1994 was for a notified amount of Rs 3,000 crore and had fetched Rs 6,995.34 crore; at a cutoff price of Rs 53.90, the yield rate had worked out to 12.75 per cent.

By the time the latest zero bond was auctioned in the last of July, the liquidity situation in the market had undergone a process of easing as explained earlier, though the media was still predicting dire straight and one more devolvement on the Reserve Bank, but the RBI itself was confident of good response; the response to TB issues had already improved. For a Rs 3,000 crore issue, the Reserve Bank received bids worth Rs 4,808.80 crore but accepted the notified amount of Rs 3,000 crore for a cutoff price of Rs 51.19 which worked out to a yield of 13.85 per cent. The ruling yield to maturity (YTM) for the zero coupon bond 1999 was in the range of 14.10 per cent to 13.58 per cent in the last week of July.

Zero coupon bonds the world over are preferred by the issuer and the investor as well, particularly in an illiquid market. As the investor has to put in only the discounted amount, this instrument is well received especially when funds are scarce. Moreover, since there is no interest paid on this instrument during its full tenure, there is no tax deduction at source. Further, the instrument, being a discount instrument, does not generally face any risk of depreciation. As having been already discounted at issue rather sizeably, its value generally appreciates and hence its book value is rarely below its purchase price; this is because the market price has to accommodate the closing in of the maturity date. At the most the appreciation of this instrument will slow down if there is a future floatation with a higher coupon. As such, there will be no provision required for any depreciation of this instrument. For the investors in the Indian zero coupons the RBI provides an added attraction in the form of repo facility. For the issuer who is strapped for cash, this is a convenient form of raising funds as during the tenure of the instrument, there is no cash outflow towards interest payment. In zero coupon bonds, there is only one bullet payment at the end of the tenure for repaying the principal and interest. This gives ample time to the issuer to plan his cash outflow.

364-day Treasury Bills

Response to the two auctions of 364-day TBs during the month on July 7 and July 21 remained subdued as the liquidity situation continued to be weak. The Reserve Bank was able to raise only Rs 17.18 crore in two auctions and that too at such yield rates as 12.71 per cent and 13.16 per cent, respectively, in the two issues. Last year, during July, this instrument had received good market response with the government collecting Rs 1,581 crore at yield rates of 10.04 per cent and 9.82 per cent, respectively, in the corresponding two issues. (Table 1).

Significantly, with the improvement in the liquidity situation towards the end of the month, the response to the 364- day auction held on August 2 was exceedingly good. The Reserve Bank could raise an amount of over Rs 834 crore in this auction although again the yield given was as high (13.16 per cent) as in the preceding auction.

91-day Treasury bills

In the 91-day TB issues, too, the response in the second half of the month was qualitatively different from the first half (Table 2), with the government raising from competitive bidders Rs 615.02 crore in the second half in contrast to only Rs 16.25 crore in the first half. The last auction of the month also saw the yield rate slide down from 12.97 per cent to 12.71 per cent thus arresting the rising trend since April. For a total notified amount of Rs 1,000 crore in the first two auctions, apart from Rs 16.25 crore from competitive bidders, the RBI collected from non-competitive bidders Rs 370 crore and borne the devolvement to the extent of Rs 613.75 crore. The yield rate rose from 12.71 per cent in the first auction to 12.97 per cent in the second position.

There was, however, a sudden turnaround in the market response in the auction held on July 21. For a notified amount for Rs 500 crore, the government received competitive bids worth Rs 474.95 crore and non-competitive bids worth Rs 150 crore. In order to prevent the interest rates from rising beyond reasonable levels, the Reserve Bank preferred to take a small slack and rejected a sizeable portion of the market bids. It accepted only Rs 202.70 crore from competitive bids but all the non-competitive bids for Rs 150 crore, itself taking a devolvement of Rs 147.30 crore; this prevented the yield rate (12.97 per cent) from rising.

The next auction attracted warm response, with the Reserve Bank receiving 69 competitive bids and 4 non-competitive bids for a total amount of Rs 1,151.38 crore. The Reserve Bank accepted 37 competitive bids worth Rs 412.32 crore at a cutoff price of Rs 96.92 thus bringing the yield further down from 12.97 per cent in the previous auction to 12.71 per cent. With the non-competitive bids getting an allotment of Rs 87.68 crore, there was no devolvement on the RBI.

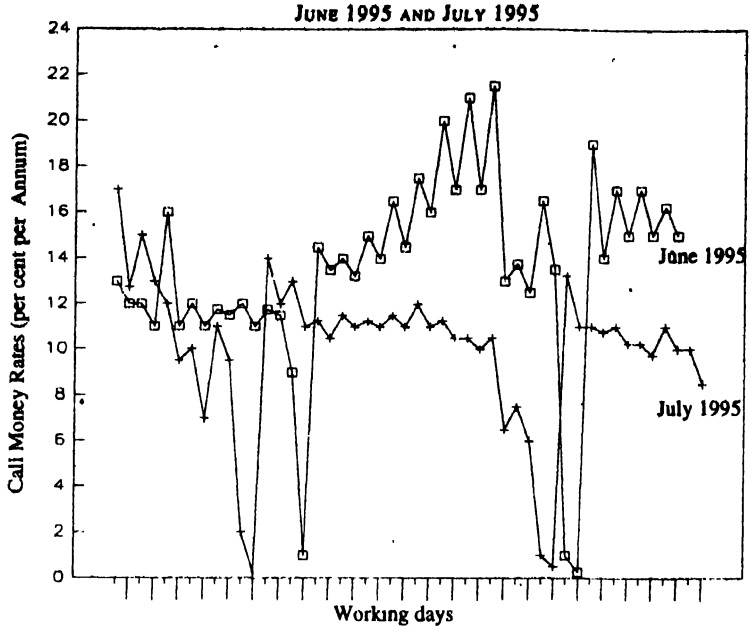
- Clearly, in the wake of the market criticism, the Reserve Bank opted to cutoff at a little higher rate and rejected only a minimum from the competitive bids rather than go in for a sharp reduction in the rates with the help of non-competitive bids. In fact, the Reserve Bank could have further reduced the rate of interest as the bids received in the non-competitive category were substantial at Rs 280 crore. However, the Reserve Bank decided to allocate only Rs 70.42 crore to non-competitive bidders, that too in partial allotment. Borrowings from non-competitive bidders, which generally are state governments, is only another form of monetisation.

III
New Issues of Other Money Market Instruments

Certificates of Deposits

The last fortnight of July saw hectic activity in the CDs market with the financial institutions such as, the IDBI and ICICI entering this market offering as high as 18 per cent interest. The interest rate went up in the CD market following the decision of the public sector banks to reject the directive of the Department of Public Enterprises that the public sector undertaking could park their funds in CDs only of banks which have obtained credit rating. It is learnt that State Bank subsidiaries and some weak nationalised banks were the most affected by the DPE directive. The DPE directive had made credit rating compulsory for those public sector banks which desired to attract PSU funds by issuing CDs but whose minimum paid-up capital was less than Rs 100 crore. The DPE later withdrew its directive.

GRAPH A: DAILY QUOTATIONS OF HIGHS AND LOWS OF CALL MONEY RATES, JUNE 1995 AND JULY 1995



According to an estimate, public sector undertakings contribute as much as 3 per cent of the total bank deposits. The State Bank of India had alone mobilised Rs 2,500 crore at a rate of 13.50 per cent in the first quarter of the current financial year. With its large deposit base, in which current account deposits have a larger share, the average cost of funds may not have been too high for the State Bank.

With the liquidity crunch affecting the banks as well as financial institutions, both vying for PSU funds is quite understandable. The State Bank had offered a rate of 11 per cent till December 1994. The rates were increased to 13 per cent in February 1995 and subsequently to 13.5 per cent. Besides SBI and financial institutions, other players in the CD market were Corporation Bank, IndusInd Bank and SCICI.

Commercial Paper

Towards the end of the month, the recycling of available liquidity in the market has induced fresh issues of CP by corporates which have been picked up by banks at reasonable rates of interest ranging from 13.75 to 14.50 per cent. Widely quoted CPs are those of Dabur (Rs 10 crore) and non-banking finance companies like Kotak Mahindra. New CP issue of GAIL, Voltas and Pfizer were reportedly in the pipeline.

Debentures

With the capital market stagnant and banks faced with a liquidity crunch, the market showed some preference for debentures during the first quarter of the current financial year. This was reflected by the advances portfolio of ICICI. As against its portfolio of debentures which was 9.5-10 per cent of its loans to corporates during 1994-95, its debentures portfolio was 20 per cent of its corporate loans in the first quarter of this financial year.

PSU Bonds

The government was likely to announce the quota of SLR bonds for the PSUs for 1995-96. It is likely to further reduce the volume of guaranteed bonds in keeping with the policy of eventually doing away with the support to PSUs. The government has already reduced PSUs' quota of SLR bonds from Rs 3,000 to Rs 700-800 crore in the past three years. In the context of the tight liquidity position of the market, PSUs are likely to raise funds at a high rate of over 14 to 18 per cent as the government paper offered 14 per cent in the primary market and 14.5 per cent in the secondary market.

IRBI proposed to raise Rs 50 crore through private placement of bonds. The five-year bonds issue offering 15 per cent would close on August 31. The Nuclear Power Corporation's bond issue was oversubscribed. For a Rs 100 crore issue, the NPC received Rs 175 crore. Nearly 75 per cent of the issue was subscribed for by provident funds. The NPC has decided to retain the oversubscription.

Floating Rate Notes

State Bank of India raised the interest rate on its floating rate bonds (FRNs) by two percentage points to 15 per cent. It may be recalled that the State Bank had simultaneously floated an equity and debt issue in 1994. The bonds totalling Rs 1,000 crore with a ten-year maturity carried a floating rate of interest payable half-yearly at three per cent over the maximum term deposit rate. The interest rate is subject to refixing every six months on January 1 and July 1.

ICD Market

It was reported that non-banking finance companies and corporates were doing ready forwards in units of UTI US64 scheme for fear of default in the inter-corporate deposits market. In the previous months, corporate giants like Shaw Wallace had already defaulted on their repayment obligations. It was reported that the creditors of Shaw Wallace had asked the company to mortgage its assets against the ICD loans advanced to it. The rates in this market are also reported to be as high as 26 per cent in normal circumstances. There also have been companies which, despite good credit ratings, have not been able to mobilise funds even at rates as high as 50 per cent during the past couple of months due to the liquidity crunch being experienced by the financial markets since September last.

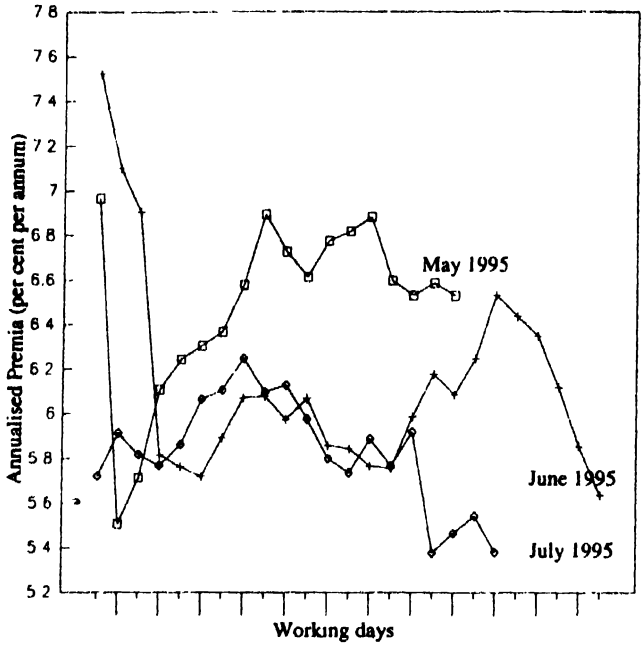
In July, the situation was not so critical. Yet, for fear of default on ICD borrowings and as bank finance was difficult to obtain due to the tight monetary policy of the Reserve Bank, non-bank finance companies and other corporates indulged in pledging their most liquid financial asset, viz., units of US64 to borrow in the ICD market. The mechanism used for such borrowings was interesting. To avail of funds, a corporate would pledge US64 and enter into a ready forward agreement with another corporate or an NBFC to buy back the instrument at

TABLE 1: AUCTIONS OF 364-DAY TREASURY BILLS

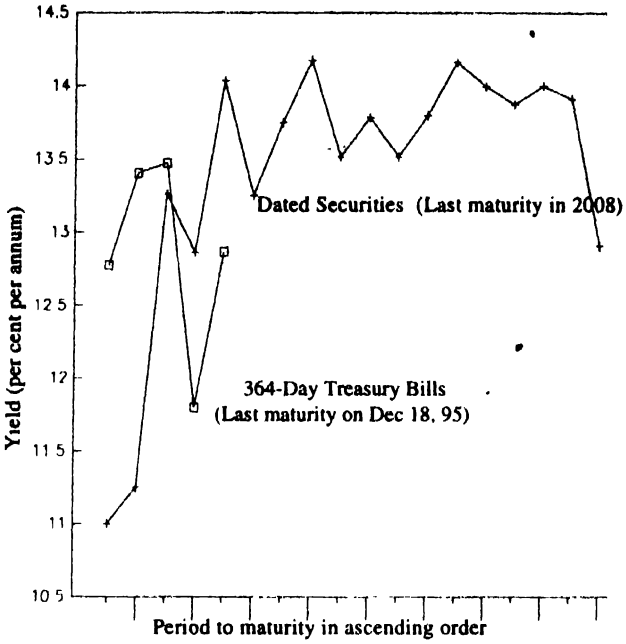
(Amount in rupees, crore)

Date of Auction	Bids Tendered		Bids Accepted		Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)
	No	Face Value (Amount)	No	Face Value (Amount)		
1994						
July 06	44	923.00	22	307.00	90.88	10.04
July 20	110	2645.00	28	1274.00	91.06	9.82
August 03	113	3888.00	48	2120.00	91.15	9.71
1995						
July 07	10	24.68	4	4.68	88.72	12.71
July 21	13	14.50	10	12.50	88.37	13.16
August 02	66	844.00	65	834.00	88.37	13.16

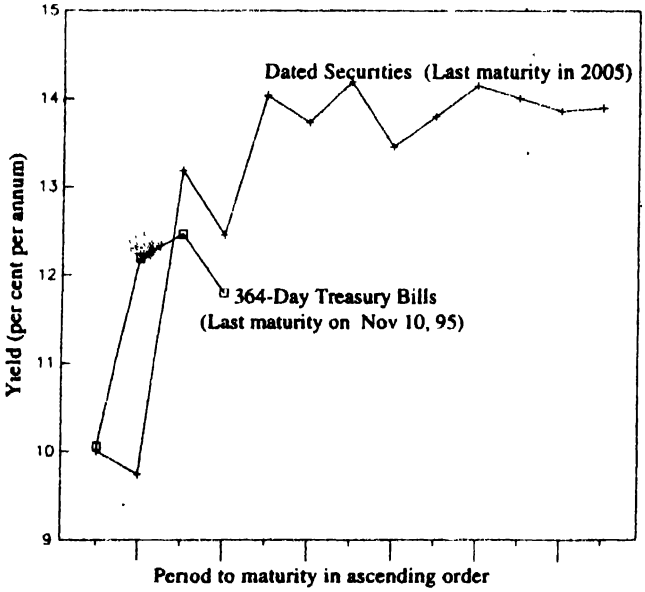
GRAPH B: ANNUALISED DAILY 6-MONTH FORWARD PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



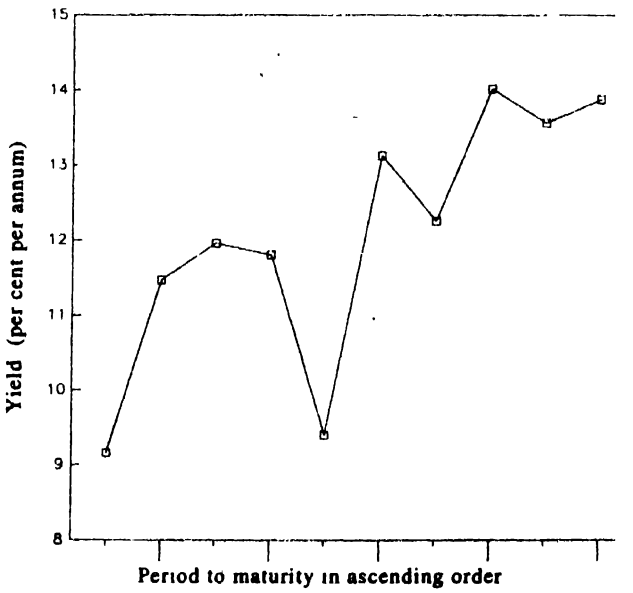
GRAPH C: YIELD CURVES FOR 364-DAY TREASURY BILLS AND GOI SECURITIES – WEIGHTED AVERAGE FOR JULY, 1995



GRAPH D: YIELD CURVES FOR 364-DAY TREASURY BILLS AND DATED SECURITIES – WEIGHTED AVERAGE FOR THE LAST WEEK ENDED JULY 28, 1995



GRAPH E: YIELD CURVE FOR 364-DAY TREASURY BILLS AND DATED GOI SECURITIES COMBINED: A SINGLE DAY IN THE MONTH WITH MAXIMUM TRANSACTIONS (JULY 28, 1995)



a mutually agreed price. While use of collateral improved the counter-party risk in this hitherto unsecured loan market, it also changed the very character of this instrument. Incidentally, the use of ready forwards is not permitted except in treasury bills and some specified gilt-edged securities.

Bills Re-discounting

An important instrument in the money market has been in the background since the securities scandal hit the Indian banking system in 1992. This short term, self-liquidating kind of instrument was expected to be useful to corporate borrowers and the Reserve Bank had been encouraging its use for better funds management in the 1970s. The instrument, however, came to be widely misused with rampant accommodation bills getting re-discounted for raising funds to invest in the capital market rather than supporting productive activity. In the post-scam period, the Reserve Bank put several restrictions on bills re-discounting, such as a ban on banks to re-discount the bills discounted originally by non-bank finance companies and the increase in the minimum tenure of bills re-discounting to 15 days.

These measures have resulted in lower volumes in the bills re-discounting market, although the spreads have gone up along with the cost of funds for these non-banking finance companies. With the current liquidity crunch the rates have gone up to as high as 18 to 26-27 per cent depending on the risk profile of the borrower. The present volume in this market are estimated to be around Rs 7,000 crore. The discounted inland bills portfolios of scheduled commercial and co-operative banks today constitute about Rs 7,600 crore.

It would be fallacious, however, to conclude that the misuse of this instrument has completely stopped. Many non-bank finance companies now re-discount their bills with cash rich corporates rather than commercial banks. The newer banks are also keen players in this market and are reportedly indulging in accommodation bills financing in a big way.

Foreign banks have emerged as aggressive players in this market as arbitragers. They are reported to be borrowing by re-discounting bills towards the end of a reporting fortnight when the call rates are low and lending the funds by way of repos, with many foreign banks achieving a spread of about two percentage points by adopting this route.

Meanwhile, the Kerala State Industrial Development Corporation has introduced a bills re-discounting scheme to help companies in the state of Kerala to raise their working capital requirements. The rate of re-discount will be 3.5 per cent above the prevailing prime lending rate. With the processing fees and non-refundable upfront fees for documentation, it will currently cost 21 per cent to the borrowers. With inter-corporate deposits rates well above 25 per cent, corporate borrowers are reportedly finding the offer attractive.

IV
Call Money Market

The call money market experienced relative stability and easiness for the greater part of the month with rates generally moving in the range of 12-10 per cent (Tables 3 and 4).

The easiness in call rates in the first half of July was partly attributed to inflow of cash on account of the release of interest amounts worth about Rs 600 crore by the RBI on the banks' statutory reserves. In the second half, call rates declined partly due to expectations of a cash inflow into the system through the return flow of food credit and interest payment on capitalisation bonds.

In an otherwise easy call money market in the first week of July, call rates rose to 11 per cent on July 6 on reports that the State Bank of India was borrowing in the market, as also opening of the mega IDBI issue. As call rates went down in the first week of July, the secondary market in government securities saw an appreciation by 10-15 paise each. 364-day Treasury bills maturing in September traded at a YTM of 13 per cent and those maturing in August traded at 13.9 per cent YTM. Similarly, 91-day treasury bills maturing on July 29, offered a yield of 13 per cent.

The second week of July opened on a quiet note and players shifted attention to the secondary market of government securities as there was little activity in the call market. The daily average trading volumes in the outright market for gilt-edged securities was

TABLE 2: AUCTIONS OF 91-DAY TREASURY BILLS'

(Amount in rupees, crore)

Date of Auction	Notified Amount (Rupees)	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price in (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding (Rupees)*		
		No	Face Value (Amount)	No	Face Value (Amount)				Total	With RBI	Outside RBI
1994											
July 01	250	10	65	10	65	185.00	97.78	9.08	4450.00	1205.80	3244.20
July 08	150	20	484	7	150	0.00	97.78	9.08	4300.00	1205.80	3094.20
July 15	200	41	822	15	200	0.00	97.82	8.91	4000 00	1205.80	2794.20
July 22	250	42	1018	17	250	0.00	97 90	8.58	3750.00	1205.80	2544.20
July 29	250	34	324	30	250	0.00	97 86	8.75	3500.00	1082.80	2417.20
1995											
July 07	500	15	36.40	4	7.25	172.75	96.92	12.71	4500.00	1242.00	3258.00
		(4)	(320)	(4)	(320)						
July 14	500	112	38.00	8	9	441.00	96.86	12.97	4951.00	1415.00	3536.00
		(1)	(50)	(1)	(50)						
July 21	500	40	474.95	5	202.7	147.30	96.86	12 97	5401.00	1856.00	3545.00
		(3)	(150)	(3)	(150)						
July 28	500	69	871.38	31	412.32	0.00	96.92	12 71	5851.00	2003.30	3847.70
		(4)	(280)	(4)	(87 68)						

Figures in brackets represent numbers and amounts of non-competitive bids which are not included in the total.
@ Outstanding amounts are estimated for all weeks of July 1995.

TABLE 3: CALL MONEY RATES

(Per cent per annum)

Items	July 1995				June 1995				
	28	21(RF)	14	7(RF)	30	23(RF)	16	9(RF)	
Weekly range	8.50-11.00	0.25-12.00	10.50-14.00	1.00-17.00	14.00-19.00	0.25-21.50	13.50-17.25	2.00-12.00	10.50-16.00
Weekend (Friday)	10.00-8.50	0.25-2.00	11.00-11.25	1.00-2.00	16.00-17.00	0.25-1.00	17 00-16.50	2.00-3.00	13.00-10.50
Weekly weighted average*	10.88	9.46	11.66	12.08	16.42	16.46	14 64	10.88	13.60
DFHI lending rates (range)	10.50-8.00	12.00-2.75	14.00-10.75	17.00-9.00	18.75-15.00	20.50-13.10	13.65-17 50	13.50-6.150	15.50-11.90

* Weighted average of borrowing rates reported to the RBI by selected banks and DFHI, weights being proportional to amounts borrowed.

TABLE 4: DAILY CALL MONEY RATE QUOTATIONS OF HIGHS AND LOWS IN PER CENT: SIMPLE STATISTICAL CHARACTERISTICS

(Per cent per annum)

	All Four Weeks of the Month	July 1995 Week Ended				All Five Weeks of the Month	June 1995 Week Ended				
		28	21 (RF)	14	7 (RF)		30	23 (RF)	16	9 (RF)	2
Mean	10.04	10.56	9.58	11.58	11.68	13.64	16.13	13.92	14.88	10.79	13.68
Standard deviation	3.34	1.07	2.00	0.95	2.77	4.28	1.37	6.63	1.31	3.32	1.46
Coefficient of variation (percentages)	33.26	10.13	20.89	8.20	23.73	31.38	8.50	47.64	8.81	30.76	10.68

around Rs.100 crore and in the repo market about Rs.150 crore during the second week.

Call rates continued the easy trend in the third week of July remaining at the 10-11 per cent levels. Institutions like the Unit Trust of India were in the market as lenders. UTI had collected Rs 800 crore through its customary concessional sale offer of US64 which it had reportedly deployed in the call market. Sentiments in the market during this week were also affected by the RBI governor's speech at Madras where he cautioned on what he described as "almost profligate" use of bank credit and indicated that the RBI's support to government borrowings will not be unlimited. On July 21, i.e the Reporting Friday, the rates fell to the customary 0.5-1 per cent indicating normalcy in the market.

The last week of July opened at 10.75-11 per cent. The offer of Zero coupon bonds to be auctioned on July 26 dominated the market scene during the this week. The presence of State Bank and UTI as lenders in the market throughout this week also caused easy conditions in the market, with the call rates ranging from 10.0 to 8.5 per cent in the later part of the week (Graph A).

Forex Market

Developments in the inter-bank foreign exchange market during July were characterised by their trading, reduced volatility in exchange rate, even a marginal appreciation of the rupee above the RBI's long-standing reference rate of Rs 31.37 due to inflow of dollar on account of FIIs' gross investment to the tune of US $858 million, and considerable and persistent, weakening of the annualised forward premia (six month) from 6.2 per cent to the lowest level in months of 5.50 to 5.75 per cent (Graph B).

Secondary Market

Dated Securities

The secondary market witnessed brisker trading activities in government securities as the volume of trading and number of traded stocks increased during July. In TBs, the yield difference between primary and secondary market got narrower and finally towards the end of the month, turned positive. The relatively easier condition in call rates and RBI's directive regarding fixation of permanent and current category to 60:40 level from the earlier level of 70:30 led to offloading of a large number of securities, mostly low coupon, long-dated regular stocks, resulting in higher turnover. However, the short-dated converted securities like 12 per cent, 1995 and 12.75 per cent 1996 were underpinned by strong demand and remained firm (Appendix Table).

Yield Curve

With the improvement in liquidity situation and expectations of an unbridled expansion in government expenditure essentially to be financed through ad hocs and other debt monetisation indicating thereby large primary money expansion and possibly a gradual fall in the interest rate structure over the months, the secondary market yield structure started moving downwards, which was also reinforced by the policy stance adopted by the RBI in regard to open market operations and more significantly in determining the yield rates on primary issues of government paper. Consequently, the average yield curve for the month remained inverted, or at any rate flat (Graph C and D). However, on a day of maximum transactions (July 28) the combined yield curve for 364-day TBs and GOI dated paper appears upward sloping and fairly consistent with normal expectations (Graph E).

Other Developments

STCI's Operations

The Securities Trading Corporation of India – the primary dealer designate – started offering two-day quotes in select government securities and treasury bills from June 28. The STCI announces indicative opening rates every morning and the rates vary according to the volume and movement of market rates during the day. The rates quoted by STCI so far have indicated thin spreads; 14 per cent 2005 stock, for instance, was offered for purchase at a rate of Rs 100.15 and for sale at Rs 100.30.

It is difficult to gauge the market response to STCI's offers from the SGL account operations as the prices quoted by STCI are only indicative and transactions may or may not take place at those prices. As is evident, there was little activity at STCI's rate in the market. This was on account of the restriction put by STCI on transactions. While banks could purchase any amount of securities or treasury bills offered by STCI, for its own purchases from banks, STCI

Table 5: Operations of National Stock Exchange (NSE) during July 1995

Descriptors	Week Ending July: Amount in Rupees Crore														
	28			21			14			7			Total during July		
	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded
	Buy	Sell	Amount	Buy	Sell	Amount	Buy	Sell	Amount	Buy	Sell	Amount	Buy	Sell	Amount
1 Treasury bills															
i) 91-day bills	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
ii) 364-day bills	69.00	69.00	69.00	25.00	25.00	25.00	90.00	80.00	80.00	150.50	150.50	150.50	334.50	324.50	324.50
Sub-total: Traded value	69 00	69.00	69.00	25.00	25.00	25.00	90.00	80.00	80.00	150.50	150.50	150.50	334.50	324.50	324.50
A GOI securities															
i) Converted	340.05	335.05	280.05	198.90	176.90	138.90	491.50	507.50	323.50	192.25	142.25	142.25	1222.70	1161.70	884.70
ii) Regular	65.45	65.48	65.48	105.13	95.13	70.13	7.75	7.75	7.75	13.58	13.58	13.58	191.91	181.94	156.94
iii) Zero coupon	35.00	45.07	35.00	25.00	25.00	25.00	-	-	-	33.00	33.00	33.00	93.00	103.07	93.00
iv) Repo	-	-	-	-	-	-	-	-	-	25.00	25.00	25.00	25.00	25.00	25.00
B State govts stocks	0.04	2.04	0.04	-	-	-	0.08	2.08	0.08	-	-	-	0.12	4.12	0.12
Sub-total: Traded value	440.54	447.64	380.57	329.03	297.03	234.03	499.33	517.33	331.33	263.83	213.83	213.83	1532.73	1475.83	1159.76
3 PSU bonds															
i) Tax free	30.62	33.82	30.62	22.61	23.21	22.61	11.34	11.59	10.19	18.13	18.73	18.03	82.70	87.35	81.45
ii) Taxable	12.09	17.09	12.09	29.59	64.59	29.09	27.10	63.60	27.10	28.28	31.03	28.03	97.06	176.31	96.31
Sub-total: Traded value	42.71	50.91	42.71	52.20	87.80	51.70	38.44	75.19	37.29	46.41	49.76	46.06	179.76	263.66	177.76
4 Commercial papers	10.00	10.00	10.00	-	-	-	2.00	-	-	7.00	2.00	2.00	19.00	12.00	12.00
5 Debentures+ID+IB	7.90	7.90	7.90	-	-	-	-	-	-	-	-	-	7.90	7.90	7.90
Grand total (volume)	570.15	585.45	510.18	406.23	409.83	310.73	629.77	672.52	448.62	467.74	416.09	412.39	2073.89	2083.89	1681.92

(–) No trading ID: DMNI Bonds IB: Institutional Bonds

Appendix Table: Secondary Money Market Operations: RBI's SGL Data

(Amount in rupees, crore)

Descriptions	Week Ending July 1995: Yield to Maturity on Actual Trading												Total for the Month		
	28			21			14			7 of July 1995					
	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY
I Treasury Bills															
A.91-Day Bills															
i) Jul 29, 1995	3.00	14.46	-	-	-	-	-	-	-	2.00	13.96	-	5.00	14.26	-
ii) Aug 05, 1995	-	-	-	-	-	-	-	-	-	16.00	14.81	-	16.00	14.81	-
Sub-total (volume)	3.00	14.46	-	-	-	-	-	-	-	18.00	14.71	-	21.00	14.68	-
B.364-Day Bills															
i) Aug 04, 1995	17.08	10.06	-	42.00	12.99	-	27.00	13.71	-	10.00	13.94	-	96.08	12.77	-
ii) Aug 18, 1995	42.9	12.19	-	137.55	13.27	-	248.97	13.55	-	65.89	13 94	-	495.31	13.40	-
iii) Sept 01, 1995	176 78	12.46	-	140.98	12.80	-	343.05	13.77	-	387.65	13.91	-	1048.46	13.47	-
iv) Nov 10, 1995	0.60	11.80	-	-	-	-	-	-	-	-	-	-	0.60	11.80	-
v) Dec 18, 1995	-	-	-	1.00	12.86	-	-	-	-	-	-	-	1.00	12.86	-
Sub-total (volume)*	237.36	12.24	-	321.53	13 02	-	619.02	13.68	-	463.54	13.92	-	1641.45	13.41	-
2.GOI Dated Securities															
A. Converted (Per Cent: Year)															
i) 12.00, 1995	153.15	9 74	11.95	82.00	11.02	11.98	167.67	11.61	11 99	120.00	12 83	12.03	522.82	11.25	11.99
ii) 12.75, 1996	168.21	12.45	12.75	157.25	12.80	12.76	255.98	13.08	12.79	49.98	13.30	12.81	631.42	12.86	12.77
iii) 12.00, 1999	239 00	13.73	12.62	30.00	13.88	12.68	16.00	13 74	12.63	-	-	-	285.00	13.75	12.63
iv) 13.25, 2000	-	-	-	-	-	-	-	-	-	2.37	13.51	14.13	2.37	13.51	14.13
v) 11.75, 2001	-	-	-	-	-	-	1.00	13.79	12.81	1.00	13.77	12.81	2.00	13.78	12.81
vi) 12.50, 2004	55.50	14.01	13.51	31.65	14.01	13.51	40.50	14.02	13.51	23.45	13.91	13.36	151 10	14.00	13.49
Sub-total (volume)	615.86	12.42	12 57	300.90	12 55	12 62	481.15	12.67	12.57	196.80	13 09	12.42	1594 71	12.60	12.56
B. Regular (Per Cent: Year)															
i) 8.25, 1995	39.01	10.00	8 28	32.80	10.71	8.29	-	-	-	49.80	11.97	8.32	121.61	11 00	8.30
ii) 10.75, 1996	49 63	13.18	11.05	10.50	13.38	11 08	12.50	13.47	11 10	-	-	-	72 63	13 26	11.06
iii) 12.00, 1997	3 00	14.03	12.41	-	-	-	-	-	-	-	-	-	3.00	14.03	12.41
iv) 13.25, 1997	-	-	-	1 00	13.25	13 25	-	-	-	-	-	-	1.00	13.25	13.25
v) 10.75, 2000	20 00	14.19	12.20	-	-	-	1.38	13.94	12.10	-	-	-	21.38	14.17	12.19
vi) 11.55, 2002	0 65	13.46	12 66	-	-	-	2.98	13.63	12 76	2.00	13.37	12.61	5.63	13.52	12.70
vii) 13.80, 2002	5.00	13.80	13.80	10.00	13 80	13.80	1.00	13.78	13 79	-	-	-	16.00	13.80	13.80
viii) 11.30, 2004	15.00	14 15	13 22	-	-	-	-	-	-	10.00	14.18	13.25	25.00	14.16	13.23
ix) 13 75, 2005	6 00	13.86	13.84	5.00	13.89	13 86	-	-	-	0.02	13.37	13.48	11.02	13.87	13.85
x) 14.00, 2005	-	-	-	10.00	14.04	15.16	0.10	13 82	13.87	8.54	13.95	13 96	18.64	14.00	14.60
xi) 14.00, 2005 (II)	3 82	13.90	13.93	2.04	13.91	13.94	5.50	13.92	13.94	2.00	13 91	13 94	13.36	13.91	13.94
xii) 11.50, 2008	-	-	-	-	-	-	12.25	12.91	12.60	-	-	-	12.25	12.91	12.60
Sub-total (volume)	142 11	12 64	11.01	71.34	12.35	11 06	35.71	13.38	12.31	72 36	12.60	9.94	321.52	12.65	10.92
(A+B)*	757.97	12 46	12.28	372.24	12 51	12 32	516.86	12 72	12.55	269.16	12.96	11.75	1916.23	12.61	12.28
C Zero coupon (Per Cent Year)															
(i) 0.00, 1999	99.25	14.12	11.05	-	-	-	50.00	14.33	11.19	20.00	14.50	11.26	169.25	14.23	11.12
D. RBI's Open Market Operations	13.50	13.93	13.95	30.93	13.93	13 95	6.23	13 93	13 95	0 25	13 73	13.76	50.91	13 93	13.95
(A+B+C+D)	870.72	12.67	12.16	403.17	12 62	12 44	573 09	12.87	12.44	289.41	13 06	11 71	2136.39	12.77	12.23
3. REPO															
(i) 91-Day T Bill	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(ii) 364-Day T Bill	108.00	-	-	-	-	-	125.00	-	-	8.00	-	-	241.00	-	-
(iii) Govt Securities (Per Cent: Year)															
12.00 1995	-	-	-	70.00	-	-	80.00	-	-	280.00	-	-	430.00	-	-
12.75 1996	595.00	-	-	270.00	-	-	470.00	-	-	584.00	-	-	1919.00	-	-
13.25 1997	-	-	-	100.00	-	-	-	-	-	-	-	-	100.00	-	-
12.00 1999	13.00	-	-	52 00	-	-	40.00	-	-	93.00	-	-	198.00	-	-
12.50 2004	50.00	-	-	675.00	-	-	129 00	-	-	150.00	-	-	1004.00	-	-
Zero coupon 2000	70.00	-	-	-	-	-	-	-	-	-	-	-	70.00	-	-
Sub-total(volume)	836.00	-	-	1167.00	-	-	844.00	-	-	1115.00	-	-	3962.00	-	-
4. State Govt Securities	0.60	13.38	13.41	0.20	13.97	13.97	1.98	13.08	12.75	-	-	-	2.78	13.21	12.98
Grand total(volume)	1947.68			1891.90			2038.09			1885.95			7763.62	-	-

(-) means no trading YTM = Yield to maturity in percentage per annum CY = Current yield in per cent per annum * Yield rates of these sub-groups of TBS and dated securities have been used for the graphs.

Notes: 1) Yields are weighted yields, weighted by the amounts of each transaction. 2) Current yield has not been worked out for treasury bills.

placed a ceiling of rupees one crore. STCI cited resources constraint as a reason for this restriction. According to STCI, unlimited purchases could also result in dumping of unwanted, low-yielding securities from the market with the STCI.

Given the early stages of institutional development in the debt market in India, the cautious approach of STCI is understandable. However, being the first primary dealer to become operational before the official announcement on the list of primary dealers by the RBI, STCI's operations in this respect have great significance.

NSE Operations

The total traded volume in the wholesale debt market at the National Stock Exchange (NSE) crossed Rs 10,500 crore mark in its first year of operation ended June 30. Debt market operations at the NSE started with 224 securities. The list of securities now has 425 scrips. As against 19 members at the beginning of NSE, it now has 375 active members.

Interestingly, the NSE has entered the second year of its operations with an improvement in its trading volume, from Rs 1,203 crore in June to Rs 1,682 crore in July. Reflecting stable conditions in the money market and the debt market having obtained some transparency, the buy and sell orders on the NSE are getting generally evened (see Table 5).

[Statistical computations for this paper were undertaken by V P Prasanth.]

POLICY WATCH

Life after Enron

Jayati Ghosh
Abhijit Sen
C P Chandrasekhar

The Enron agreement was only one of eight so-called 'fast track' agreements with multinational companies on terms, essentially dictated by the union ministry of power, which are ruinous for the concerned state governments and for power consumers. However, the danger of focusing only on these specific projects is that attention may be diverted from the more fundamental task of framing a new policy for the power sector. What are the dimensions of the crisis facing the power sector and how can it be resolved? Confusion on these basic issues has led to many reactions to the Enron fiasco which are erroneous and misleading.

THE extensive public discussion in the wake of the cancellation of the Enron-led Dabhol power project by the Maharashtra government is certainly welcome. What is perhaps most noticeable about this discussion, which is basically about whether the project should have been cancelled or renegotiated, is that there are now fewer takers for the argument that the outlook on the power situation is so bleak in the near future that private foreign investment in the power sector should be sought immediately, whatever the costs. The most amusing part of the Enron fall-out is that those who were till now the most ardent supporters of the central government's 'fast track' approach to the power sector have suddenly been converted into advocates of more protracted negotiation. And, in the process, it is also illuminating to watch multinational companies with similar projects in the pipeline respond rapidly to the 'new' environment. Thus, GE struck the first blow by revealing that it could bid much lower than Enron for the Dabhol project, thereby breaking an implicit cartel that leading companies had developed with respect to negotiations with government; and all the companies involved in the 'fast-track' projects have responded by lowering project costs and estimated tariffs. Cogentrix has already knocked Rs 200 crore off from the cost of its Mangalore project, and may well bring down the cost further with a little more pressure. Similar tendencies are under way in Andhra Pradesh and Orissa, where multinational companies are suddenly proving to be remarkably flexible in adjusting estimated costs downwards and in meeting other demands they had earlier rejected. So other state governments must indeed be grateful to the Maharashtra government for this positive externality of the scrapping of the Enron deal, as well as shamed by this reflection on their poor bargaining skills.

The critics who argue that the Maharashtra government should have renegotiated with Enron, rather than cancel the project outright, are certainly correct in pointing out that the decision to cancel the contract was driven mainly by political considerations. The BJP-Shiv Sena alliance had stolen the issue from the Left in a blatant pre-election attempt to garner more broad-based support. With little expertise on economic or technical aspects of the matter, the alliance borrowed arguments from the Left and from independent bodies such as the National Working Group on Power, and then managed to mix this into the anti-corruption cocktail with which it had successfully campaigned against Sharad Pawar. However, when it came to making the actual decision to cancel, there was much heart-burning in the saffron combine. This was in part because the Pawar administration had made things difficult by legally binding the Maharashtra government to the deal in its last days in office, but mainly because the BJP is still led by those who are averse to being seen as unfriendly to foreign investment. Enron's reaction to the BJP-Shiv Sena victory was therefore a predictable one. With the aid of certain ministers from foreign countries, it raised the bogey that cancellation would put foreign investors off, but, simultaneously, it offered to renegotiate the contract. On a more legalistic plane, it formally demanded $ 100 million as compensation for cancellation, and then proceeded to speed up both the pace of investment and work at the project-site, knowing full well that this would enable it to demand more compensation. Thus, Enron gambled on the BJP leadership's desire for a pro-MNC image, while taking legal steps to guard its flank if the gamble failed. But this was a bluff waiting to be called. Having announced its compensation claim, Enron had opened up the possibility that the Maharashtra government could cancel the project while accepting arbitration within the terms of the contract, and so be immune to any accusation of violating contractual obligations. On assuming office, the new government was therefore faced with a simple economic question: was cancellation of the project worth the $ 100 million, or Rs 300 crore, which was the most that Enron could have demanded in any arbitration provided for in the contract? As is by now evident, just the gains from the offer of all the other companies to renegotiate would have economically justified such immediate cancellation with compensation.

But, in fact, the final decision, by its very nature, could not be anything but political. Not only were there differences of perceptions within the BJP-Sena combine about the economic merits of foreign investment in the power sector, but the combine, never strong on economic arguments, had pegged this issue essentially as part of its wider campaign against corruption of the Congress. As it stands, the decision represents a victory for those within the saffron parties who argued that the political mileage that the issue had brought would evaporate if the deal was not cancelled. But the pulls and pressures within these parties resulted in the decision to be delayed so much that Enron could push up its compensation demand from Rs 300 crore to about Rs 1,000 crore. Reportedly, the Maharashtra government has decided, against the advice of the bureaucracy, to neither renegotiate the contract nor accept arbitration on this higher compensation demand. And the resulting fall-out of the delay, that either a larger compensation will have to be paid or there is danger of being seen as defaulter of contractual obligations, is the crux of the argument advanced by those who are today in favour of renegotiating the contract.

Given the ambivalence in the saffron community, the contract may yet be renegotiated if political considerations abate after the next general elections. But, whatever happens eventually, it has to be noted that the cancellation has so far had positive effects even beyond the willingness of all the concerned MNCs to renegotiate their existing positions. Probably the most important of these is that a signal has been sent to the multinationals that Indian democracy, despite all its weaknesses, will not allow them to strike deals with governments, especially lame-duck governments, which are less than

transparent. In future multinationals are likely to avoid the sort of secrecy that Enron imposed (or tolerated) in its negotiations with the Pawar administration, and if this results in these corporations demanding improved transparency in agreements to come, the gain will be immense both in terms of political probity and simple economics.

Missing the Point

Those arguing for renegotiation rather than cancellation are thus missing the point entirely: cancellation was a necessary bargaining move to gain credibility for any renegotiation after the abject behaviour of the central and state governments in their previous negotiations. These critics may well be correct in that there is now a difficult dilemma, involving either high compensation or loss of investor confidence in the ability of governments to honour contracts. But, again, they are missing the point. As argued above, neither of these would have arisen had the Sangh 'parivar' really been clear about the issue and cancelled the project immediately upon taking office. The real problem is not that the project has been cancelled but that prevarications within the parivar prevented immediate cancellation.

Moreover, supporters of renegotiation with Enron tend to play down the costs of the original contract, and indeed of the entire 'fast track' policy of the government of India, when, after conceding that the scrapped contract was bad economics, they argue that a better contract still be struck. In this context, it is worth noting that these critics of cancellation do not in the main disagree with the Munde Committee's observations on the many costs and adverse economic implications of the deal. These observations, almost all of which had been made earlier by others, such as the National Working Group on Power, and to which the committee has given its official imprimatur, include

(1) the high return on equity investment to the investor, with a floor of 16 per cent in dollar terms;
(2) an effective internal rate of return of more than 30 per cent given the guaranteed offtake of 85-90 per cent at the expense of other cheaper sources of power that the State Electricity Board could have accessed;
(3) a government of India guarantee of payments at this rate in case the Maharashtra State Electricity Board was unable to pay;
(4) an incentive to inflate capital costs in relation to similar projects abroad and those potentially available indigenously, stemming from these guarantees, by including in this cost non-plant and equipment items such as 'upfront fees' and 'technical consultancy fees', etc, as well as high non-tendered provision of generation equipment from the equity partners in the project, General Electric and Bechtel,
(5) high recurring costs and high and escalating tariffs on the power to be supplied, since the expenses chargeable during the life of the project provide increases for inflation as well as for escalation of other components of cost such as management fee, testing fee, commissioning fee, insurance charges, etc,
(6) unfavourable financing terms, since rates of interest on debt are fixed until the closure of the project, even though typically debts on such loans can be renegotiated as the risk falls with the life of the project, and
(7) substantial foreign exchange costs over the medium and term, in terms of large net outflows after the initial relatively short period of capital inflow to the extent that the cumulative outflow has been estimated (by the National Working Group on Power) to be about 30 times more than would occur on an indigenous route for the same power supply.

And, it is important to remember that the Enron agreement was only one – in fact, the first – of a number of such 'fast track' agreements with multinational power companies that have been recently negotiated by state governments as part of the government of India's new power policy explicitly based on offering concessions to foreign investors. The package of concessions suggested by the ministry of power, which have guided negotiations in all of these eight projects, includes a 16 per cent rate of return on equity at a plant load factor of 68.5 per cent, with 0.7 per cent more for every percentage point of PLF over 68.5 per cent. In addition, the concessions include the computation of power tariffs in foreign exchange, guaranteed offtake (in terms of power demanded) higher than the current load demand, the use of imported oils and gas as fuels instead of indigenous fuels and depreciation of capital at 8.24 per cent per annum instead of the earlier 3.5 per cent. What has become evident is that all of the agreements so far negotiated have been on terms which are relatively less favourable for the state governments and for Indian consumers – so much so that the multinationals involved have shown great alacrity in offering some small revisions in their agreements in their desire to avoid anything like the Enron fiasco. Clearly there is substantial scope for renegotiating all of the other projects to ensure better terms and lower costs for the country.

Need for New Policy

The danger, however, is that focusing only upon these specific projects with their costs and benefits, can actually obscure the more fundamental need for a new and transformed policy towards the energy sector which will be better suited to the country's needs. There is no doubt at all that the power sector in India today is in crisis; the question is what the dimensions of this crisis are and how it can be resolved. Confusion over this basic question has led to many reactions to the Enron issue which are erroneous and misleading.

Thus, even today it is argued in certain sections of the press, as well as by some officials, that foreign private investment by multinationals is the only option for a country facing a power situation that is woefully inadequate in terms of availability and consistency of supply, and is predominantly serviced by bankrupt public power utilities. This argument is so widespread that it is even implicitly accepted by some critics of the Enron deal, such as the Shiv Sena spokesman who is reported to have said "we do not need power". And, most strikingly, in Orissa, where, like elsewhere, the new Congress government has decided to renegotiate the Ib valley project, it has accepted without much public discussion a much more far-reaching and comprehensive strategy for the power sector than the previous administration reached with external donors.

Under this $2.6 billion plan for restructuring Orissa's power sector during 1996-2001, generation, transmission and distribution are to be separated and put on offer to different companies, with private financial participation to the tune of $1.45 billion. According to reports, the plan envisages that existing projects with the Orissa State Electricity Board would be handed over the Orissa Hydro Power Corporation (OHPC), the Orissa Power Generating Company and the National Thermal Power Corporation (which is to get Talcher in lieu of power the OSEB has not paid for), while future thermal power projects would be left to private (foreign) investment. In addition, a company (GRIDCO) is to be set up to take over bulk procurement from private generators for supply to private distributors. Finally OHPC and GRIDCO would be gradually privatised.

The World Bank, which is the prime mover of this programme, sees such 'reforms' as inevitable given the deteriorating power situation, lack of resources with the SEBs and state governments, the constraints on additional funding from the Power Finance Corporation and limits to the counter-guarantees that the centre can provide. But the costs are also clear. Despite the hikes in power tariffs in the past three years, these are expected to rise in Orissa at a minimum by 15 per cent a year till 1998, as part of a process aimed at taking tariffs to levels where they provide a return of 16 per cent of equity investments. It is also expected that rationalisation would lead to some loss of

employment in the OSEB, when staff are transferred to a new cadre. And, finally, while control over generation and distribution is to pass almost completely to the private sector by year 2001, regulation is to be scaled down and shifted out from the hands of the state to an 'independent' regulator, financed with a cess on the private generating and distributing companies. In sum, any attempt to influence power sector growth taking into account objectives other than private profits is to be abjured.

Indeed, such wholesale privatisation programmes, premised on the assumption of impending power shortages and of the insolvency of SEBs, are, if anything, likely to be put sooner on the agenda as a result of the Enron debacle. Already, some erstwhile critics of Enron, for example Kirit Parikh, have taken the position that not only should the deal itself be renegotiated but also that transmission and distribution be privatised to ensure that future Power Purchase Agreements are drawn up on purely commercial terms and do not get enmeshed in political controversy. This is a seductive idea which is likely to be clutched at by the reformers now reeling from the political fall-out of the obvious flaws in their earlier 'fast-track' policy. But the basis of this argument, that massive investment is unavoidable and that SEBs are bankrupt and too inefficient, is not only a massive simplification, it is also based on a misunderstanding of the basis of the present predicament of the Indian power sector.

Overestimation of Demand

There are two aspects of the power problem that need to be sorted out very clearly before strategies can be effectively pursued. The first relates to the overall requirement of power in the country – the estimation of future demand. Here a case can effectively be made that the official government estimates are very much on the high side, and constitute an exaggeration of the power requirements and therefore also of the installed capacity required and the capital costs of such capacity. Thus, the official estimate is that the country needs a total of 1,04,000 MW of power in the Eighth Plan period, and an additional 94,000 MW in the Ninth Plan. However, as the Working Group on Power has argued, these are gross over-estimates. As against a peak demand of 64,000 MW expected by the government in 1994-95, the actual peak demand was only around 58,000 MW; and, although the official demand estimate for 1996-97 is 74,000 MW, this is unlikely to exceed 67,000 MW by the end of this Plan period. In the meantime, the actual installed capacity at the end of the Eighth Plan period will be at least 89,000 MW even if no new private plants come on stream and public sector investment is restricted to ongoing projects. Shortages will certainly continue under the worst-case assumption that there is no improvement in the low current capacity utilisation rates, but, even then, the percentage shortfall in 1996-97 will not be much higher than at present. And, with plausible assumptions about improved utilisation, the actual shortfall may be much lower with better management even if there is no further investment than the public sector projects already under way. Indeed, one reason why there is no longer the same sense of crisis about the immediate future, and therefore renegotiation rather than 'fast-track' is the current buzz-word, is this recognition by most power experts that previous demand estimates were unduly exaggerated.

Besides this problem of overestimation of demand, there are further difficulties with the approach to energy use and its planning. The basis of the current policy is that demand for power is essentially autonomous of the power policy, and the role of policy is to ensure an adequate supply to meet that demand. The interactions between the form and manner of supply, and demand, are totally ignored. In addition, as A K N Reddy and others have pointed out, this approach is typical of a energy paradigm which is increasingly discredited around the world.

Such criticism becomes even more weighty when one notes that not only is there very

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little investment on reducing energy requirement by improving efficiency at the user end, but that all the demand-supply projections assume that generation has to be 20 per cent higher than final consumption to compensate for inefficient transmission and losses in distribution. In fact, with current shortages less than transmission and distribution losses, it can be plausibly argued that this, rather than insufficiency of aggregate power generation, is the real problem today. Thus, a World Bank study of 1990 indicated that using existing tie lines and transferring electricity from surplus to deficit areas could have reduced shortages by half. Similarly, integrating the grid and better maintenance of existing capacity can bring down plant margins considerably, which would also reduce the need for creating additional capacity. Clearly, much greater attention than currently needs to be given to issues other than investment in generating capacity. And advocates of comprehensive privatisation may argue that their proposals do address this because it is precisely the inefficiency of the SEBs which is at the root of the problem.

Finding the Resources

The other important constraint in the power sector today is no doubt the shortage of investible resources. The capital crunch which prevents much-needed investments in additional electricity generation capacity has become the single most important variable for both government and private industry, and – thanks to the constant media attention – also dominates the perceptions of ordinary citizens. Yet not only is this shortage typically exaggerated because of the inflated estimates of demand, but discussions of this problem usually neglect to mention the primary causes of this capital shortage. The domestic sources of investible funds for the power sector include the government, the State Electricity Boards (SEBs) and the domestic private sector, while foreign sources include multilateral financing institutions, transnational banks and direct foreign investors. For various reasons, only the last source is seen as relevant for India today, and domestic sources of finance are written off altogether. The inability to consider domestic sources of finance as feasible options springs from what is ultimately the real source of the power crisis – the chronic financial difficulties of the SEBs.

On the face of it, the SEBs are the obvious source of new investments in the power sector, and ideally they should be able to raise the money required for any new investments in generation capacity either from their own resources, from banks or from the government. Yet the various SEBs across the country suffer from continuing losses and are in very dire financial straits, so much so that their combined losses total more than Rs 8,000 crore per annum. This amount is not only a massive drain on the public exchequer, but it is also routinely touted as glaring proof of the 'inefficiency' of these public sector undertakings. However, it is manifestly unjust to accuse the SEBs of inefficiency when they are not allowed to run as autonomous businesses and their problems stem from causes that are essentially political in nature.

The greatest portion of the losses of the SEBs is made up of two components: the underpricing (relative to cost) of power to final consumers, and the losses incurred in the transmission and distribution of power. Both of these amount to subsidies to consumers: the first explicit, and the second implicit because much of the 'losses' in transmission come from unauthorised lines and users who are not prevented from accessing the power because of political reasons. There is no question that the pricing of power is a highly sensitive political issue which also has significant implications for growth, and it is hard to think of any country or region where such pricing is left entirely to market forces. But the point is that the decision to keep electricity tariffs at a certain level – which is ostensibly made by the SEBs but is actually a political decision of governments – has direct implications for the profitability of the SEBs themselves, and certainly affects the possibility of internal resource mobilisation for future investment.

Each of the eight 'fast-track' power generations schemes with foreign investors that has come up under the aegis of the new power policy of the GOI would actually make matters worse for the SEB concerned. Each of them adds to the financial burden of the SEBs, by raising the cost per unit of electricity generated, by imposing plant load factor conditions which force the SEBs to buy the highest cost power even in non-peak periods, and in a variety of other ways that are embedded in the contracts. Thus these schemes would actually worsen the power crisis in the country in the medium term because they would exacerbate the root cause of the problem, which is the financial plight of the SEBs. They are therefore undesirable and ineffective as solutions to the problem quite apart from the other negative aspects of the contracts.

Case for Subsidy

But if that is so, then what would solve the problem of ensuring safe, reliable and adequate power supply in the country as a whole? Once again, the answer must come from a changed perception of the role and functions of the SEBs since, as we have seen, they are at the heart of the problem. Clearly, the present situation is unsustainable no matter what type of economic regime is envisaged. The SEBs must be made either commercially viable or fiscally viable. The first option requires that the SEBs function like any other independent commercial enterprises, and are allowed to charge power tariffs as determined by cost. This would entail removal of explicit and implicit subsidies, and result in massive increases in the price of power to all consumers. However, there are problems with this option, quite independent of the obvious political difficulty of implementation. No developing country can really afford to allow such market determination of power tariffs because of the very large growth and welfare implications of such a strategy. The fact that such subsidies on power routinely benefit the richer groups (who are the greater consumers of electricity) more than the poor should not be allowed to detract from the role of power supply in the industrialisation and development process. In fact, differential pricing for different types of consumers (agricultural, industrial, etc) is a standard means of simultaneously promoting growth and distributional goals in all economies. And therefore the provisioning and pricing of electricity has to be part of broader social goals which can,ultimately, only be politically determined.

The second option - that of ensuring fiscal viability - requires accepting that a certain level of subsidy to electricity consumers is either socially desirable or politically necessary. This hard-headed acceptance in turn implies that matching funds for this subsidy have to be found in current revenues of the government, through more tax receipts or some other means. The associated 'losses' of SEBs would then have to be viewed not as indicators of inefficient functioning, but as the result of politico-economic decisions about access to electricity as a service. Of course, this need not vitiate the continuing search for cheaper and better sources of power generation or the need for greater conservation and more rationalised distribution which would minimise transmission losses. However, it would ensure that investment requirements of the SEBs would be met as part of the government's duty in providing basic infrastructural services, and resources for such investment would have to be raised as routinely and automatically as the money for defence spending appears to be found. It seems that the GOI has already implicitly accepted this principle when it agrees to provide guarantees to foreign investors for their expansion of power generation capacity. Yet the more logical course would be for the government to actually provide such guarantees and safeguards to the SEBs and then allow them to negotiate for the cheapest source of investible funds, rather than continuously berate them for their poor financial performance.

COMMENTARY

Enron: The Drama Continues

P Purkayastha

The Enron fiasco has brought out the pitfalls in the current path of power development in the country. The high rate of return, the incentive to inflate project costs and use of imported fuels are all common to most of the power projects being considered with private investment. If the current policies are not viable, what should be the core of the alternative ones? And what should be the regulatory regime that needs to be put in place?

THE Dabhol project of Enron now stands repudiated with the acceptance of the Munde Commitee Report by the Maharashtra government. The people of Maharashtra deserve all credit for this, as it was their continued struggle that kept up the pressure on this ruinous project. The significant difference between the Dabhol case and the other seven 'fast track' projects is that the people of Maharashtra put up a resistance. Unfortunately, other states have shown little response to the burdens being imposed on them through Power Purchase Agreements (PPAs) that are equally one-sided.

The 26th report of the Standing Committee of Parliament on Energy and the Munde Committee Report both have substantiated what the critics have held all along – the cost of the project is too high and the delivered cost of power would impose heavy losses on the Maharashtra Electricity Board. With the guaranteed 90 per cent withdrawal from Enron's Dabhol plant, MSEB would have to back down its own cheaper generation. Further, the tariff being dominated in dollars and the import of diesel/LNG exposed the Indian economy to heavy outflows.

The award of the Dabhol contract as well as its cancellation both raise a number of questions that are important for transacting future business as a nation. The award of the Dabhol project to Enron was in pursuance of a policy that was fundamentally flawed. Clearly, a policy as important as power cannot be decided by a few bureaucrats in the Department of Power who lack an elementary knowledge of the sector. Not surprisingly, such policy exercises descend to mere sycophancy. A bad policy is difficult to implement – this the current fiasco of the fast track projects has shown. This should be a salutary lesson for all concerned, both policy-makers with their own agenda and hungry multinationals, willing to wheel and deal their way into sweetheart deals.

The cancellation of the project by the Maharashtra government also raises important questions. The BJP-Shiv Sena alliance had made a campaign promise to cancel Dabhol and their leaders had clearly indicated in private the importance of fulfilling this pledge, if they were to make anything out of their anti-corruption campaign plank for 1996. Presumably, they had been well briefed on the Dabhol project, otherwise their campaign promise must be considered irresponsible.

The Munde Committee Report and chief minister Manohar Joshi's statement in the assembly do not appear to contain any new material. It does seem that the grounds on which the Maharashtra government took its decision were all in the public domain, once the Dabhol PPA had become public.

With all this, it is strange then that the Maharashtra government allowed Enron to continue its construction activities and thereby boost its compensation claims. A much simpler course would have been to declare a moratorium on construction during the period of review. Enron initially had claimed that they had spent only $ 100 million when the new Maharashtra government took over and began its review. Enron has spent this entire period of review in bringing in its equity early and awarding contracts to a large number of contractors with an eye to filing large cancellation claims. This game plan was facilitated by the extension of the review period as they got more time to pad their termination claims. The claim now stands at $ 300 million, an increase of $ 200 million, entirely due to the additional time granted to Enron. A moratorium on construction would have capped the termination claims within the $ 100 million Enron had stated that it had spent till then.

The cancellation of the contract has undoubtedly won BJP the political high ground in its battle for the 1996 Lok Sabha. And the cancellation under clause 17.2 still allows the state government to reach a negotiated settlement with Enron in about six months' time when the Lok Sabha elections are over. That way, BJP can have its cake and eat it too. The Dabhol project could stay in suspended animation, while the Lok Sabha elections are fought on the basis of its cancellation. No wonder the Maharashtra government has now gone on record that while the first stage of Dabhol has been repudiated and the second stage cancelled, MSEB has not been instructed to cancel the Power Purchase Agreement. Obviously, there is more to it than meets the eye on *l'affaire* Enron.

Perhaps this explains BJP's strategy of allowing Enron to go ahead with construction while reviewing the project.. The large compensation claim would justify a negotiated settlement later while delaying the review brought it closer to the Lok Sabha elections thus maximising the impact of the cancellation. That BJP is not looking at the policy issues involved is clear from its attitude to other fast track projects. While the Left and JD (minus Deva Gowda) have asked for a review of all the fast track projects, BJP has raised only the issue of Cogentrix. They are silent on the Gujarat Torrent project, also one of the fast track areas and currently under attack. GE, one of the manufacturers, has already complained that even though their bid was Rs 400 crore less than that of Siemens for the EPC contract, this has not been accepted thereby artificially inflating the cost of the project. Obviously, the Dabhol project cancellation had more to do with immediate electoral arithmetic. The Dabhol case had become a major issue in the Konkan area and had been exposed by a number of reputed experts including three former chairmen of the Central Electricity Authority. The BJP was thus able to seize a readymade issue and use it to its advantage. Its Swadeshi credentials can be truly tested only when it responds to other such issues that have not yet become public campaigns. Otherwise, the Dabhol case is but another gimmick in BJP's cynical manipulation of public opinion.

The Enron fiasco, whatever be the final fate of the project, has shown that an ill conceived policy is difficult to implement, particularly if the people are conscious. The National Working Group on Power consisting of various experts including three former chairmen of the Central Electricity Authority had been critical of the government of India's power policies. N K P Salve, the union minister for power, and the mandarins in the power ministry contemptuously dismissed all earlier criticism of the policy as being "ideologically motivated". Reacting to the criticism, Salve even categorised the critics publicly as those who are "dead in the power sector". Unfortunately for Salve, the voice of the 'dead' proved more powerful. And that spelt doom for the policy.

The repercussion of Salve's failure to provide a viable policy for expanding the power sector is that the Indian power

programme now has a gaping hole. Power shortages will now dog the economy for the next decade. The Eighth Plan had envisaged at least 5,000-10,000 MW of private power. We will be lucky if we see even a tenth of this materialise. The Ninth Plan scenario is even more bleak. No advance action for the Ninth Plan is being taken as the power ministry expected the private sector to take on the mantle for expanding the power sector. With private investments in power in a logjam following Enron, the prospects of large-scale private investments in the Ninth Plan may not materialise. Meanwhile, the State Electricity Boards are continuing to lose heavily, their annual losses running at about Rs 8,000 crore currently.

The Eighth Plan power programme was supposedly for adding 33,000 MW. The slow pace of the programme makes it unlikely that we will add even 16,000 MW. While this will still mean an installed capacity of 86,000-89, 000 MW at the end of the Plan, this will fall far short of requirements if the system performance does not improve.

The power ministry's vision has been the simplistic one that the installed capacity has to expand in proportion to meet the future peak demand. As the government has no resources and the power sector cannot generate adequate internal resources, what A K N Reddy, one of our leading energy planners, terms as the "mendicant's approach" – go begging all over the world for private investments – was adopted. And if the response is not forthcoming, offer more and more concessions.

The final package of concessions was such that the internal rate of return on equity, the basic investment parameter in business, was in the range of 30-32 per cent. This may be contrasted with the staid 11-14 per cent that these companies can earn on their home beat. No wonder, the chairman of British Gas said at the company's annual general meeting that British Gas had to go to unregulated markets to earn bigger margins—echoes of 'If you want to make your fortune, go east, young man' from an earlier era.

It is true that the Enron case had some deviations from the two-part tariff formulations of the current policy. However, the high rate of return, incentive to inflate project costs and use of imported fuels are all common to most of the projects being considered with private investments. The Cogentrix case in Karnataka has already been brought to public notice. In the case of the Visakhapatnam project of the Hindujas and Enron's Dabhol project, the Parliamentary Standing Committee on Energy (26th Report) found that there was clear evidence of cost padding. In the case of the Neyveli 'Zero' Unit, the Standing Committee uncovered that the whole project passed into private hands in a mere four days. It is also a project with the exceptionally high cost of Rs 5.5 crore per MW.

If the current policies are not viable, what should be the core of the alternative ones? And what should be the regulatory regime that needs to be followed? On the supply side, the major thrust should be for renovations and modernisation of the existing capacity. D V Kapoor, a former chairman of NTPC, has suggested that with an expenditure of less than a crore per MW, 7,000 to 10,000 MW can be generated additionally from existing power stations. Strengthening inter-state tie lines for transferring power from surplus to deficit areas can provide another 8,000 to 10,000 MW. If some of these measures are taken, the existing peak to installed capacity ratio will change from the pathetic 60-62 per cent it now is to about 70-75 per cent. Even then, these figures are lower than the global averages. It makes little sense to plough huge resources into adding to generation if full potential of the existing capacity is not first made use of.

This will still leave a gap between the future demand and the installed capacity that will have to be bridged by new investments. The new investments can be either through the state or the private sources or a combination of both. However, unlike any other industry, the electricity supply industry has two important characteristics. The withdrawal of power must match the supply at all instants of time as electrical energy cannot be stored. Further, the distribution of electricity is always a monopoly as the distribution lines cannot be duplicated. Therefore, any induction of private investments must take place within a strong regulatory framework so as to ensure grid discipline and a fair deal to the consumer. Unfortunately, there is no evidence that the government is even thinking about an appropriate regulatory regime. Even the meagre powers of the Central Electricity Authority are being whittled down with the World Bank reportedly recommending that it close shop.

This brings out the significant omission in the current debate. If the Electricity Boards and the powers that be decide to have sweetheart deals with private power generators by agreeing to high cost power, there is no agency to protect the consumers' interest. A high cost power regime benefits the private investors who are putting up the plants, the equipment manufacturers who can gold plate their equipment and those in power who decide the cost that the Electricity Boards will pay for the electricity produced. The only losers are the consumers, who have to buy power at whatever cost the Boards decide. Therefore any scheme of large-scale private generation must be preceded by the setting up of a strong regulatory structure. UK set up the regulatory structure before restructuring and privatisation of its electric supply industry. Here, instead of a competitive regime, we have the continuation of

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the licence-permit raj with the inclusion now of foreign power investors in the scheme of things.

The Enron fiasco has brought out the pitfalls in the current path of power development in the country. It is time that we take quick remedial measures before the power situation gets completely out of hand. The need is for a package of reforms that restore health to the State Electricity Boards and work out means for the least cost expansion of the power sector. India will do well to learn from the South Korean experience. The South Koreans have expanded the state sector for providing basic infrastructure like power and telecom while looking to the market for other areas. Instead of working out our distinctive path of development appropriate to our stage of development, the government is substituting slogans for policy. Unless this is reversed and hard thinking goes into working out concrete alternatives, the future of the power sector looks bleak.

V M Dandekar

A Vaidyanathan

A good bit of V M Dandekar's writings, being aimed at provoking wider public debate on politically charged issues, tended to be polemical. But this reflected the activist side of him – his view that knowledge was not merely a matter of scholarship but was meant to be used to educate and clarify issues to the public at large to facilitate better informed debate and decision-making. To this end he was willing to devote much time and effort to participate in official committees, non-official forums and the media.

VINAYAK MAHADEO DANDEKAR, distinguished economist and respected public figure, passed away in Pune after a brief illness on July 31. Born in 1920, he belonged to the generation which grew up at the height of the independence movement. Its ideals and ethos left an indelible imprint on his personal, professional and public life. His personal lifestyle was simple. He wore khadi most of the time, but in a natural unpretentious way.

As a professional economist he was throughout preoccupied with the basic problems of Indian society, namely, poverty, unemployment and inequality. While insisting on and maintaining high academic standards, he actively participated in, and often stirred, debates on a variety of important and practical policy issues in professional journals, in the media and public forums.

After taking a Master's degree in statistics from the Indian Statistical Institute, Dandekar joined the Gokhale Institute in 1945 and worked there till his retirement in 1980. He was director of the Institute for 10 years. His earliest writings dealt with problems of national income estimation in economies where non-market activities played an important role. Around that time (the late 1940s) the report of the National Income Committee had stimulated considerable interest in the potential use of household sample surveys to fill in major data-gaps, especially on the household economy. This led P C Mahalanobis at the Indian Statistical Institute to undertake a national household sample survey. Dandekar organised a similar survey in the Gokhale Institute using significantly different concepts, design and methods. He wrote two monographs discussing the methodology and the results of what came to be known as the Poona schedules. The relative merits of the two approaches were the subject of intense controversy between the two groups. But unfortunately the full potential for learning from the experience of these surveys through open, scholarly debate was not exploited. In the event, the government of India decided to entrust the responsibility for organising and conducting national sample surveys on a continuing basis to the ISI. In 1970, after NSSO was constituted into an autonomous organisation under the aegis of the government, Dandekar was made its chairman. He held this position for 10 years and made several innovative changes including the publication of *Sarvekshana* for disseminating the data more widely.

Land reforms, poverty and unemployment and agriculture were other themes on which Dandekar worked and wrote throughout the last four decades. Following a definitive study of the working of the Bombay Tenancy Act in 1957, he wrote several papers dealing with the wider Indian experience with land reforms and about the role of land reforms in agricultural development. His views on the subject changed radically over the years and in recent years he was arguing vigorously against restrictions on tenancy and [illegible] on landholdings. The effective use of modern technology, he felt, required certain minimum size of holdings and the need was to set a floor on holding-size rather than a ceiling. On poverty and unemployment, his joint monograph with Nilkant Rath titled *Poverty in India* has justly been hailed as a pioneering work. While the definition of the poverty line and estimates of poverty incidence had been written about and discussed by several scholars in the late 1960s and early 1970s, the Dandekar-Rath monograph was by far the most thorough discussion of the potential and the problems of public works strategies to increase employment and incomes of the rural poor. But he had been thinking about this problem much earlier; he published a monograph on the use of food surpluses in development as far back as 1956 and wrote a couple of papers on rural employment in the early 1960s.

He wrote extensively on various aspects of agriculture including regional variations in agriculture, agricultural pricing policy, crop insurance and the cattle problem. On the last-mentioned subject he stirred up an intense controversy: characteristically, he started a vigorous campaign in public for legalisation of cow slaughter at the height of a political agitation seeking its ban! He was impatient with, and dismissive of, those who focused on the economic and cultural rationale for Indian attitudes to cattle. He saw excessive numbers as the main reason for low productivity and advocated legalisation of cow slaughter as the remedy.

A good bit of Dandekar's writings – on subjects like cattle, agriculture pricing, role of trade unions, irrigation – being aimed at provoking wider public debate on politically-charged issues, tended to be polemical, perhaps to a more-than-necessary degree. But it reflects the activist side of Dandekar; his view that knowledge is not merely a matter of scholarship but is meant to be used to educate and clarify issues to the public at large to facilitate better informed debate and decision-making on important issues. To this end he was willing to devote much time and effort to participate in official committees, non-government forums and the media.

He was member of several official committees and chaired some of them, notable among them being those concerned with agricultural taxation, tax measures to promote employment, review of implementation of land reform laws, review of LIC and regional imbalances in Maharashtra. He made it a point to interact with politicians and public figures from the national down to the local level. He used to travel extensively in Maharashtra discussing and lecturing about live, and often controversial, local and national issues to MLAs, MPs, zilla parishad members and co-operatives.

Eventually he sought to institutionalise this process by setting up, in 1970, the Indian Institute of Political Economy. In its early days, while located at Lonavla, the Institute was the venue of several meetings, seminars and training camps for local leaders. Subsequently Dandekar started editing a new journal, *Journal of the Indian School of Political Economy*, its distinctive features being that it entertained relatively long, well researched papers on various aspects of the Indian economy, providing historical reviews of the evolution of policy in select areas and publishing texts of important documents and committee reports. He devoted a great deal of time and meticulous effort in securing, reviewing and editing articles for the journal. The venture has been a resounding success and ranks among his important achievements.

He was always outspoken, sharp and never shy of controversy. Concerned about maintaining high academic standards, his interventions in seminars and professional journals were particularly critical and provocative. His forceful and often aggressive style of disputation was unusual in the Indian academic tradition, and may not have been to everyone's liking. Some young scholars still struggling to find their feet may have felt overawed. But there was no malice in him. He could take punches as hard as he gave and was willing to concede points after heated argument. His interventions invariably helped sharpen the issues under debate. And he was always listened to with respect.

Dandekar's stature among Indian economists is evident from the fact that he was elected to preside over the annual conference of practically all the national associations of economists — a distinction which few others have achieved. In 1985 he was elected president of the Indian Society of Agricultural Economists (to succeed M L Dantwala) and held that office for a decade. His dedication and the widespread respect and trust he commanded in the profession enabled him to ensure smooth functioning of the society and maintaining high professional standards.

His passing also means a personal loss to his numerous friends. I met him in the early 1960s when he used to visit Yojana Bhavan regularly and join the lunch 'addas' in the ISI. His dignified, sage-like appearance, proud bearing and intense, luminous and mischievous eyes made a strong and indelible impression from the beginning. Initially his reputation as a scholar and critic made for a sense of awe and caution in relating to him. But over the years as we worked together, disagreed and argued (sometimes vehemently) about diverse subjects, our friendship developed and grew. And with it my fondness and respect for him. I, and his other friends, will miss his warmth, hospitality and enjoyable companionship.

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Atomic Holocaust, Memory and the War

Mark Selden

That American and Japanese leaders and the dominant media in both nations proffer to emphasise the heroism of their acts and the suffering and the humanity of their own people under wartime conditions is hardly surprising or unique. Yet this unwillingness to accept responsibility for crimes against humanity committed in the search for victory casts a long shadow over contemporary international relations and the prospects for a just peace.

THE commemoration of the 50th anniversary of the end of the second world war and the dawn of the nuclear era in the US and Japan makes clear that neither the leaders nor public opinion in these nations have yet to come to terms with the great moral-political issues posed by the conflict. In both nations, impressive bodies of scholarship have reinterpreted the war and the making of the postwar world. Their assessments of the human costs and crimes of war, the political and moral equations of victim and aggressor, the relationship between the end of the war and the subsequent structuring of global power relations in the nuclear era, and the responsibility for life and death that rests on the highest leaders of both nations, have nevertheless had little discernible influence on official statements and policy. Nor have they gained ascendancy in public opinion. That leaders and the dominant media in both nations prefer to emphasise the heroism of their acts and the suffering and the humanity of their own people under wartime conditions is hardly surprising or unique. Yet this unwillingness to accept responsibility for crimes against humanity committed in the search for victory casts a long shadow over contemporary international relations and the prospects for a just peace. The recent abortive efforts by prime minister Maruyama Tomiichi to gain support in the ruling coalition for a meaningful official apology for Japanese crimes against Asian peoples during the era of colonial rule and aggressive war speaks volumes about the continued refusal of the Japanese nation to come to terms with its past. It is a failure made all the more glaring in contrast with German actions to make amends in word and reparations to the victims of Nazi atrocities. This leaves officially unresolved Japanese responsibility for a range of issues including crimes against thousands of military forced prostitutes (so-called Comfort Women) from Korea, Taiwan, China, the Netherlands and other nations, the Rape of Nanking, the conduct of vivisection experiments in perfecting chemical and biological weapons, and the use of such weapons in China, and more generally the slaughter of millions of Asians in the course of Japan's colonial wars in the first half of the 20th century. This official position may be contrasted with the unremitting efforts by numerous citizens, including peace activists and historians, to critically assess the historical record and prevent the recurrence of war and particularly crimes of war.

Japan's legal position on the issues of war, peace and reparations is secure. Outstanding Japanese obligations toward Japan's Asian colonies and invaded nations were settled by treaties that provided for reparations or aid, or which specified that Japan would make no claims on assets that belonged to the Japanese state, Japanese enterprises or investors. It is rather in the moral realm, in the refusal of the Japanese state to accept responsibility for its wartime behaviour, that the ghosts of war continue to haunt Japanese and Asian peoples.

The battle over the atomic bomb exhibit at the Smithsonian Institution's National Air and Space Museum, which raged in the American media and reverberated in American politics for nearly two years, ended in July 1995 in the victory (a pyrrhic victory, however, as the following discussion suggests) of the Air Force Association, the American Legion and the new right. Those who sought a reasoned and humane reassessment of the sensitive issues surrounding the decision to drop the bombs on Hiroshima and Nagasaki and the global context surrounging the end of second world war were silenced and their patriotism impugned. In the end, the exhibit was gutted, leaving the 60-foot fuselage of the B-29 Superfortress Enola Gay that dropped the first atomic bomb on Hiroshima, killing an estimated 2,00,000 men, women and children as the sole display. Planned exhibits that were to have presented informed discussion of the decision to launch a nuclear attack, the choices and the human costs of alternative options, the relationship between the bomb and postwar US-Soviet confrontation and other critical issues were the objects of a media campaign of vilification in which truth and humanity were the main casualties. Discarded too was the plan to portray the human face of the world's only nuclear attack through photographs and exhibits highlighting the trials and tribulations of its victims.

"The primary goal of this exhibition," a summer 1993 planning document asserted, "will be to encourage visitors to undertake a thoughtful and balanced re-examination of these events in the light of political and military factors leading to the decision to drop the bomb, the human suffering experienced by the people of Hiroshima and Nagasaki and the long-term implications... in the light of the most recent scholarship." Within months, however, the 1,80,000-member Air Force Association had taken the lead in attacking the conception. The subsequent battle, fought out in the media and the Congress, highlighted the continued sensitivity of the issues half a century after Hiroshima, the power of military lobbies to frame the terms of the public debate, and the inability of scholars to make their voices heard once emotional issues are publicly framed in terms of patriotism versus an attack by 'revisionist' scholars on American heroes. Indeed, a pivotal assertion of the Air Force Association and its supporters was that only those who fought had a claim to history, and that historians presenting new or superior documentation were suspect. Typical of media handling of the issues was the presentation of the personal experience of US veterans like Grayford Payne, a 74-year-old survivor of the Bataan death march plus "three years, five months and 20 days" of starvation and slave labour in five Japanese prison camps, which was juxtaposed against the critical scholarship of historians. In an influential *Washington Post* story by Ken Ringle, Payne recalled a June 1945 note "posted in our camp" at Hanawa in northern Japan. "It was signed by Premier Hideki Tojo. And it said, 'The moment the first American soldier sets foot on the Japanese mainland, all prisoners of war will be shot.' And they meant it. I had not been a prisoner for 15 minutes before they bayoneted a 15-year old Filipino kid right next to me – a kid so innocent he scraped together this little dirt dam with his last bit of energy so he would not bleed on my uniform while he died." Informed of the exhibit's intentions to "address the significance, necessity and morality of the atomic bombings of Hiroshima and Nagasaki," Payne responded, "what is he saying? That the thousands of Japanese killed by those bombs were somehow worth more than the thousands of American prisoners in Japan? After all we'd been through? What about the women and children I saw bayoneted and buried alive.. by the Japanese in the Philippines? What about the hundreds of thousands of Chinese hacked to pieces in the Rape of Nanking?" Payne's perspective would come to be echoed in editorials and articles in the press. *The Wall Street Journal* for example commented that it "is the clear impression given by the Smithsonian that the American museum whose business it is to tell the nation's story is now in the hands of academics unable to view American history as anything other than a woeful catalogue of crimes and aggressions against the helpless peoples of the earth." In their attempt to examine the

totality of the wartime experience, including the record of Japanese atrocities, the historians would be pilloried in the press as traitors. The testimony of Payne and other soldiers and POWs on all sides is of course of great importance to anyone who would construct the historical record. Equally clearly, it is one among many voices on all sides of the conflict which must be heard and assessed from soldiers at the front to the highest levels of military and executive power. Yet the Air Force Association and the US press time and again presented the accounts of US veterans as the unchallengeable authority on the war, setting it off against the judgments of professional historians.

Two brief sentences in the first of five drafts planning the exhibit became the rallying cry of Air Force Association and other media and political critics, a mantra that would be ripped out of context and repeated to devastating effect in literally hundreds of press reports. "For most Americans, it was a war of vengeance. For most Japanese, it was a war to defend their unique culture against western imperialism." For *Washington Post* reporter Eugene Meyer, this was the essence of the decision of exhibit planners to choose "political correctness over historical accuracy." In an article that ignited the controversy nationally, Meyer quoted the charges of critics that "the exhibit as planned will portray the Japanese largely as suffering, even noble victims and the Americans as racist and ruthless fighters hell-bent on revenge for Pearl Harbour."

The draft text did nothing of the kind. The quoted passage in fact followed immediately on a discussion of Japan's 1931 occupation of Manchuria and 15-year war.

"Japanese expansionism was marked by naked aggression and extreme brutality. The slaughter of tens of thousands of Chinese in Nanking in 1937 shocked the world. Atrocities by Japanese troops included brutal mistreatment of civilians, forced labourers and prisoners of war, and biological experiments on human victims.

"In December 1941, Japan attacked US bases in Pearl Harbour, Hawaii, and launched other surprise assaults against allied territories in the Pacific. Thus began a wider conflict marked by extreme bitterness. For most Americans, this war was fundamentally different than the one waged against Germany and Italy – it was a war of vengeance. For most Japanese, it was a war to defend their unique culture against western imperialism." The preceding passage might be faulted for its failure to discuss the context of the decade long US-Japan conflict that constituted the background to Pearl Harbour. But in the media lynching of the exhibit and its organisers, the denunciation of Japan's brutal aggression was ignored and the vengeance passage was twisted into an alleged justification for Japanese aggression and an attack on US motives.

The killing of the exhibit meant the loss of an opportunity for public debate on the central moral and political issues posed by the US decision to drop nuclear bombs on Hiroshima and Nagasaki, on the end of the war and the start of postwar global conflicts. Recent American scholarship on these issues, while far from achieving consensus on the critical issues, has recast the discussion in fruitful ways.

* by focusing on the human victims of the bombs and not merely on hegemonic goals,
* by exploring the logic and limits of analogies between atomic holocaust and Nazi holocaust,
* by relating the logic of nuclear bombing to the preceding massive civilian bombing in the European and Japanese theatres;
* by clarifying the multiple options available to the Truman administration for ending the war in the summer of 1945, and their associated costs in terms of American and Japanese casualties,
* by investigating the significance of the bomb not only as the final act of second world war but as the opening act of the hegemonic struggles of the postwar era,
* and by exploring anew the consequences of US insistence on the unconditional surrender option prior to August 9 and its subsequent abandonment once the bombs had destroyed Hiroshima and Nagasaki.

The decision to cancel the original exhibit, a manifestation of the deep insecurity accompanying the decline of American power, thus marks a lost opportunity to reconsider the nature of the war and peace in the nuclear age.

The shell of an exhibit that is now on display has been restricted to the fuselage of the Enola Gay, a plaque, and a video. While short on word and analysis, the brief accompanying printed explanations constitute a paean to many of the superpatriot myths that have long coloured heroic accounts of the war while ignoring not only its tragic dimensions, but also its anti-fascist, anti-colonial, and internationalist aspects. The spare accompanying text instead cavalierly minimises the destruction of the nuclear bombing of Hiroshima and Nagasaki by speaking of "many tens of thousands of deaths" rather than the several hundred thousand deaths from nuclear bombing. It claims that "the use of the bombs led to the immediate surrender of Japan and made unnecessary the planned invasion of the Japanese home islands" with no reference to other critical factors in Japan's surrender such as the Soviet declaration of war and the US decision to ease the unconditional surrender provision after August 9. It strongly implies that leaflets were dropped on Hiroshima warning civilians to evacuate, when no such leaflets were dropped on either Hiroshima or Nagasaki. And in an accompanying video, Enola Gay pilot Paul Tibbets justifies the nuclear bombing of Hiroshima as "definitely a military objective" with no reference to the civilian population and an attack plan that sought the maximum destruction of human life.

As Kai Bird and Martin Sherwin sum up their evaluation of the exhibit for the Historians' Committee for Open Debate on Hiroshima, "The few words in the exhibit that attempt to provide some historical context for viewing the Enola Gay amount to a highly unbalanced and one sided presentation of a largely discredited postwar justification of the atomic bombings." Yet the malaise about the use of the bomb voiced as early as 1945 by Generals Eisenhower and Leahy as well as by many patriotic citizens will continue to surface regardless of attempts to suppress it.

Truth and morality have been the principal victims in the censorship of the Smithsonian exhibition.

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Nation-State in the Era of 'Globalisation'

Prabhat Patnaik

The current phase of capitalism is marked by the rise to dominance of financial or rentier interests and the fluidity of finance across national borders. This has undermined the 'control area' of nation-states and made all agendas of state intervention appear vacuous. This economic milieu, however, has had the effect of producing greater unity in the advanced capitalist world, but, as a dialectical counterpart of this, greater disunity in the third world with growing tendencies towards separatism, divisiveness and disintegration. Are we now doomed to this fate for ever or can we overcome it?

I

THE development of nationalism in the third world countries, as is well known, followed a very different trajectory from that in the advanced capitalist countries. In the latter it was a part of the process of the emergence of the bourgeois order in opposition to feudalism, while in the former it was a part of the anti-colonial struggle. The impact of colonialism, though it differed across countries, had on the whole been in the direction of transcending localism and unifying supra-local economic structures through the introduction of market relations. The struggle against colonialism, consequently, took the form of a national struggle in each instance in which people belonging to different tribes or linguistic communities participated. And the colonial powers in each instance attempted to break this emerging national unity by splitting people along tribal, religious and other such lines.

The *modus operandi* of this splitting was not just through political manipulation as happened for instance in Angola, South Africa and a host of other countries; an important part of this *modus operandi* was through the nurturing of a historiography that just denied the existence of any overarching national consciousness. The national struggle, the national movement were given a tribal or religious character; they were portrayed as being no more than the movement of the dominant tribe or the dominant religious group for the achievement of narrow sectional ends. It was this kind of historiography which Thomas Hodgkin was attacking in his account of the emergence of nationalism in colonial Africa[1]. But the important point is this: colonialism, while, on the one hand, it objectively created the condition for the coming into being of a national consciousness at a supra-tribal, supra-local and supra-religious level, on the other hand sought deliberately to subvert this very consciousness by using the same forces which it had objectively undermined.

We in India are much too familiar with this dialectics for me to dwell upon it in any detail. If the development of a pan-Indian national consciousness concurrently with the provincial (or local 'nationality') consciousness among the existing regional-linguistic groups' was an objective contribution of colonialism, the fracturing of this national consciousness through the promotion of a religious divide was equally a contribution of colonialism. This is not to say that the soil for this divide did not exist, but then as George Lukacs once remarked, even false consciousness must have an element of truth which does not in any way negate the fact of its being false consciousness (and hence capable of manipulation).

These national struggles brought into being a plethora of nation-states after decolonisation. The success of these national struggles however owed not a little to another phenomenon which was occurring at the same time, namely a deep disunity among the advanced capitalist countries, which were simultaneously the colonial powers, a disunity which Lenin had characterised as 'inter-imperialist rivalry'[2]. Inter-imperialist rivalry provided the space within which the anti-colonial national struggles could emerge, develop and come to fruition. It not only prevented a coherent and co-ordinated response from the colonial powers acting in unison, but, by virtue of its eruption into wars among the major capitalist powers, weakened all of them for a considerable length of time, even while emboldening the national anti-colonial movements and widening their horizons. These movements which often began as the feeble protests of a group of lawyers and other professionals for petitioning the colonial government for slight amelioration in the conditions of the colonised, developed into mass upsurges as the perception developed that the days of rule by colonial powers who were busy tearing each other's throats must be numbered.

But that is not all. Inter-imperialist rivalry underlay the profound and protracted economic crisis of the capitalist order during the inter-war years. The crisis was not caused by the fact of inter-imperialist rivalry. Different writers have emphasised different factors as being responsible for the crisis, and perhaps each of these factors had a contributory role[3]. But the fact remains that inter-imperialist rivalry played the role of accentuating the crisis. Capitalism requires an international leading power which can impose a degree of discipline among the capitalist countries. This was the role played by Britain, though with increasing difficulty, in what Hobsbawm calls the "long 19th century", i.e. until the first world war. The emergence of inter-imperialist rivalry not only undermined Britain's leadership, but in fact made any leadership impossible, and at the same time it also prevented any collusive action by the major capitalist countries acting in unison on the economic front. Capitalism consequently had no response to the crisis engulfing it, what is more, the disunity among the leading capitalist countries which made each one of them pursue 'beggar-my-neighbour' policies to get out of the Depression made the crisis much worse.

These economic developments had two very important implications for the third world. First, by pushing vast masses of the peasantry into debt and destitution they contributed greatly to a widening of the sweep of the national movement, which in any case was gathering momentum taking advantage of the 'space' provided by the fact of inter-imperialist rivalry. Secondly, since they entailed a breakdown of the international economy (exemplified for instance by the drying up of capital exports and the formation of trade blocs in the 1930s) the economic programme of the anti-colonial national movement got firmly committed to national economic development through planning, i.e. eschewed any strategy of getting tied to the international market forces. To be sure, for countries which had experienced decades of colonial exploitation through *inter alia* the colonial powers' use of the market forces, a severance of links with the world market dominated by these powers would have seemed to be a natural accompaniment of decolonisation. But the fact that this world market itself was disrupted must have provided an additional powerful reason. The third world nation-state with its *dirigiste* economic regime and its commitment to planning (of whatever description) was thus a natural outgrowth from the very same

context which favoured the growth of third world nationalism.

The any dispassionate observer of the world scene the period 1913-51 must have appeared as the last gasp of capitalism, and it is scarcely surprising that this perception constituted the cornerstone of the theory of the Leninist movement with its basic concept of the 'general crisis of capitalism'[5] and it is this period which witnessed the Bolshevik Revolution, the beginning of the process of decolonisation, the Chinese Revolution and, of course, the detachment of large parts of Europe from the capitalist orbit in the wake of the triumphant march of the Red Army to Berlin.

For my purposes however I would like to derive a general conclusion from the experience of this period, schematic though this may seem at first sight, namely, disunity in the first world promotes unity in the third world (unity in the sense of the strengthening of supra-local, supra-tribal, supra regional, and supra-religious loyalties and commitments) I do not see this link between disunity in the first world and unity in the third world as a mere happenstance: it is not as if the period we are talking about merely happened to witness a coincidence of disunity in the first world with unity in the third world. I believe there is a causal connection between the two which I have been trying to underscore. And this causal connection also operates in the reverse, namely, unity in the first world promotes disunity in the third world, as indeed we have been witnessing in the more recent period Let me turn to this period now

II

The post-war stabilisation and consolidation of capitalism has been a truly amazing phenomenon. Capitalism did not just climb out of the abyss into which it appeared to have sunk in the inter-war period. It experienced in its metropolitan base the most pronounced boom ever experienced in its history. The collapse of the extant socialist challenge to it is hardly surprising in the circumstances. How could a movement which was premised upon the concept of a 'general crisis of capitalism' cope theoretically with a reality where capitalism in its home base was experiencing its most pronounced boom? The old challenge in other words simply could not be sustained. At first sight in fact it may appear intriguing that the battle in its old form, i e, based on the old theoretical perceptions, could be carried on for so long into the post-war period. A part of the explanation lies in the fact that Leninism was, and remains to this date, the only *practical* theory of revolution, the only example, as Lukacs put it, of a theory which is so highly developed that it *bursts into praxis*[6]. But a part of the explanation lies elsewhere, and that is what concerns me here.

Within the post-war boom there were different phases Capitalism emerged from the war with once again an undisputed leader, the United States. The international monetary system was re-established under the US leadership through the Bretton Woods agreement, which sanctified the dollar as being as good as gold. While an ordered international monetary system, together with Keynesian demand management in the advanced capitalist economies, provided the context of the post-war boom, the uneven development engendered by this boom, as manifested in the rapid growth of the shattered economies of Germany and Japan, progressively undermined US hegemony When the Bretton Woods system collapsed in 1971, because the conflicts generated by this uneven development were accentuated greatly by the Vietnam war, it looked as if the capitalist world was once again moving into a phase of intensified inter-imperialist rivalry. In short, the idea of a 'general crisis of capitalism' unfolding itself along the lines of Lenin's prognostications still appeared valid, notwithstanding the pronounced boom of the 1950s and the 1960s, even as late as the beginning of the 1980s when the successive oil price hikes both confirmed the proposition about 'space' becoming available during periods of inter-imperialist rivalry and precipitated a massive slump[7].

It is only in the 1980s that a new kind of unity appeared among the capitalist powers. This was not the unity imposed by one leader, the discipline brought about by a state of 'super-imperialism'; it was unity through agreement among the major powers. This is not to say that there are no major conflicts among these powers; there are, but on a number of issues, especially issues relating to the third world, they stand together. And even on matters affecting themselves, e g, on the agricultural policy of GATT, they strike compromises rather than pushing conflict too far. And not surprisingly, despite the collapse of the Bretton Woods system, the international monetary system has continued to get along under the system of 'managed float' of currencies.

An associated development, together with this unity, has been a tremendous increase in the fluidity of finance across frontiers of countries. These two developments in my view are related. Fluidity of finance overcomes all national boundaries, while disunity or rivalry among the capitalist powers entails rivalry among them along national lines. To say this is not to claim that rivalry among capitalist powers has disappeared or that conflicts among the national capitals of the metropolitan powers have become non-existent; but since no capitalist power can cordon itself off in a world in which finance including by its own nationals across its own frontiers, this fact imposes limits upon the extent of conflict among them. Together with the emergence of the phenomenon of highly mobile international finance, the advanced capitalist countries have reached a new level of unity. This unity does not preclude crises; in fact a hallmark of the current situation is the exceedingly high levels of unemployment prevailing in the advanced capitalist world, which in my view is linked (for reasons we shall discuss later) to the emergence of highly mobile international finance. But this unity engendered by the internationalisation of finance succeeds in breaking down the national reclusiveness of the third world economies and forcing their integration into global financial and commodity markets.

It is this integration which results in the disunity of third world societies, a retrogression into regionalism, separatism and even secessionism. Since such separatism requires for its sustenance an alternative identity, different from the old national identity, it tends to be accompanied by religious or ethnic conflicts. In short, I wish to argue that phenomena which usually have been investigated entirely in cultural terms, or in terms relating to the 'superstructure' have economic roots as well. To examine these let us see what integration into the global economy actually means.

The justification usually advanced for integration into the global economy is that productive capital has become internationally mobile at long last. As is well known, throughout the history of capitalism the mobility of productive capital has remained confined to the advanced capitalist countries alone[8] The phenomenon of underdevelopment has arisen precisely because of this; the underdeveloped countries saw the penetration of metropolitan goods into their markets, precipitating deindustrialisation in their own economies, but, despite their low wages, failed to attract productive capital from the metropolis to become manufacturing centres themselves. Had they done so, then the gigantic unevenness or 'dualism' which find in the world economy, the split between the advanced and backward economies, would have disappeared long ago. This however did not happen: productive capital from the metropolis went to the temperate regions of white settlements, such as the US, Australia and Canada, but never came to the backward economies of the tropics. And now it is being said in defence of globalisation that things are changing, that if only the underdeveloped countries open their doors and create the appropriate climate of confidence, foreign capital would move in not just to capture their domestic market (which is of no benefit to them) but to loc

its production facilities on their soil (owing to their low wages) for meeting global demand. It is on the basis of this promise (which if it materialised would indeed be conducive to their economic advance) that the underdeveloped countries are being asked to open up their economies, dismantle barriers to the free flow of capital into and out of their economies, and roll back the state as far as possible from the arena of production (since excessive state presence in the sphere of production is supposed to be inimical for a variety of reasons to the creation of business confidence).

As a matter of fact however what has become genuinely mobile across countries is not productive capital but short-term finance in the form of 'hot money' which moves around from country to country in search of quick profits, especially in the form of speculative gains. Now, this form of capital mobility does not induce any economic growth in the recipient country: the foreign creditors are not interested in undertaking any productive ventures, no genuine entrepreneur would undertake any productive venture financed by short-term speculative funds (since the sudden withdrawal of such funds would leave him bankrupt), and the state in any case is not allowed to undertake much productive investment. As a result when 'hot money' flows in, it cannot be used for augmenting growth; and when it flows out, the strain on the balance of payments in any case prevents any growth. Of course if the 'hot money' inflows has been used for stimulating imports of consumption goods for the elite, then its flowing out is accompanied by a drastic squeeze on the living standards of the poor (for generating the requisite surplus for financing the outflow), by sharp cutbacks in whatever productive investment was occurring and by the transfer of national assets to foreign creditors 'for a song'. Mexico today provides a classic example of all this.

Thus globalisation, which is ushered in on the promise of higher growth, produces no such thing. On the other hand the stagnation, the unemployment, the impoverishment which it produces, together with the consequent increase in crime and violence (which further snuffs out whatever prospects had remained of productive capital inflow), leads to a break-up of the nation for at least three reasons which I discuss *seriatim*.

First, there is the 'secessionism of the rich'. If the growth prospects of the nation get tied to the degree of success in enticing direct foreign investment, then the richer regions feel that they would be better placed in this regard if they acted on their own, unencumbered by the burden of belonging to the same country as the poor, violent, crime-infested regions. It is noteworthy in this context that the three Baltic states, Lithuania, Latvia and Estonia, which were among the richest in the Soviet Union, were the first to secede from it. Likewise, it is Slovenia and Croatia, which were the richest of the Yugoslav republics, which were the first to secede from Yugoslavia. True, in all these cases there were very strong undercurrents of nationality consciousness in all these regions. But it can scarcely be denied that an important factor behind the surfacing of these undercurrents was the belief that more German investment would be forthcoming into these regions if they were on their own than if they were parts of larger wholes.

But the 'secessionism of the rich' is not confined to rich regions alone. Within the bureaucracy, within the intelligentsia, within the professionals, there is a division, a 'dualism', created between those who can 'network' successfully with the metropolis, and the others. The very stagnation of the economy, the very squeeze on the population means that those who can, attempt to 'network' with the metropolis, and by doing so become materially better placed compared to their more 'unfortunate' counterparts. In other words commitment to the nation is replaced and perhaps perforce replaced by a desire to ingratiate oneself to the dominant views, perceptions, opinions and orthodoxies prevalent in the metropolis. As a result, the rich (or at any rate the affluent), even when they do not physically escape or 'secede' from the country, effectively undertake a mental 'secession'. And since no country can function without an effective intelligentsia, a cadre of bureaucrats, a group of teachers, scientists, etc, this 'secession of the mind' has a totally debilitating effect on the country. If the nation does not break up, it continues to exist through the courtesy of the metropolis.

Secondly, at the other end of the spectrum, i e, among the poor too, there is a tendency for phenomena like separatism, secessionism, and communalism, etc, to take root. Unemployment, deindustrialisation and impoverishment, though their impact can be potentially radicalising, are more often conducive to the growth of separatist, and even fascist, tendencies. The cause of the persisting misery of the local population is often located in the presence of 'outsiders' in which case there emerges a separatist tendency. Sometimes a particular religious group, or a particular linguistic community, which is alleged to be more prosperous than the others, is singled out as being responsible for the economic predicament of the rest of the population, and that provides the excuse for organising pogroms against it. What is common to all such movements is the fact of a complete absence of any credible economic programme. Their blueprint for a better society starts and stops at organising attacks on 'outsiders' or on members of particular religious or linguistic communities. Even when the movement is openly secessionist, it is totally bereft of any conception of how to organise an alternative economic order. Indeed it often does not see the need for any such alternative conception, since the economic order is not even considered responsible for the economic plight of the people; it is only the 'outsiders' from other regions or religious or linguistic groups who with their malevolent designs are supposed to be responsible for this economic plight.

The third tendency which, notwithstanding superficial similarities, is quite distinct from this second one, is the tendency towards the emergence of religious fundamentalism. This has usually a populist, anti-consumerist and even an anti-imperialist thrust which is completely lacking in communalism or regional chauvinism. Fundamentalism of the kind I am talking about does represent a conscious reaction to the fall-out of globalisation in the form of privileged islands, the consumerism of the elite, and its subservience to the culture of the metropolis: but it represents a reactionary response. Its social and cultural programme is obscurantist, reactionary and invariably male-chauvinist (this last being a trait it shares with the second tendency); its economic programme is so patently absurd that in those exceptional situations where the fundamentalist forces become politically triumphant, this programme literally withers away; the initiative for organising the economy fairly soon passes into the hands of a bunch of 'pragmatists' not as a sequel to any fierce ideological struggle, but by virtue of the sheer vacuity of the original conceptions.

These tendencies are not watertight. All three in varying degrees appear in strength in a globalised economy. And whether looked at singly, or in terms of their conjoint outcome, their effect is to destroy the unity of the nation. They are the flip side of the globalisation coin and they support the proposition which I advanced earlier, namely, that unity in the advanced capitalist world goes hand in hand with disunity in the backward capitalist world in the sense of a fracturing of the totalising idea of a nation and the coming to the fore of divisive tendencies.

III

Let me now come to the nation-state which is my topic. Underlying this situation of unity in the advanced capitalist world and disunity in the backward capitalist world is an *emasculation of the nation-state everywhere*. The vortex of globalisation, of which financial globalisation is the most crucial aspect and which produces greater unity at one pole of the capitalist world, the metropolis, and greater divisions at the other

pole, the outlying region, also entails an undermining of the nation-state as it has existed. And this has had very profound implications.

Much has been said about the collapse of socialism in the recent years. As a matter of fact, however, it is not just socialism which has collapsed but literally every ideological-political tendency which emphasises the necessity of some form of intervention by a conscious agency for the improvement of the human condition. Together with the collapse of socialism, there has been a collapse of social democracy, of Keynesianism, of welfarism, and of third world 'planning'. And the reason for this collapse of *all* interventionist ideological trends lies in the fact that the scope for intervention today is so limited, the only agency capable of undertaking this intervention is the state, which necessarily means the nation-state, and this agency's capacity for intervention is greatly undermined by the fluidity of finance.

Let me elaborate. Any capacity to intervene presupposes that there must be a domain over which the intentions of the intervening agency, in this case the state, can be made to correspond approximately with the outcomes of its actions. I call this domain the 'control area' of the state, and my argument is that financial fluidity undermines this 'control area'. True, capitalism, even with state intervention, does not cease to be a spontaneous system, i e, the capacity of the capitalist state to bring about a correspondence between its intentions and the outcomes of its actions has severe absolute limits arising from the fact of social antagonisms underlying this system. But the point I am making is a different one. Financial fluidity undermines the capacity of the state to bring about an approximate correspondence between the intentions behind and the outcomes of its actions, even in those spheres where social antagonisms do not stand in the way of this correspondence. If finance can move in or move out in unpredictable quantities at any time, then whatever control the state has over the economy is clearly being undermined. It can try to achieve something, but an entirely different denouement may come to pass because the caprices of the international speculators dictated otherwise.

I believe that this problem, of the 'control area' being undermined, affected the socialist countries as well. Unless an economy hermetically seals itself to the outside world, it is afflicted by this problem, even if all kinds of controls are placed upon the foreign creditors and speculators, the nationals of the country itself would move funds around, and that too clandestinely if necessary through the repatriation or non-repatriation of export earnings, to exploit possible gains in any society where such gains are not frowned upon. In the erstwhile socialist countries, the very process of reforms created the conditions for them to be caught in the vortex of financial fluidity with all its attendant implications. In the case of the Soviet Union for example the economic disruptions of the late Gorbachov period became a veritable crisis leading to a collapse of the system because of the non-repatriation of export earnings by Soviet firms.

For capitalist countries the problem is self-evident. It is this undermining of the capacity of the state to intervene which has made all agendas based on the assumption of such intervention appear untenable. And this explains the collapse of all theoretical tendencies which give rise to such agendas.

If the fluidity of finance across countries undermines the possibility of an interventionist state, an important implication of this is the virtual stagnation in the capitalist world and the high levels of unemployment. No single country can expand the level of activity in its economy without giving rise to capital flight from it, which of course, would make its exchange rate plunge and its rate of inflation accelerate. On the other hand, all the advanced capitalist countries cannot conjointly plan a simultaneous expansion in their levels of activity, because, notwithstanding their unity, their circumstances are not identical, and any such joint thrust would push up raw material prices for speculative reasons and raise the rate of inflation, a phenomenon which is always opposed by financial (or rentier) interests[9]. Unemployment and recession on the other hand often suit their interests insofar as the balance of payments crises faced by the third world countries in such periods enable them to acquire third world assets 'for a song'. A moneylender after all does not always worry if his borrower's income is not growing; in fact often he may wish that it does not grow so that he can get hold of his assets! Exactly similar considerations hold at the international level.

To sum up, the current phase of capitalism is marked by the rise to dominance of financial or rentier interests, and the fluidity of finance across national boundaries. This has the effect of undermining the 'control area' of nation-states, of making all agendas of state intervention for improving the living conditions of the people appear vacuous, of precipitating stagnation and unemployment even in the metropolitan countries, and of prising open the third world economies for penetration not only of metropolitan goods, but even more importantly of metropolitan finance. This economic milieu however has the effect of producing greater unity in the advanced capitalist world (where there is talk even of supra-national states, as in Europe), but, as a dialectical counterpart of this, greater disunity in the third world, with tendencies towards separatism, divisiveness and disintegration acquiring prominence. The question which naturally arises is: are we now doomed to this fate for ever? Or can we overcome this fate?

IV

The possibility of the "joint exploitation of the world by internationally united finance capital" had been envisaged by Karl Kautsky, the eminent German theoretician of the Second International. Kautsky's position however had been attacked by Lenin who had argued that the pervasiveness of uneven development under capitalism made any agreement among the capitalist powers temporary, to be followed by intensified inter-imperialist rivalry as the terms of the old 'truce' are rendered obsolete by new configurations of strength[10].

In one sense the present debate is reminiscent of the Kautsky-Lenin controversy, but in another very important sense it is not. Both Kautsky and Lenin derived their concept of finance capital from the German context, and Lenin expressed this as representing a coalescence of banking and industrial capital. In other words the concept encompassed nationally-based, bank-controlled, industrially-operated gigantic blocs of capital which were either in truce or in conflict. The finance whose fluidity has been talked of above, however, simply consists of enormous sums of money being pushed here and there by rentiers and speculators, big and small. This finance therefore is a somewhat different animal from the finance capital that both Lenin and Kautsky had in mind. About this finance Hilferding's dictum that the nationalisation of half a dozen banks would be the end of finance capital is even less appropriate than it was to the finance capital of his time. On the other hand, notwithstanding this difference, the two general perspectives articulated by Kautsky and Lenin continue to be of abiding interest.

The question raised at the end of the last section can be decomposed into two separate questions: first, can we think in terms of some agency transcending the nation-state that can be invoked as the agency for intervention in this new era? Secondly, if we cannot, and the nation-state still remains the only possible agency for intervention on behalf of the people, then how can it ever revive, since by our own argument its capacity for intervention has got undermined?

The answers to these questions are difficult because they still remain hazy. They will emerge with clarity only in the course of time. Nonetheless one can hazard some guesses. I believe that in the context of the third world at any rate the possibility of the emergence of an agency beyond the nation-state as an agency for intervention in the interests of the people remains remote. What is more, if the nation-state is incapable of

intervention then any such agency too would be equally incapable of intervention. Enlarging merely the size of the agency would in no way contribute to the solution of the basic problem. On the other hand I do believe that the nation-state can and will revive as an agency for intervention

It is impossible to imagine that the levels of unemployment prevailing in the advanced capitalist world would become a perennial feature of metropolitan life without causing serious social disruptions And any attempt, no matter what its nature, to reduce the levels of unemployment would necessitate a revival of the nation-state, and controls over financial fluidity True, such attempts in the context of the advanced capitalist world could well come from the right, rather than from any radical quarters, in which case such a revival would have a very different complexion, entailing chauvinism and jingoism, from the welfarist and social democratic conceptions of the post-war era; and the tremendous spread of racialism and neo-fascism all over Europe may be a pointer in this direction. But no matter what the nature of the revival of the nation-state in the advanced capitalist countries, any such revival would once again create the space required for a similar revival of the nation-state in the third world This is not to say that one should welcome right-wing nationalism in the advanced capitalist world, or be indifferent between a radical revival of the nation-state and a chauvinistic revival, this is only to underscore the fact that it is impossible to visualise such a revival not occurring. If the world looks somewhat Kautskyite at the moment, that does not by any means signal the victory of the Kautskyite perspective in the debate between Lenin and Kautsky.

Besides, for us in the third world, it is not even the case that we have to sit quietly until the nation-state has been revived in the west. True, the scope for state intervention has been greatly reduced, but it has not disappeared altogether What is required is that the state has to take *the constraints of living in a world with financial fluidity into account in planning its intervention.* While I consider any emulation of the east Asian model in the rest of the third world neither desirable (since this entails a neo-mercantilist development strategy that is necessarily accompanied by a degree of authoritarianism which is unwelcome) nor feasible (since it is the product of a very specific domestic class configuration as well as international correlation of forces), east Asia does demonstrate in a way the possibility of successful state intervention in a contemporary world marked by financial fluidity.

In contexts such as ours if the nation is to remain united then the resuscitation of an agenda of development that entails conscious intervention by the nation-state in the interests of the people, as opposed to leaving economic development to be determined as a mere fall-out of the caprices of international speculators, is absolutely essential. This requires however an alternative class-alliance underlying the state, one that would both enforce accountability on the state as well as provide it with sufficient sinews to face up to the challenge of international finance which is out to undermine its capacity for intervention. The forging of such a class alliance, which would necessarily be centred around the working people including the peasantry, however is a matter for political praxis

Notes

[This is the text of the author's Zakir Husain memorial lecture delivered at Zakir Husain College, Delhi, in February 1995]

1 Thomas Hodgkin, *Nationalism in Colonial Africa*, 1956

2 The existence of a dual national consciousness has been argued by Amalendu Guha in *The Indian National Question : A Conceptual Frame*, 1982

3 V I Lenin 'Imperialism the Highest Stage of Capitalism' in *Selected Works* (3 volumes), Moscow, 1963, Vol I

4 Thus Alvin Hansen attributed the crisis to the closing of the frontier which resulted in a shrinking of investment-opportunities, Schumpeter to the coincidence of the troughs of the three main cycles which characterise capitalism and Paul Baran and Paul Sweezy, following Josef Steindl, to the emergence of under-consumptionism owing to the growth of monopolies

5 The concept of the 'general crisis of capitalism' was used in the programme of the Communist International See Jane Degras, *Communist International 1919-1943 Documents* London, 1971

6 George Lukacs, *Lenin : A Study on the Unity of His Thought*, NLB, London 1970

7 For an account along these lines of the development of the world economy in the post-war period and also for an example of this particular kind of understanding, see my paper 'On the Economic Crisis of World Capitalism' in P Patnaik (ed), *Lenin and Imperialism* Orient Longman, Delhi, 1986

8 The classic discussion of this is in Ragnar Nurkse, 'International Investment Today in the Light of Nineteenth Century Experience' *Economic Journal* 1954

9 The opposition of rentier interests to inflation was mentioned by M Kalecki in his paper, 'Political Aspects of Full Employment', reprinted in his *Selected Essays on the Dynamics of the Capitalist Economy*, Cambridge 1971 For an interpretation of Reaganomics as pandering to rentier interests, and hence implicitly for a recognition of the important role of such interests in today's capitalism (which is the argument being advanced in the present paper) see Amit Bhaduri and Josef Steindl, 'The Rise of Monetarism as a Social Doctrine', cited in Bhaduri's *Macroeconomics : The Dynamics of Commodity Production* Macmillan, London 1986

10 For Kautsky's views and for Lenin's critique of them see Lenin's *Imperialism*, cited earlier

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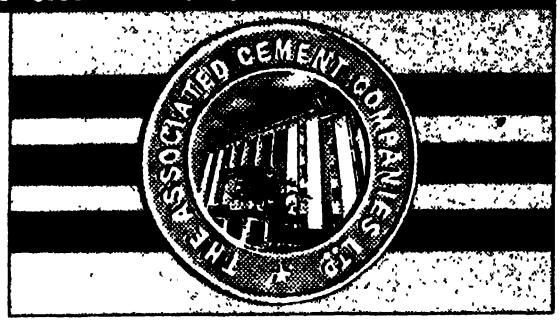
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In the last four years, India has advanced economically and witnessed virtually a rebirth of liberalization. But, politically and socially, we have suffered an equally marked regression.

Casteism is in the ascendant and has risen higher than ever before since we became free in 1947. Men far below the national average, in point of character, get elected on considerations of caste and creed, region and language. Casteism is the curse of India, even as tribalism is of Africa.

It has been my longstanding conviction that India has been paying the highest price ever paid by any country for democracy. This is the inevitable result of our total neglect to give value-based education to our people and to teach them the priceless ethics embodied in our ancient culture. The greatest crime of our government against our people has been the failure to impart education. Politicians have a vested interest in preserving illiterate and unthinking vote banks. According to a report of the World Bank, by the turn of the century India will have more illiterates than the rest of the world put together.

A few years ago, an International Conference on Modern Constitutions was held in Washington, D.C. The conclusion that emerged was that in 75 per cent of the countries which had authoritarian governments, the people originally welcomed dictatorship, though they afterwards rued the day when they lost their liberty.

Guns, goons and gold

Today the people of India associate democracy with guns, goons and gold. One of the most thoughtful remarks of De Tocqueville was that democracy throws mediocrity into power. But the situation becomes intolerable when democracy throws criminals into power.

According to the Chief Election Commissioner, 180 out of 425 legislators in Uttar Pradesh have criminal records. During the Bihar State elections this year, the local police said that 243 candidates had charges pending against them. Adult franchise as practised in India is the worst possible advertisement for its true virtues.

In a piece on India headed "Rascals Rule", *The Economist* refers to a member of the Bengal Assembly who has a criminal record and was at one time the "most wanted" man in Calcutta, but has today become most wanted in a different sense, as he is wooed by different political parties.

A French thinker, Jean-Francois-Revel, published a book a few years ago entitled, "How Democracies Perish", where his central thesis is that the real danger to democracy comes from within, from a refusal to face the facts. Revel says that "democracy may, after all, turn out to be a historical accident, a brief parenthesis that is closing before our eyes" Samuel Huntington, the Director of Harvard's Centre for International Affairs, concludes that "the limits of democratic development in the world may well have been reached".

Only the other day we observed the twentieth anniversary of the Emergency. It is necessary to recall that democracy can become so degraded and depraved that people may yearn for a change. The Indian people may lose their freedom again or, alternatively, the country may suffer disintegration. Needless to add, this is the exact opposite of what I wish; but it is a sad apprehension of what can happen if the present decline is allowed to continue.

The cement industry

The cement industry continues to attract high excise duty. Instead of granting the much needed relief by way of reduction in duty on a core commodity like cement, in the last Budget the government imposed a heavier burden of excise duty on the industry, while it granted relief to a number of other core and consumer goods industries.

The cement industry's capacity, in the organized sector, as on March 31, 1995, rose to 70.7 million tonnes. This meant an additional capacity of 5.44 million tonnes in 1994-95, with production totalling 58.34 million tonnes.

Infrastructure bottlenecks continued to plague the industry's performance with severe power cuts in Rajasthan, Himachal Pradesh, Andhra Pradesh and Madhya Pradesh. In addition, the curtailment in the availability of wagons reduced despatches by rail to a little over 265 lakh tonnes as against 285 lakh tonnes in 1993-94. Yet the industry managed to register a marginal increase in overall despatches of 7.53 per cent. Sizeable

quantities of cement were sent by road transport, thereby adding to freight costs which the producer had to bear

The Company's performance

Your Company has achieved an all-time high in profit after tax of Rs. 144.39 crore. This significant achievement has been the result of several well-channelized endeavours: higher capacity utilization, improved operational efficiency, better sales realizations, strict control on expenditure and working capital, despite major increases in the costs of coal, electricity, railway freight, etc.

Your Company s production for 1994-95 was the highest ever at 8 47 million tonnes as against 7 72 million tonnes in the previous year Capacity utilization registered another two per cent growth at 99 per cent over the last year at 97 per cent as against the overall industry capacity utilization of a little over 80 per cent

The plants at Madukkarai Chaibasa Jamul, Wadi Chanda and Gagal (old unit) recorded the highest ever clinker production The steady performance of the new one million tonne per annum plant at Gagal also contributed to the record production of cement by the Company during the year

The total sale of cement by your Company for 1994-95, including traded materials and exports, was at a record level of 9.85 million tonnes as against 8.67 million tonnes in the previous year – an increase of 13.6 per cent. Of this, sales of your Company's production were higher by 7.21 lakh tonnes, an increase of nine per cent over the last year. On the export front, the Company's performance of 2.25 lakh tonnes showed an increase of 14 per cent over 1993-94.

Your Company is endeavouring to promote the supply of cement in bulk and also to encourage extensive use of ready mix concrete (RMC) Your Company s experience as the sole supplier of RMC to the prestigious project of the Bharat Diamond Bourse in Bombay, has given it a head start in this new activity

Refractory business

One of your Company's major restructuring initiatives – converting its refractory activities into a profit centre – has yielded rich dividends. Within a short span of five years your Company's refractory business has grown from Rs. 18 crore to Rs. 110.7 crore in 1994-95.

Research and Consultancy Directorate (RCD)

The other strategic initiative undertaken by your Company – the setting up of the autonomous Research and Consultancy Directorate – also recorded a growth of 57 per cent generating an income of Rs 33 crore

The achievements and capabilities of RCD have been recognized by the Department of Scientific and Industrial Research (DSIR) of the Government of India, through the "National Award for Innovation in the field of New Materials"; and also by the Indian Chemical Manufacturers' Association's special citation for "New Product Development". In addition, the Association of Consulting Civil Engineers (India) has recognized the *Indian Concrete Journal* (published by RCD) as the best publication in its field.

New projects

The new projects undertaken by your Company are dealt with adequately in the Directors' Report Among them, is your Company's Synthetic Ferric Oxide (SFO) plant which was commissioned at Falta West Bengal SFO is one of the principal raw materials in the production of hard and soft ferrites, used extensively in the electronics and telecommunications industries Over 70 per cent of the production will be exported

With the completion of the new major projects, your Company is now in a position to take on even more ambitious programmes in the unfolding future

The range of equipment manufactured at Associated Tyre Machinery Co Ltd (ATMC), now renamed ACC Machinery Co Ltd (AMCL), has been widened and includes among others equipment for Kellogg s cornflakes project at Taloja, and a turnkey job of a clinker grinding unit at Cochin which is nearing completion

Your Company's major venture with Floatglass India Ltd., was formally inaugurated in April 1995 at Taloja. Commercial production of clear float glass began in November 1994 and of tinted float glass in January this year.

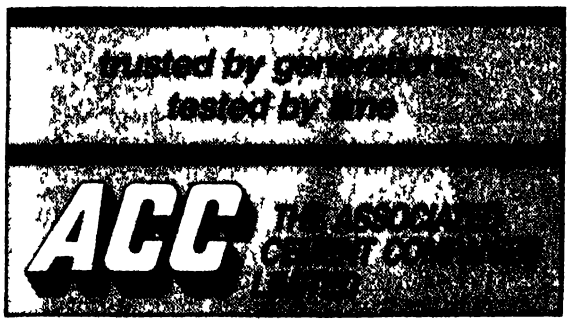
Emerging scenario

The magnitude of recent developments will shape the future of industry beyond recognition As corporations strive to become innovation-fuelled there is a relentless search for better faster and more economic solutions to the problems facing technology-driven companies Your Company will always strive to remain a torchbearer in the business world, with the values of public spirit integrity and compassion

I have no doubt that under the very able and far-seeing stewardship of Dr. Subrata Ganguly and his team of committed colleagues, your Company will continue to grow from strength to strength in the years to come.

On behalf of the shareholders, and on my own behalf, I would like to express my heartfelt gratitude to each and every employee who has played a significant role in shaping the fortunes of your Company in a spirit of cooperation and goodwill

Bombay, July 27, 1995



REVIEW ARTICLE

Subaltern and Bhadralok Studies

Ramachandra Guha

Subaltern Studies VIII: Essays in Honour of Ranajit Guha edited by David Arnold and David Hardiman; Oxford University Press, New Delhi, 1994; pp 240, Rs 340

Event, Memory, Metaphor: Chauri Chaura, 1922-1992 by Shahid Amin; Oxford University Press, New Delhi, 1995; pp 256, Rs 345.

VOLUME Eight of *Subaltern Studies* begins with an essay by Partha Chatterjee on the evolution of modern historiography in Bengal. Chatterjee starts with an early 19th century text by Mritunjay Vidyalankar, a 'Puranic history' in which "myth, history and the contemporary all become part of the same chronological sequence". He then examines a series of later texts, which bear the imprint of the modern historical consciousness. These histories (by Iswar Chandra Vidyasagar and others) accept the European mode of historical consciousness, but not their interpretation of events. Here is the 'first generation' of (Hindu) nationalist history, which explains the rise of British rule in terms of betrayal and deceit, its continuation in terms of the amorality of the rulers and the brutality of their justice. These histories were rich in speculation of what made British rule possible and sometimes of what might make it end. But where their attitude to European civilisation was distinctly two-edged, hostility towards colonialism coexisting with admiration for western institutions, Hindu historians were all marked by a conspicuous dislike of Islam. Muslims were represented in their histories as war-like, predatory and expansionist, the period of Islamic rule as a time of decline and degeneration (from the classical Hindu past). Chatterjee ends with some vignettes from Bengali Muslim historians, who argued that Hindus too had come to the sub-continent as invaders and refused to equate the history of Indian Islam with the reign of its most bigoted rulers.

Chatterjee's essay is learned and suggestive, yet its appearance in a volume marked 'Subaltern Studies' invites the charge of false advertising. The suspicion is confirmed by the second contribution to the volume, Dipesh Chakrabarty's study of debates on domesticity among the Bengali intelligentsia. His theme is an interesting one – how the personal/domestic came to be distinguished from the communal/public – but the analysis is carried out in prose of such wilful obscurity as to put off all but the most dogged reader. This for instance, is how he states the problem. "This essay is an effort to understand the many contradictory and heterodox moves through which the Bengali modern has negotiated this distinction in (re)constituting itself within a world-system fashioned by imperialism". His conclusion is equally impenetrable, to wit, that "the Bengali modern, implicated as it is in the structures and relationships of power that produce the social-justice narratives of the public sphere, is constituted by tensions that relate to each other asymptotically". The intervening argument, so far as it revealed itself to this reviewer, runs roughly as follows: The 'bhadralok' internalised, rather early on, a Victorian ideology of Improvement. This viewed physical and moral regeneration as a prologemona to national renewal. Within the home, they increasingly adopted European ideas of diet, hygiene, clothes and (especially) time. In training the discourse of improvement on the housewife, the problem for the male reformer was to educate women out of ignorance but not into immorality and defiance (the exchange, so to speak, of sarees for skirts). Thus "the most successful wife is she who combines education with skills in household tasks".

These two essays on the mind of the bhadralok do considerable epistemic violence to the idea of *Subaltern* Studies. With David Hardiman's contribution we are back on more firm terrain reassured that the goods the volume contains are not entirely spurious. Hardiman provides a richly detailed and closely argued history of the forests and forest people of the Dangs. He first reconstructs the precolonial economy and polity, with a focus on the distribution of power between the ruling Bhil chiefs, other Bhils, and non tribal Konkanas. The Konkana peasants practiced 'rab' cultivation in the valleys, fertilising their crops through the burning of forest debris. The Bhils, on the other hand, preferred to cut swiddens on the forest slopes. The two systems of cultivation complemented each other; both depended on an abundant forest cover. Hardiman suggests that the Dangis were not natural conservationists; for them the forests were eternal, they had "no consciousness that human beings could destroy this massive expanse of vegetation". This is an argument from silence, however, an almost positivistic reading of the existing sources. Anthropological and ethnobotanical evidence from other forest areas would suggest that the Dangis might very well have had an effective storehouse of knowledge with regard to the natural environment, putting this knowledge to effective and practical use.

The precolonial context sketched in, Hardiman moves on to the development, under the British, of a new regime of forest exploitation. By the 1830s, the British had established a system of indirect rule in the Dangs, with the chiefs reporting to a Bhil agent. The demand for wood for the navy and later, from the railways, led to a greater intervention in Bhil life. Under the threat of coercion, the chiefs were made to sign away their forests for a pittance, and the "power of the forest officials began gradually to eclipse that of the Bhil agents in the Dangs". Roads and tracks, the veins and arteries through which forest revenue flowed, also brought in other artefacts of the colonising mission – rest houses, schools, dispensaries and (eventually) American missionaries. Hardiman recounts, cogently and with care, the Dangi variant of what was to become an all-India pattern, the expansion of an authoritarian and insensitive system of state forestry, the victimisation of the previous owners of the forest, the episodic, heroic but ultimately foredoomed protests of the Bhils.

In his essay on the colonial prison, David Arnold suggests that this was no panopticon. The authorities had difficulties enforcing their writ (with regard to food and segregation, for example), and there was always space for resistance. Convict wardens, meanwhile, ran an alternate and informal system of power within the prison. Arnold also touches briefly on homosexual relations between prisoners, relations marked by love and envy as much as by brutality and violence.

While he departs from Michel Foucault in his emphasis on agency and protest, Arnold more closely follows the French historian in viewing the jail as a site for the production of state knowledge and the exercise of state power. The treatment of prisoners and their bodies varied widely by race and status, with Europeans and high castes allowed better food and exempted from forced labour. Unlike in Europe the priests were kept out, but the doctors were welcomed in. The prison afforded colonial medicine a unique opportunity to study the prisoner's body, to experiment with dietary practices and try out new drugs.

Arnold's essay effectively brings together his early work on the colonial police and his more recent studies of colonial medicine. One hopes this is a prelude to a full-fledged

monograph, which would bring the narrative down to the present. Thus he hints at major changes in the period of nationalist agitation (with its *jail bharo andolans*), but unfortunately does not elaborate on them. Again, he mentions a protest in April 1834 at Calcutta's Alipur Jail – "the most important penal institution in British India at that time" – apparently without being aware that this was the very site of major protests by naxalite prisoners more than a century later – jail breaks as well a struggle for access to 'bidis' and 'chittis' that some reckon to be the founding event of the democratic rights movement.

Gyanendra Pandey promises a "detailed discussion of Partition and its historiography" but in the event focuses on two articles (one very obscure) and two books that actually take the prelude to Partition rather than Partition and its consequences as their theme. Pandey argues that writings on Partition, with the exception only of the odd story and the odd memoir, have suppressed the suffering and violence by chronicling the triumphant coming into being of two nation-states. The texts chosen for critique are deemed complicit with the projects (singly or in combination) of History, Reason, Progress, Civilisation, Modernity, Discipline and the Nation-State – a reminder that whatever its other weaknesses, postmodernism has at least helped enlarge the intellectual's armoury of abuse (pity the poor Marxist, whose quiver contains but two arrows, marked 'class collaborator' and 'comprador' respectively). But to give a convincing account of itself, a historiographical critique must aim to be comprehensive. I am no expert in this field, but do know of two eyewitness accounts neglected by Pandey, Margaret Bourke-White's *Halfway to Freedom* and Penderel Moon's *Divide and Quit*, whose ambivalent titles would seem to suggest a more varied and nuanced field-of-force that he allows for. In any case, the writing of politically correct literature reviews seems a considerable waste of Pandey's skills as a historian.

II

The contents of this volume, like those of its immediate predecessor, seem to confirm a marked shift of emphasis in the project of Subaltern Studies. Over the years, most members of its editorial collective have moved from documenting subaltern dissent to dissecting elite discourse, from writing with (socialist) passion to following the (postmodernist) fashion. Intellectual history, reframed as 'discourse analysis', this is emphatically not subaltern studies. Let us call it Bhadralok Studies, or, in deference to the spirit of the times, *post-* subaltern studies.

This preoccupation with discourse is something of an intellectual cop-out, a retreat from the hard grind of social-historical research. Consider Partha Chatterjee's *The Nation and Its Fragments*, the first book-length study to come out of the post-subaltern studies project. "My concern in this book is with social agency", claims Chatterjee, but about the only time an agent acts is when Ramakrishna takes a carriage "all the way from Calcutta past Dakshineshwar to Belgharia" to meet Keshabchandra Sen. A work on Bengali intellectual life – in parts very well executed – is reinscribed (to problematise, for a moment, the book's subtitle) as the presentation of 'Colonial and PostColonial *Histories*'. To justify the plural, or even the singular, Chatterjee would have had to leave his desk for the field and the archive, the law court and the newspaper office, to reconstruct from fragments the history of the fragment. That would be history-as-craft; what we have, instead, is writing-desk history, the conceit that relations of power can be 'read off' printed texts.[2]

An extraordinary apology for writing-desk history has since been advanced by Gyan Prakash. Subalternity in this view resides not so much in the lived experience of women and workers, peasants and pastoralists, but as a "recalcitrant difference that arises not outside but inside elite discourses to exert pressure on forces and forms that subordinate it". This calls for a "complex and deep engagement with elite and canonical texts". According to Prakash, the project of subaltern studies has thus helped bring about the "relocation of subalternity in the operation of dominant discourses". Wonderful! Read James Mill and Jawaharlal Nehru, but to learn about the subaltern. It all makes it very easy for the historian.[3]

III

The key phrase in Shahid Amin's book *Event, Memory, Metaphor* occurs on page 118. "Disappointed in one archive", he writes, "it is the business of the historian to turn to another". Where some of his colleagues have abandoned the archive for the library, Amin's study underlines and reaffirms the original intention of subaltern studies: the recovery of the voice and memory of the subaltern. Through a wide array of published and unpublished sources, and the use of oral testimonies, he has produced a well-researched, well-crafted study of a suppressed event in the saga of Indian nationalism, the burning of the 'thana' in Chauri Chaura on February 4, 1922. This event led to Gandhi calling off the non-cooperation movement; as for the protesters themselves, they found themselves transformed, overnight, from volunteers to criminals, their act a dark blot on an otherwise blemishless saga of Indian nationalism.

Amin starts with the obligatory bashing of master narratives in general and the narrative of nationalism in particular. The narrative of his own book is deliberately disconnected, with short chapters and short shrift given to chronology. This seems a further, unnecessary concession to intellectual fashion, for perhaps a more conventional account would have made for more effective presentation. As one reads on, however, the logic of the book gradually unfolds itself, in five chronologically overlapping but thematically distinct parts.

Part I sets the context, the narrating the details of an event that has since been remembered "only in order to explain the termination of a particular phase of our Freedom Struggle". Part II provides a brief but thick description of Chauri Chaura and its environs, going over the social composition of the villages and towns, their ways of economy and exchange, their settlement patterns and means of communication. The book really gets going in Part III, where the historian juxtaposes, side by side, three versions of the event.

Version I is the nationalist narrative, which has had "no time for a history of the event, only for its lessons". The burning of the thana was a case of the (non-violent) Gandhi being betrayed by his (violent) followers: to quote the newspaper *Aaj*, the event showed that "our people have learnt inadequately the lesson of non-violence, that our people willingly take rogues for leaders, that violence and revenge are extracted in the most brutal ways". Gandhi himself, ruminating on the "tragedy of Chauri Chaura" saw it in much the same terms. "Non-violent non-co-operators", he remarked, "can only succeed when they have succeeded in attaining control over the hooligans of India, in other words, when the latter also have learnt patriotically or religiously to refrain from their violent activities at least while the campaign for non-cooperation is going on".

Version II, crafted some years later by the district historians of Gorakhpur, sought to cleanse the peasant-volunteers of the sin imputed to them by the nationalist narrative. In this account, the arsonists acted as they did only under extreme provocation and after enormous suffering. For two whole months, it is said, the police and the landlords "kept raining lathis at the satyagrahis". This unrelenting violence finally made the volunteers lose their nerve, in these circumstances, indeed, "even a saint would have lost his head".

Version III reveals itself in a letter written in 1938 by Dwarka Gossain, one of the volunteers jailed for life for his part in the 'outrage'. When the Congress governments came into office in 1937, they released all political prisoners, except only for those convicted after Chauri Chaura. Writing to the chief minister of the United Provinces, Govind Ballabh Pant, Dwarka penned what Amin calls "a formidable indictment of the Congress discourse on Chauri Chaura". Had the chief minister forgotten, he asked, that "whoever fought against imperialism and for swaraj, be he right or wrong, violent or non-violent [was in the right, for] the goal is the same".

The story moves on, in Part IV, to the trials of 1922-23 in which 19 volunteers were sentenced to death, with 110 others being

given life imprisonment. In my view this is the weakest part of the book: ponderous, heavy-handed, lacking the immediacy and intimacy of what comes before and after it. Amin elaborates here what seem to be fairly obvious points: namely, that the testimony of the approver, Shikari, and the verdict of the judge were both constructed narratives, tending to remove inconsistencies and ambiguities towards a smooth retelling of events which would facilitate the final judgment.

Part V, by moving back from text to context, provides a fitting end to the book. Here Amin charts the sometimes considerable distance "that separates the volunteers of Gandhi's Collected Works with the otiyars of [peasant] recollections". This is an account rich in paradox and contradiction. The 'otiyars' (the term by which the volunteers are remembered) wore clothes of colour (especially saffron), not the white khaddar that Gandhi insisted on. Peasant notions of swaraj were radically at odds with the nationalist dream: they "perceived of it as a millennium in which taxation would be limited to the collection of small cash contributions or dues in kind from fields and threshing floors, and [in] which the cultivators would hold their lands at little more than nominal rents". The descendants of the otiyars, meanwhile, recalled their forefathers' pride in their 'tough masculine bodies'; not for them an "androgynous Gandhian sense of sacrifice".

Amin found, to his surprise, that no stigma attached to the family of the approver, Shikari, whose testimony had sent some of his informants' relatives to their deaths and numerous others to long spells of incarceration. Some of his interviews, indeed, were conducted in the home of Shikari's son, himself a respected village 'pradhan'. He essays the interesting speculation that this tolerance and even affection for the memory of Shikari might be due to a tacit acceptance of nationalist guilt – the approver, after all, was merely following Gandhi's advice to the 'criminals' to turn themselves in. But the last word on official nationalism must rest with Naujadi, the wife of one the the 'rioters', Rameshwar Pasi. Standing in for the thousands of peasant nationalists who fought for swaraj but have since got little out of it, she remarked: "Everybody has got their raj, our raj never came. It's us who created the turmoil and look what we got – nothing!".

Amin writes that in the nationalist consciousness a 'nagative charge' has always attached itself to the 'crime of Chauri Chaura'. His own effort, in which he largely succeeds, is to free the otiyars from "the constraints of [colonial] law and nationalist condemnation". I wish though that his book was at least 50 pages longer. There are tantalising but undeveloped references to the rebellion of 1857-58, apparently very intense in these parts. One would have liked for a more extended discussion, in the context of the riot and its immediate prehistory, of the peasant rumours about Gandhi that he has written about elsewhere, and for a more careful identification of the biographies and motives of the district historians who tried to 'whitewash' the nationalist narrative. The book and its readers are also ill-served by a hopelessly inadequate index.

The real failure of the historian's imagination, however, is with regard to Mahatma Gandhi. Writing of the events of 1922-23, Amin refers to Gandhi with heavy but misplaced irony as the 'Father' of a nation still a quarter of a century in the making. He prefers an instrumental, almost cynical reading of the strategy of non-violence – at times reminiscent of R P Dutt – without allowing for the deep moral commitment which underlay it. An after-the-event comment by Gandhi is dubbed an 'authoritative' and 'celebrated' essay, much as if it darkly influenced generations of historical writing (when it seems to have been exhumed by Amin himself); Gandhi's prose is termed 'disciplinary', part of the 'discourse of discipline', although we are never informed as to whom, and by what means, his words helped 'discipline'. Amin quotes Gandhi as expressly allowing the eating of fish and meat, yet sneers, in the next sentence, at 'nationalist vegetarianism'. When Gandhi talks of his nervousness at being surrounded by a milling crowd (a very human response), the populist historian can only see the ungratefulness of the leader towards his flock.

Shahid Amin is unable or more likely unwilling to enter the mind of Mahatma Gandhi, but the mind of the peasant is another matter altogether. 'Can the Sabaltern *Speak*', asked a literary critic some years ago, wagging a threatening finger in front of the innocent historian. The answere, we can now report, is years, the subaltern *can* speak, but in Bhojpuri, not French.

Notes

1 These two essays mark a departure in more ways than one. Both have been published previously, Chatterjee's in *Social Research*, Chakrabarty's in *History Workshop*, and are reprinted here without acknowledgment. This is a practice so common nowadays that academics have coined a phrase for it – 'double dipping'. However, to recycle material in a project that prides itself on its originality is unappealing – that this is a festschrift for Ranajit Guha makes it doubly so.

2 Partha Chatterjee, *The Nation and Its Fragments: Colonial and Post Colonial Histories* (Princeton and New Delhi, 1993-94). (The claim about 'agency' appears on page 34, the description of Ramakrishna's carriage ride on page 43.) Chatterjee's theoretical and political emphasis is on the relationship between state and community, his main complaint that 'autonomous forms of imagination of the community were, and continue to be, swamped by the history of the postcolonial state' (page 11). But so much does he operate in the world of discourse that a book written in Calcutta in the 1990s does not so much as mention the fascinating, continuing and unresolved tension in the Bengali countryside, between the claims of the community and the claims of the state (over such distinctly subaltern and power-laden questions as access to land and forest, self-representation, and the limits of bureaucratic authority). The word panchayat does not appear in his index or, so far as I can tell, in his text.

The terms 'history-as-craft' and 'writing-desk history' were suggested to me by the social historian Hans Medick; they capture most clearly the difference in method between subaltern studies, properly so-called, and post-subaltern studies.

3 Gyan Prakash, 'Subaltern Studies as Postcolonial Criticism', *American Historical Review*, December 1994. The title of this essay rather gives the game away. For to see subaltern studies as a project of 'criticism' is already to privilege the reading of printed texts in the public domain (one can only criticise that which is presumed to be read). The prefix 'postcolonial' is more curious still, for practically all the essays in the eight volumes of subaltern studies have dealt with the years *before* 1947. Perhaps Prakash is here following postmodernism to its self-absorbed and egotistical end, where the birth certificate of the writer, rather than what he or she is writing about, is taken to b definitive.

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PEARL PUBLISHERS

Colonialism and Environment in India

Comparative Perspective

Jacques Pouchepadass

Although colonial rule throughout the world was accompanied and supported by exploitation of forests and environmental destruction, independence has not put a stop anywhere to these processes. Rather, the disruption of the relationship between local societies and their natural resource bases has continued in the worldwide movement towards modernisation. Instead of contrasting this situation with a mythical golden age of equilibrium between society and nature, what is needed is a radical critique of capitalist expansionism, of which the colonisation of nature has been one of the major objectives.

CURRENT anxieties regarding our dwindling capital of biomass resources at the world level have brought to the fore the question of the relationship of rural societies with their forest environment. The social perception of nature has always been a central preoccupation of social anthropologists. But students of peasant societies have long considered the forest as of peripheral importance, probably simply because it was situated at the periphery of the cultivated space. Agrarian history, both western and non-western, has up to now largely been a study of techniques, yields, appropriation patterns, taxation, commercialisation, social stratification, peasant resistance. It has too rarely examined from a truly ecological standpoint the effects of land colonolisation, agricultural and animal husbandry practices, hunting and gathering by peasants, and the functioning and crises of agrosystems (except in the special case of famine). The opening chapters of many books of agrarian history are geographical presentations of the areas of study which convey the impression that the natural setting of agrarian life is a timeless framework of unchanging biophysical conditions. Any static conception of the relationship between human communities and their environment is of course misleading, as an agrosystem is usually the outcome of a long history of ecological disruptions and adaptations. As long as it functions, it necessarily remains in a state of dynamic and unstable equilibrium. In particular, the interrelationship between agriculture and its forest 'frontier' is often ignored in these studies, or treated marginally. As a rule, the agrarian historian has left the forests where they were, on the distant horizon, or as dark wild patches in the midst of the humanised artificial landscape of peasant life and activity. The origin of the word 'forest' is a late Latin word, 'foresta', most probably derived from the adverb 'foris', which means 'outside'.[1] In leaving the forest outside his purview, the agrarian historian in fact adopts the point of view of the state, or more accurately the point of view of his sources, that is to say official records, which relate mainly to the cultivated area, that which produces revenue.

The conception of the forest by the peasant himself was of course quite different. The accessible forest was a central element in the organisation of traditional agriculture, a sort of wooded extension of the cultivated space, often criss-crossed by pathways, and daily frequented by village people who came to graze cattle, to hunt, and to collect fuel, timber, litter, green manure, and all sorts of other vegetable produce which often constituted important adjuncts to their diet or to their sources of monetary income. Prompted by the current fears of an impending world ecological crisis and by the widespread indictment of thoughtless deforestation, the agrarian historian is now reversing his perspective, and forest history has been developing rapidly over the last few years.

My purpose here is to explore briefly the colonial phase of the history of Indian forests, and this in a comparative perspective. As everyone knows, it is in the tropical world that ecological devastation is most dramatic today. The biological wealth that is being destroyed here is both the most abundant and the most vital to the future of the human species. And it is here that its destruction seems most difficult to control. The forests of the tropical zone entered for the first time into a phase of common history at the world scale when they were all brought under more or less simultaneous attack during the age of the capitalist expansion of Europe. The phrase 'imperialism and the natural world' has become paradigmatic these last few years for a new and growing range of historical problems and research. The details of Indian forest history during this period are now being gradually unearthed from the forest records by historians. I would like to review these data in the light of current general views on this new apsect of the history of European expansion.

It is commonplace to say that, in the countries which underwent European colonisation, the colonial period normally represented a very important phase from the standpoint of the destruction of the natural environment. However, let us not be overly Eurocentric here. This phase of destruction was not the first in history. The desertification of Mesopotamia, the depletion of the cedar forests of Lebanon from the time of the Phoenicians, the massive fellings in Roman North Africa, the extensive hill clearings in the Southern Maya Lowlands of Mesoamerica, the ecological decline of the classic Khmer empire, the over-exploitation of forests and consequent energy crisis in Tokugawa Japan, the almost complete denudation of China for agriculture by its own peasantry, are only scattered dramatic examples of a general historical phenomenon, the gradual depletion of the world's forest cover for the needs of agricultural expansion and urban development. India, of course, has not been spared by this general trend, and evidence is not lacking, for instance, on the impressive rate of forest clearance throughout the Gangetic basin during the medieval period. Also, considering what followed it in many countries, the colonial phase of environmental disruption has not everywhere been the worst. But it undeniably set in motion processes (economic, demographic, social, administrative, legal) that stimulated the overuse of natural resources and have proved difficult to reverse. On the other hand, the colonial period was often marked, in the countries involved, by the inception of conservation policies, even though these policies reflected the needs of the state rather than any strong concern for the welfare of the local populations. The overall picture is thus dark, but not entirely black.

I
Colonial Factor in History of Environment

The historians of the 1960s waged a long war against the structuralist notion of 'societies without history' (or rather against the distinction which Levi-Strauss made

'cold' and 'hot' societies, which was in fact misunderstood, historicity being mistaken for history). A similar struggle might well have to be launched to combat the notion of 'nature without history'. There is, after all, a connection between the two notions. Societies without a history, in the common erroneous interpretation of the phrase, were believed to have remained outside the mainstream of history because of their total immersion in the unchanging rhythms of a natural environment which was thought to determine them completely. While historians have rightly refused such an idea, we must also reject the idea that colonisation everywhere struck the first blow against natural states of equilibrium which had remained intact since primordial times. The myth of primeval nature is found everywhere and at all times. In Europe, mediaevalists long thought that the massive clearings of the ninth to the 12th centuries had been done at the expense of forests which had been untouched until then, and they believed this on the basis of the mediaeval chronicles themselves. Now wherever precise archaeological enquiries have been carried out, they demonstrate that on the site of many of these medieval forests, there had been intensive human occupation during protohistorical or Roman times. Everywhere in the tropical world, for accidental reasons such as the construction of roads, remains of very ancient (not unfrequently neolithic) human occupation are found in the midst of supposedly virgin forests. Palynological and palaeobotanical studies of quaternary sediments within the dense forests of peninsular India show evidence of clearances and of the practice of agriculture from the beginning of our era. It is common knowledge that the terai forests of northern India contain innumerable remains of fortifications and shrines, of canals, of deserted village sites. We know, for instance, from the evidence of Chinese Buddhist pilgrims that the Gorakhpur forests were the site of flourishing towns before the fourth century, which lasted at least until the seventh century. In Sri Lanka, the forests of the dry zone, where by the beginning of the colonial period only groups of hunters and shifting cultivators remained, were actually not more than five or six centuries old. They had succeeded, after the 12th century, to a long phase of prosperous agriculture supported by a highly developed water-supply system. Vestiges of precolombian agricultural practices are found in the Mexican forests. Bantu expansion colonised many parts of the central African forest long before European colonisation. Historians have formed the hypothesis that the vast teak forests discovered by the Dutch in the centre and west of Java in the 17th century were the result of plantation carried out at the beginning of our era. In India, similarly, the 'jungle' was not unfrequently man-made, as when local kings planted forests or allowed their spontaneous regrowth in order to protect their territories against potential invaders: we have precise examples of this from Saurashtra for instance. One could go on indefinitely with examples of this kind. It must be noted, incidentally, that the western myth of the 'virgin forest' carried with it, in the colonial context, important legal and economic implications. Since by definition the untouched primordial forest belonged to no one, it seemed only logical that its control should vest in the colonial government.

Similarly, the societies which lived in and from the forest when the Europeans arrived were not isolated communities preserved from all outside influence from the beginnings of history. In India, the relationship between the forest tribes and the sedentary populations of the plains were constant and diversified, and the myths of the former show how deeply the latter formed part of their cultural universe. Many forest societies of the tropical world were in fact peoples from the plains who had been driven into the forest by force or had had to take refuge in them. Many societies of hunters-gatherers have been shown to be former societies of settled agriculturists who were at some point in time driven out of their habitat and forced into the forest where they adopted a different mode of subsistence, based on the natural resources of the forest. Godelier has interesting examples of this to offer from New Guinea and elsewhere.[2] Similarly, the nomadic herdsmen of Mongolia are not originally people of the wilderness, primitive hunters grown into pastoralists, but peasants who gave up the insecurity of dry-farming in a most difficult environment for a more reliable and, in their eyes, noble mode of subsistence.[3] Shifting cultivation, contrary to a widespread cliche, was in fact not necessarily associated with insulated and primitive ways of life. It was occasionally compatible with a market economy, with land ownership and taxation, and it has at times supported urbanised civilisations, such as that of the Mayas.[4] In addition, many products gathered in the tropical forests had been items of long distance trade long before the advent of the Europeans. So, western colonial expansion did not necessarily disturb or destroy primordial states of ecological equilibrium, nor any original harmony between societies and their natural environments. At best, it destabilised *relatively* stable situations, which were the last stage of long histories of successive disturbances and adaptations.

The nationalist myth of the precolonial golden age survives today in the oft-stated view that indigenous societies, before the advent of colonialism, were able to maintain a state of ecological homeostasis with their natural environment. They achieved this equilibrium, it is said, thanks to their immemorial knowledge of the natural world and to the innate wisdom of their self-managed local communities, which were spontaneously inclined to nature conservation, and practiced collective self-restraint in the utilisation of its resources. There is no denying, of course, the marvels of ethnoscience, but such pronouncements imply more dubious value judgments which have unfortunate implications. They in fact resuscitate the Eurocentric narrative according to which the history of the non-western world was set in motion by the disruptive impact of western expansion (beginning with the 'Great Discoveries' of the late 15th century). They implicitly postulate that the access to natural resources was equally open to all, and ignore the facts of power and inequality in the structure and functioning of precolonial societies. They give a new span of life to the old opposition between tradition and modernity, an ideological construct which was believed to have foundered with modernisation theories. They seem to disregard the evident material fact that the collective preservation of a natural resource base requires no particular ecological ethos as long as population density remains low, and that it is the scarcity and overuse of available resources that generates the impulse towards conservation. They also do not raise the basic sociological question of the relationship between symbolic norms and actual behaviour or practice, and especially of the efficacy of ethical rules when individual interest, pressing necessity or strategies of survival run counter to them. This is not to detract from the value of the various experiments in joint management of forest areas by local populations and the forest departments now going on in India, or to deny the virtues of communal control of common property resources, as it is urgent in any case to do away with the abuses of exclusive state control of the forest biomass. But the emotional reference to what is in essence the western phantasm of 'the world we have lost' is scientifically unsound and probably only serves to make the necessary political compromises more difficult.[5]

This does not mean that we should systematically minimise the importance of the colonial impact on natural environments. From many points of view, it represented a radically new phenomenon. First, it was an attack on the world scale, corresponding to the phase of expansion of western merchant and industrial capitalism. Second, the intruders had means of conquest at their command which were generally out of all proportion to those of the local societies. Third, the offensive was backed by a conquering modern ideology according to which nature ceased to be the sacred order of things,

or the abode of the gods (as Marx said, it was 'disenchanted'). It had become an object to be mastered, exploited, transformed, and commoditised, a means of speculation, a merchandise (and there is no need to lay the blame for this promethean and depreciating attitude to nature on the tradition of Christian anthropocentrism, as has sometimes been done.[6] Fourth, the colonisers carried with them techniques and tools, introduced crops and forms of animal husbandry, opened up routes for diffusion and exchange, which irreversibly altered the local socio-ecological configurations. And finally, to serve their own interests, they set up everywhere an increasingly efficient framework of governmental control, which gradually denied the local populations free access to their traditional natural resource bases, at a time when their numbers were beginning to increase. Although the ecological stresses and traumas resulting from European colonisation were not by any means the first events of their kind in the tropics, the scenarios for the first time were modern, representing the onslaught of commercial and industrial capital on the natural resources of the world at large.

II
Domestication of Tropical Nature

Cultural perceptions of the forest are always ambiguous. On the one hand, the forest is a generous provider of plant and animal resources, a space for freedom, pleasure and adventure, a refuge against the evils of war or the contradictions of society, and a place of spiritual retreat, of regeneration, of salvation, where saints choose to reside, and where, according to the Hindu model of the 'ashramas', men ideally should retire as 'vanaprasthas' (forest dwellers) at the end of their life. On the other hand, the forest is viewed as a land of the unknown and the unpredictable, inhabited by outlaws and wild tribes, and a haunted space, the abode of threatening and undominated forces, demons, or the spirits of the dead. It is the 'other side', against whose dangerous intrusions men and communities have to protect themselves. One of the major responsibilities of the 'raja' in Hindu tradition was to extend his domination over these wild areas, to placate the uncontrolled powers inhabiting them, and thus to protect his people against them, while displaying his own superior might.[7] Guardian gods and goddesses in the Indian countryside are placed at the outer limits of the cultivated space, facing the wilderness. One could characterise the social perceptions of the desert in equivalent terms.[8] In one form or another, this kind of interplay between the geographical and the symbolic occurs in all cultures. The colonial perception of the tropical forest was no exception. On one side there is 'the emerald forest', the fantasmatic illusion of pure virgin nature in all its profusion and beauty; on the other there is the 'green hell', a tentacular and entangled plant-world, essentially hostile, where invisible dangers lurk.

The perception of animal life was even more ambiguous because of the anthropomorphic characterisations of animal behaviour, which projected onto it all the ambivalences of the human soul. This is particularly obvious in the vast colonial literature of hunting stories and memories. In the ideology of the colonial hunt, besides the quest for adventure and prestige, there is on the one hand a fascination with natural beauty, and on the other a sort of urge to exterminate symbolically the dark side of human nature, that is to say human defects which are attributed to animals, such as cruelty, cunning, treachery, thieving or murderous instincts. The hunt is also a symbolic re-enactment of the victory of the forces of civilisation over savage nature.

Finally, even the human societies of the forest and of the savanna were commonly stylised, according to a sort of brutal naturalist reductionism, into elementary essentialist characterisations. The aborigene in the bush or the forest was described as childlike, ingenious, unpredictable, potentially dangerous, and he was seen as a survival of primal human savagery, entirely determined by the ecology of his habitat.

Ideology of Exploitation

Everywhere in the colonies, the forest was at first considered as an obstacle to the rational and profitable use of the land. Colonisation bred the emblematic figure of the pioneer, whose symbols were the axe and the gun, both tools of destruction whose ultimate purpose was to substitute civilised order for savagery. And the aborigene himself, whenever organised and productive exploitation of natural resources became the order of the day, often came to be seen as standing in the way, as a trouble-maker, who had to be displaced or neutralised. It should be plain however that the will to clear, dominate and exploit wilderness was not by any means a cultural specificity of the western coloniser.[9] Even in Hindu culture, which lays a stonger stress than most on the necessary conformity of the human order to nature, the duty of kings, as set out in the *Arthashastra* for instance, is to extend their kingdoms both by military conquest and by clearing and colonisation of virgin land. But the colonial onslaught on the forests was worldwide, and it was carried out by Europeans with powerful technical means, so that its effect was unprecedented.

The agents of this development were colonisers who, so to say, "carried their ecology with them".[10] They renamed regions, trees, animals and landscape elements after those with which they were familiar in their countries of origin. They were bent on applying western principles and techniques of cultivation in non-temperate environments to which they were not adapted, at the cost of repeated failures. They were culturally biased in favour of settled agriculture or cattle raising and against itinerant life-styles such as shifting agriculture, which was considered wasteful and unproductive. As far as forestry was concerned, their ideal was the plantation – which is a domesticated, rationalised, optimised form of the forest. Colonial forestry, as a rule, was mainly concerned with a few commercially valuable species, while the species commonly used by the local populations were extremely numerous. The ideal of the foresters in French Africa or Indochina, according to the principles that were taught at the school of forestry at Nancy, was homogeneous populations, closed formations, and tall, straight tree growth. The German tradition of forestry, which spread to the Dutch and British colonies, was no less single-minded. In India as elsewhere, the foresters sought to increase the commercial profitability of the more accessible forests through the systematic plantation of a very small number of species, such as conifers in the Himalaya and teak in south India, species which were of little use to the local populations, as contrasted to many other species which were eliminated.

The application of these eco-ethnocentric concepts overseas led to the destruction or reshaping of landscapes and the displacement of indigenous populations. As always, human intervention in natural systems determined a transition from complexity to relative homogeneity. The main trend was towards the substitution of single-species cultivation for natural diversity, the replacement of prolific generalised ecosystems by specialised ones (and especially agro-systems). This was often done on the basis of an inadequate knowledge of the environments involved, leading to spectacular failures. For instance, there was an erroneous belief, particularly in the first phases of colonisation, in the exceptional fertility of tropical soils, based on the luxuriance of spontaneous vegetation. Knowledge of the dynamics of tropical forest ecosystems was extremely scanty; a high rate of failures in these conditions was inevitable.

Features of Tropical Ecocide

It was normally in its initial phase that colonisation of natural environments was most carelessly destructive. The process sometimes began with the conquest itself, when deforestation was part of military operations. Defensive forests were as common in the tropical world as they had been in the ancient and medieval west. Muslim chronicles in India often refer to the forests

that the armies of the sultans of Delhi or the Mughals had to chop down in the course of their campaigns against rebel chieftains. Even as late as the 1850s, at the time of the Sepoy Mutiny, most of the 159 strongholds of the taluqdars of Oudh were mud forts bordered by ditches and surrounded by 'jungles'.[11] A forest was an obstacle to the movement of armies; it could easily become a base of resistance or guerillas; it provided a convenient refuge to criminal elements; in short, it stood in the way of political hegemony, and it also formed a barrier to agricultural expansion. Forest destruction was consequently a common feature of the colonial conquest in south Asia as elsewhere. It is known, for example, that the forests which protected the heights of the kingdom of Kandy in Ceylon were razed at the time of the British onslaught.

In the first phases of colonisation, forest exploitation was generally extremely improvident and wasteful. The scenario was more or less the same everywhere. The vastness and abundance of the forests encouraged the illusion that they were inexhaustible. The most accessible stands, close to the coast or to river banks, were attacked first, and they were destroyed without a thought for their regeneration, thus creating increasing difficulties, costs and delays (in transport, floating, etc) for later exploitation. The forest was gutted to procure a small number of precious species. Dozens of trees were damaged in the process of felling a few. Massive felling was done just in order to extract some 'minor products', as in Java where sometimes several hundred camphor trees would be sacrificed in order to find one containing crystallised camphor. It must be added, however, that in this regard, as in the case of military deforestation, colonisation did not mark an absolute beginning, but often an acceleration or systematisation of earlier practices, made easier by the introduction of more effective techniques and tools. Everywhere the export of valuable woods or 'minor forest products' had started long before colonisation.

More radical was the razing of forests to the ground, with the consent of the colonial authorities, in order to develop plantations, commercial cultivation or animal husbandry. The most spectacular ecological transformations of this kind were those which took place on islands such as New Zealand, the Canaries or New Caledonia. New Zealand was almost entirely deforested by the European agricultural settlers in a little more than a century, and most of the wood was burnt on the spot because the overproduction was such that it had practically no market value. In New Caledonia, which became a French colony in 1853, the Kanak agricultural system, which was based on a delicate balance between forest, grasslands and horticulture, was driven back by European cattle raising. The cattle were introduced by the while settlers in the hope of repeating the Australian 'miracle'. The Neo-Caledonian savannas were more or less similar to those of eastern Australia, and as J Barrau says, "with their historical experience of livestock farming, Europeans could not see these grasslands without immediately thinking of cattle".[12] Land was taken from the Kanaks and where necessary it was deforested and converted into pastures. The bovines had been introduced in the 1850s. By the 1880s, there were close to 90,000 of them on the island, roaming freely everywhere, trampling down and destroying the elaborate irrigation and drainage system of the Kanak horticulturists, breaking up their gardens, and endangering their very subsistence. Then, as the soil was in fact poor and had become subject to erosion, and the grass overgrazed, these pastures soon became unproductive and the yield of the cattle farms went down. This prompted the settlers to take more land from the Kanaks. In the end, they were confined in a few tiny reserves encircled by huge cattle farms, where each bull enjoyed much more living space than each individual Kanak in his reserve.

This phenomenon was universal, though in differing degrees, throughout the colonial world, because exploitation of the land was one of the main reasons for colonisation as such. Let us remember that the Permanent Settlement of Bengal was designed, among other purposes, to induce the zamindars to increase the profitability of their lands: the land revenue being fixed once for all, any increase in their rent rolls would remain exclusively theirs. This of course represented a powerful incitement to the clearance of forest and jungle on their zamindaris, and in this way the Permanent Settlement became an engine of deforestation in eastern India.

Local contractors and timber dealers often played an important part in the deforestation. For instance, local merchants and proprietors carried out reckless exploitation of the forest of the western ghats during the first half of the 19th century before the advent of strict government control, and private contractors (almost all Indian) were prominent in the harvesting of the 'sal' and 'deodar' forests of northern India for railway construction.[13] The building of the huge railway system of the Indian empire was a major windfall for the Indian timber business. The story of railway deforestation in India is well known, and need not be repeated here.[14] Let it only be said that the railways required more than one million sleepers every year in the 1870s, each sleeper lasting normally 12 to 14 years. One average mature tree (sal, teak, and deodar being the only species of appropriate strength) could provide seven sleepers. Until the 1890s, when the use of coal began to become general, the forests also had to [illegible]

The way in which the Indian forests were being worked by private enterprise was as a rule extremely wasteful. This is one of the reasons of the creation of the forest department in 1864, as it appeared necessary to protect the forest capital of the empire more effectively in order to cater to the needs of the railways. In Sri Lanka, Ceylonese timber merchants (who in addition had a stake in coconut and rubber planting on the deforested areas) played a decisive role in the deforestation of the island. So did Indonesian and Chinese entrepreneurs in the Indonesian archipelago, and Chinese dealers in timber and forest by-products in French Indochina. Yet the main agent of environmental transformation was the European coloniser. The local merchant or contractor who took part in the process operated within an economic framework which had basically originated in the colonial situation.

The extent and methods of colonial deforestation all over the world have been the subject of active research for several years now. The accounts of the martyrdom of colonised nature in the tropical world are sadly repetitive, and I will not dwell at length on this aspect. Because of the lack of scientific knowledge the fellings led to massive and irreparable ecological mistakes. Even past experience did not always restrain destruction, because the quest for short-term profit led to disregard of long-term consequences. One significant example is that of the extensive fellings carried out in Ceylon by the first generation of coffee planters, who were but adventurers looking for quick profits at all cost and who were ready to abandon their lands as soon as they were exhausted, as the cost of virgin land at that time did not exceed a few shillings per acre.[15] Once they had left, however, the ecological damage remained and the local populations had to put up with it. Actually, in the colonising countries themselves the disadvantages of too-intense deforestation were well known. England and the Netherlands had lost almost all their forest cover when they started exploiting that of their tropical colonies. In France, the forestry school at Nancy was created in 1827 in response to the need for careful management of what remained of the forests in the country. But nowhere in the colonies was any serious attention paid to the necessity for scientific working of forests before the second half of the 19th or the beginning of the 20th century. Indigenous practices for the management of the natural environment were unknown or ignored. In pastoral zones, overgrazing was the great danger. Thus in the South African veldt the grass was over-cropped by the sheep of European settlers, whereas in former times the indigenous Hottentot farmers used to migrate with their cattle at the first indication of decline. The same was the case

with the rapid degradation of the grasslands of New Caledonia, which had been mistaken by the European settlers for rich natural pasture, and which, besides losing their fertility through soil erosion, were soon overgrown because of selective grazing by the cattle, by unpalatable grasses and various introduced weeds.[16]

One of the main reasons for these ecological failures was the fragility of the specialised agrosystems which took the place of the destroyed generalised ecosystems. The more an agrosystem is specialised, the more it is rigid and vulnerable and the greater are the efforts necessary to protect it and to maintain its productivity. As a rule, the replacement of a diverse biocenosis by a monoculture activates predators and parasites who live at the expense of the cultivated species and whose impact was previously limited. The expansion of open, disturbed habitats favours the proliferation of weeds (many of which were unwittingly introduced by western man himself, particularly from the New World). Such ecological mechanisms soon lead to difficulties in maintaining the artificial ecoysystems, and sometimes to total failures. To give only one Indian example, one may cite the case of the coffee plantations in Coorg. Coorg had been occupied by the British in 1834 and was still covered with dense evergreen forest or (to the east) thick jungle 20 years later. It was only after the advent of the European coffee planters that the large-scale felling of forest began. The first European plantation was started at Mercara in 1854. Land being cheap and profits substantial, a veritable rush developed during the following years. Thus 20,000 acres of dense forest were cleared in a little more than a decade. But within a few years, the coffee trees began to suffer from bug, leaf rot and leaf disease, and they became prey to a devastating pest, the borer. A commissioner was appointed in 1868 to investigate the ravages of this insect. The felling and burning of extensive areas of forest had destroyed a great deal of the surface soil. Then the practice of exhaustive weeding, designed to show a clean surface (a clear case of imported ethno-ecological prejudice), increased soil erosion. Forest destruction caused recurrent failures of drainage and also induced unforeseen imbalances in the fauna. All this largely explained the proliferation of the borer. An increasing number of estates were abandoned, especially after a commercial slump had set in because of competition from Brazilian coffee. And to crown it all, the abandoned estates were soon overgrown by lantana, a shrub introduced in 1863 by local British settlers for their gardens, which proliferated across the hill-sides in the form of a dense scrub.[17] This kind of ecological blunder, due to the under-estimation of the vulnerability of artificial monocultural ecosystems, occurred everywhere in the colonial tropics. The reafforestation with single species led to similar difficulties. Drastic changes in vegetation and mistaken agricultural practices such as total removal of grass-cover or down-slope drainage, had destructive effects on soils: erosion, leaching, laterisation. In 19th and early 20th century Sri Lanka for instance, deforestation by coffee, tea and rubber planters caused heavy soil erosion. Streams and rivers were increasingly blocked by alluvival deposits; they became unnavigable and subject to sudden flooding; peasant irrigation systems and rice fields on the valley floors became silted up. In 1931, when a soil erosion commission was finally set up, the director of the Kew Botanical Garden wrot to the government of Ceylon that "this island seems to be dissolving in water".[18]

I will only mention in passing the question of the extent to which deforestation affects climate, and especially rainfall patterns, as this question, which has been a subject of speculation for two centuries, is still controversial. But it is highly probable that the effect was not negligible. It was also injurious to the health of human populations, as in Sri Lanka, where recent research seems to show that the spread of plantations (for reasons which are still debated) has aggravated the incidence of endemic malaria.[19]

The European onslaught on the natural and especially forest resources of the colonies entailed the disruption, at least partial, of the mode of life of the indigenous societies of the areas concerned. It is the heavily unequal balance of power, and the establishment in the conquered countries of a modern type of centralised rule, which made possible the displacement or the forced adaptation of these societies, whose former relations with their natural environment were more or less brutally shattered. I would thus like to turn to the attitudes of the colonial states, particularly of the British colonial state in India, towards nature, its exploitation and conservation.

III
Colonial States and Nature Conservation

Exploitation/Protection

In the colonies, as a rule, the military administrations which took over immediately after conquest were gradually replaced by governmental structures inspired by those of the colonising countries. Whatever the official policy pronouncements, the conquered territories were generally organised empirically, according to immediate needs and without any very strong predetermined plan. Yet there was at the background the general conception of government implicit in the modern western liberal ideology, which is that government must be rational, autonomous and uniform. In this sense, the colonial governments represented to some extent attempts to adapt to exotic circumstances and conditions the processes of institutional development that the colonising nations had experienced a little earlier, or were experiencing at about the same time. The institutions of government created in the colonies were not, however, as in the home countries, the outcome of endogenous historical processes. These institutions had no roots in the culture of the colonised societies, and they often did violence to them. The establishment of state controls over the natural environment must be seen as part of these general processes of institutional growth. It went hand-in-hand with the extension of governmental structures and regulations into all domains of public life (or more exactly, with the expansion of the public domain and the creation of a new distinction between public and private). In India, for instance, the imposition of colonial state control over the forests during the second half of the 19th century was only one aspect of the all-round expansion of the modern state which characterised the post-Mutiny period of Indian history. Custom was being codified and ambitious modernising laws were passed. The colonial administrative network was growing and coming closer to the people. India was entering the statistical era, and it was being exhaustively surveyed, described and inventoried by way of maps, censuses, gazetteers and ethnographic compilations. Customary rights and practices in all walks of economic life were being listed, sifted, redefined and recorded for fiscal and judicial purposes. Road communications were being improved and the railway was casting its net over the subcontinent. In short, an attempt at the restructuring of Indian society according to the requirements of the modern state was under way. The seizure by the state of the natural resources it needed for its own reproduction and expansion was similarly on the agenda.

There are instances of royal or aristocratic monopolies over natural and especially forest resources in all great civilisations since very ancient times, and India is no exception to the rule. The prescriptions of the *Arthashastra* regarding the establishment of forest reserves for the protection of elephants, which were a basic component of the military strength of the Maurya sovereigns, are often cited in this regard, as well as the forest rules laid down by the Marathas in the 18th century to cater to the needs of state naval construction. What the ruling powers required everywhere for civil and military building as well as for their navies was high quality timber of large diameter, usually provided by species of slow growth, which had to be efficiently preserved by successive generations. This was the prime motive behind

Colbert's Forest Ordinance of 1669 in France, which organised forest reserves on the basis of growth cycles of 120 years. Forest (and game) were also very commonly protected to permit the proper accomplishment of an important ritual, the royal hunt, and of its more modest replicas at the level of lesser princes and local lords. The attempts of the ruling classes to control forest resources are thus in most areas a very old story.

What seems to have been lacking behind these efforts before the 18th century, as R Grove has shown, is an explicit theorisation of the finite character of the earthly stock of natural resources and of the vital need to organise its conservation.[20] The consciousness of the risks consequent on centuries of overuse of forest resources was however present in 17th century Japan when the Tokugawa rulers decided upon increasingly restrictive forest legislation to avert the impending scarcity of timber. The fact that Confucianism, which stresses the notion of harmony between nature and society, was then the dominant political ideology in Japan, may have contributed to the emergence of this policy.[21] Yet ecological problems of comparable magnitude in early modern China do not seem to have evoked the same kind of governmental response.[22] The genealogy of modern European conservationism both in Europe and in the colonies from the 17th to the 19th centuries is now known thanks to the work of R Grove.[23] It was strongly influenced by the realisation of the fragility of overexploited forest ecosystems in several tropical islands colonised by the French or the English, combined with the preromantic idealisation of nature. In France, the rigorous forest legislation of the Revolution and the Napoleonic Empire completed and reinforced by the Forest Code of 1827, marked the end of the extensive utilisation of the forests by the peasants and the confining of agriculture within strictly circumscribed spatial limits. The French National School of Forestry was created at Nancy at about the same time (1824). Nature had then come to be perceived not only as a vulnerable provider of precious resources, but as a public heritage to be preserved. This conception arose simultaneously with the idea of the monumental or architectural heritage. The phrase 'historical monument' was coined in the early 19th century.[24] Both the vestiges of the national past and the remnants of supposedly unspoilt nature, forests and marshlands, sites and landscapes, were now viewed as a legacy from past generations which was to be protected. Why were they 'sanctuarised' in this way? Apparently mainly because they were part and parcel of the collective cultural identity of the people, of its common history, symbols of a beautiful or glorious past, the memory of which had to be protected as a base of national unity. In any case, whatever the ideological content of the new conservationism, it was clearly directed *against* the local populations, and especially against the peasants. Their customary rights of user and the depredations of their cattle were considered from then on as the major threat to the remaining forest areas.

It is no matter for surprise that these conservationist ideas were introduced in the 19th and early 20th centuries in many areas of the tropical world in the wake of European colonial expansion, though generally with more exclusively utilitarian aims and at times considerable delays. The expansion of state control over nature was in fact much easier there because of the absolute character of colonial rule. However, one should not overlook the fact that official policies were only partially effective. There were frequent variations in official policy options. There were contradictory pressures from the non-official European settler communities. There was the chronic dearth of financial and human resources in a domain that was long considered of secondary importance. There was the lack of scientific and technical expertise. There were the numberless difficulties of policy implementation. And, last but not least, there was the fear of social disorders. In spite of considerable variations in chronology and emphasis from colony to colony, the overall line of development was more or less the same everywhere. First, natural resources were exploited in a virtually uncontrolled fashion by the newcomers. Then the colonial authorities would begin to protect them for their own use. Finally, the expanding modern state would increasingly take over the management and exploitation of these resources, while conservationist imperatives began to find a place in official policies.

The protection of nature in the colonies appears to have been mostly limited to the minimum required for the satisfaction of the states' needs for biomass. Early prohibitions on felling were made partly under pressure from the navies, for which the colonial forests were precious suppliers of timber for shipbuilding. Such was the case in the Netherlands Indies in the 18th century, as well as in British India at the beginning of the 19th century (after American independence had stopped the timber supply from North America), in New Zealand a little later, and again in French Indochina in the 1860s. South Africa's 'Forest and Herbage Preservation Act' dates from 1859. It was one of the earliest of its kind. Dutch action in Indonesia was unusually early, with the first forest regulations appearing in Java as early as the 17th century and the first attempts at sylviculture in 1730. But these were only sporadic localised efforts, not an overall policy. Forest regulations in Indonesia kept changing at short intervals up to the end of the 19th century, and they aimed only at ensuring a steady supply of teak. In British India there is evidence of governmental interest in environmental questions at least from the 1840s. But here also the main motivation was the necessity to meet state timber requirements (especially for shipbuilding and later for railway construction), and this was the main consideration behind the famous Indian Forest Act of 1878.[25] In Ceylon on the other hand, the planters' lobby managed to block any serious conservationist attempt on the part of the government until the 20th century. This was even more the case in New Zealand, where although a forest law had been passed as early as 1874, the public authorities shared, in a more or less unacknowledged fashion, the basic objective of the settlers, which was to extend agriculture through forest clearance. In the French colonies, where forest management seems to have been much less strict and systematic than in the British ones, no serious consevationist measure appears to have been taken before the 20th century. The earliest forest reserves in Indochina date from after 1903. They only began to be created in French Africa from the 1920s onwards (although the first reports pointing out that they were needed date from 1900).

These matters often aroused the interest of public opinion in the colonised countries (mostly in European circles, at least to start with) from the end of the 19th century onwards. Colonial associations for the protection of nature appeared, which exerted pressure on the local authorities. The nationalist movements, it must be noted, were often suspicious of these bodies, and saw conservation as another ruse of the colonisers to alienate the local populations from their traditional natural resource bases. Official recognition of the gravity of the problem, in any case, sometimes took much longer to manifest. While in India the first effective measures of forest protection were taken towards the middle of the 19th century, in New Zealand nothing of the kind was done until after the first world war, and in French Indochina (where foresters had however, been giving warning reports on the topic since the end of the previous century) before 1930.

One of the major problems of forest policy everywhere was lack of funds. Forest services were for very long periods mere extension of departments of agriculture or revenue, and only gained independent departmental status much later. The forest department of British India, created in 1864, seems to have been the first of its kind, although Dutch initiatives in the same direction, but not followed up, had shown the way in Java. Before and even after the creation of these departments, the responsibility for the exploitation of the forests was often left to private enterprise, since the governments

did not have the means or even the desire to take it up themselves. The French forest services in Africa and Indochina all date from the 20th century, and that of New Zealand from 1920. One of the conditions imposed on these services was that they should be self-supporting and provide surplus revenue to the state. In India, for example, it is well known that the principle of British imperial policy was that the country had to pay for its own management. When the creation of the forest department was under discussion in the 1860s, one of the main objections that were raised against Brandis, the then inspector general of forests, was that a forest department was bound to be unprofitable and would be a burden on the colony's exchequer. After the creation of the forest department the suspicion remained, and the department always had to prove conclusively that it was making profits. Thus the forest departments had to put their main emphasis on commercial exploitation of the forests rather than on maintenance and improvement. The number of professional foresters was everywhere very limited. Both the administrative staff and the subordinate forest staff (especially forest guards) were few in number and for a long time training was inadequate. To cite an Indian example: in Coorg around 1890 there was only one qualified forester for 850 square miles of reserved and protected forests. In north Kanara district in 1882, there was one forest guard for every 60 square miles of reserved and protected forests. The foresters, as a rule, rarely had time and money to spend on research, and they complained bitterly of this. For both forest conservation and sylviculture, they mostly proceeded empirically, by imitation or by trial and error, with frequent failures. The conservator of forests for Madras Central Circle, in the evidence which he laid before the Indian industrial commission of 1917, declared that "the forest department in the Madras presidency is so seriously undermanned that it is quite impossible for any of its officers to engage in serious research work", that "the government is content to keep it in a constant state of struggling inefficiency", and that "there seems to be a deeply rooted objection on the part of government to permit the growth of the forest organisation in this country to keep pace with the times".[26]

The protection of animal life followed far behind forest conservation. Hunting regulations in the 19th century were only arrangements to maintain monopolies, similar to those imposed on their lands by the local rulers before the colonial era. In British India these regulations weighed mainly on tribal groups who hunted for subsistence, while the 'shikar', a European pastime, was allowed to thrive (as it did in the princely states). These game laws, it must be added, It is, however, the Forest Act of 1878 which instituted closed hunting seasons and which made hunting permits compulsory. The first truly conservationist acts passed for the protection of endangered species date from the 1920s in Indonesia and the French African colonies. Overall, in actual official practice, the protection of nature, in the strong sense of maintaining sanctuaries, is a recent phenomenon. The first wildlife sanctuary and the first national park were created in India during the last 20 years of colonial rule (while there are today some 70 national parks and more than 400 sanctuaries covering 4.5 per cent of the total geographical area of the country). Throughout the larger part of the colonial period, conservation of the natural heritage everywhere aimed primarily at ensuring a permanent supply of forest products to governments and commerce.

Rationalisation

Wherever state control over colonial natural resources expanded for the purpose of organised exploitation, it did so at the expense of local societies whose mode of subsistence was closely dependent on the natural resources in question and only marginally on the market. From the productivist point of view of modern management, the indigenous cultivator with his customary rights of usage, his manifold uses of biodiversity, his small-scale, erratic clearings, as well as the nomadic pastoralist with his destructive herds, represented a hindrance which had to be done away with somehow or other. The European coloniser had been brought up in an old foodgrain civilisation and was ill-prepared to understand the modes of subsistence prevalent in tropical rainforest environments. He carried with him the archetypal opposition of the Latin agronomists between *ager* and *saltus*, which was deeply ingrained in the European mind. In his view, civilised order was not a climax forest with humans living in symbiosis with it, no matter how knowledgeable and sophisticated this interaction might be, but the domestic order of cultivated fields, or a plantation of selected species, where yields are carefully monitored and the return of spontaneous vegetation efficiently prevented. The representation of space which accompanied the expansion of the colonial state was the modern conception of the administered space, where the central authority carries the same weight everywhere within fixed territorial boundaries, where rights of occupation and usage are clearly defined, where limits are clearly drawn. This vision of things cannot easily accommodate collective and unwritten customary rights, the uncontrolled complementarity between agriculture and open forest, the migratory habits of shifting cultivators and nomadic herdsmen. Last, states cannot function without revenues. Accordingly, productive activities must be taxed, and the exercise of individual rights over public resources such as the forest ought to be licensed, a practice which discourages wastage while producing income. Thus colonial states everywhere created from scratch vast domains of public forests by declaring all wood-covered areas without a certified owner to be government property. Then the social groups who derived all or part of their living from those forests on a customary basis were brought under strict control or displaced. In such cases, of course, the recourse to legal concepts such as 'general interest' or 'public good' was particularly convenient.

Nothing typifies this attitude better than the frequent repression of shifting cultivation. This activity more than any other felt the brunt of the ethnocentric ecological prejudices of the colonisers, because it combined all the features which the modern ideology condemns. The shifting cultivators felled and burned substantial areas of forest for the sake, it seemed, of a few poor crops of low yield and nutritive value. They had no established rights in the land they cultivated. They led an unsettled and mobile mode fo life and paid little or no taxes. And their activity seemed incompatible with any organised policy of forest conservation. Nomadic pastoralism was criticised along similar lines. It is usually the alleged destructiveness of nomadic herding, its low profitability and the mobility and indiscipline of the social groups practising it which were incriminated. The policy of the colonial administrations, where they were bent on suppressing shifting cultivation or restricting it, consisted in limiting the forest areas where the clearings were allowed, in reserving the activity to strictly defined social categories, in subjecting the grant of permits to the performance of labour prestations for the forest departments, and finally in encouraging the populations concerned to adopt sedentary ways of life as settled cultivators or agricultural labourers.

It is however important not to over-simplify colonial attitudes. In fact, they were neither uniform nor unchanging. By and large, the dominant trends were more or less similar all over the colonial world. But the timing, the thoroughness, the modalities of the policies varied considerably. These policies were rarely adopted without discussions, which at times developed into vehement and protracted controversies, as was the case in India. In addition, the rules were often imprecise, the policy options varied, the latitude of evaluation and initiative left to the local administrators often considerable. In India, the discouragement of shifting cultivation often began at the initiative of the district authorities, before the ques-

tion, when it assumed importance, was submitted to the provincial authorities and by them to the central government. At that level, it gave rise to some heated debate during the last third of the 19th century. There were at that time among the officials many severe critics of the forest department, who indicted the ignorant and unsympathetic forest officers for the sufferings of the dispossessed hill people. But they were eventually defeated by the advocates of the 'cilvilising mission' of the colonial state (implicitly defined, according to the liberal conception, as the guardian of the general interest – which in the colonial context is not, to say the least, self-evident.)

On a more general level, the question of whether management of the forests of India should be taken over entirely by the state or carried out through community forestry and joint management between the state and villagers was subject to wide debate. Brandis, the first inspector general of forests, consistently (but eventually unsuccessfully) advocated the constitution of village forests of the kind that existed in his native country, Germany. The government of the Madras presidency, which was also in favour of community forest management, had similarly to give in for the sake of the superior interests of the imperial government (thus the Madras Forest Act of 1882 followed the Indian Forest Act of 1878 in all essentials).[27] The same debate was going on in France at about the same time between a small school of non-conformist foresters around Frederic Le Play, who refused the exclusion of the local communities from forest management, and the dominant tendency in favour of state monopoly over forest management. One authorised spokesman of state forestry (Berger) summed up in these terms the official thinking in 1865: "The state alone, which does not die, can be concerned about the future of society and assume the task of raising for it these great plants which take centuries to grow."[28] The terms of this old debate have of course become very relevant again in India today thanks to the rise of social ecology, to the work of NGOs in this direction all over the country, and to the ongoing experiments in participatory forest management conducted first in West Bengal and then in various other states with the active support of the forest departments. But in the colonised world, the state always had the last word

Holding Out

There was one limitation, however, which the colonial administrations could not totally ignore, which was the level of tolerance of the local populations. The social classes most affected by the regulations concerning the environment were often the poorest, the most vulnerable, the least able to pose a threat to the colonial governments: hunters-gatherers, shifting cultivators, nomadic pastoralists, poor peasants to whom the supplementary resources provided by the forest were indispensable. In the remote areas where the forest reserves were established, these regulations could represent the first truly disruptive intrusion of the modern state and of capitalism in the subsistence economy of the local people. Their apparent initial resignation, the overwhelming inequality in the balance of power between them and the state, the lack of structured channels through which they could express their anger or distress, could often create at first in the minds of the colonisers the illusion that they were indifferent to the changes. But forest regulations provided a superlative field for "everyday forms of peasant resistance"[29] in the shape of myriads of petty offences which often passed undetected and which the forest establishments were incapable of preventing or punishing with any efficacy. Localised flare-ups of violence, especially against the underlings of the forest administrations, were not infrequent however, depending on the circumstances. Tribal rebellions and peasant uprisings have punctuated the history of the colonial period everywhere. The ecological element that was often present in these movements has mostly been eclipsed in the eyes of historians by more obvious economic, political or religious motives. But premodern resistance movements can never be explained simply by the initiating incident which sparks them off. They are the outcome of complex combinations of social and cultural tensions connected in various ways with the life and values of the social groups involved, in which the disturbance of their relationship with nature often played an important part. To the colonial administrations, however, these crises fell under the category of agrarian or social disorders, the repression of which was part of the maintenance of public order. They were not considered as a serious danger so long as they were not taken up and organised by the educated elites able to widen their range by using modern forms of mobilisation and political agitation.

The balance of forces, from this point of view, varied widely from one colony to another. In French west Africa, where the classification of forests was extremely unpopular, the government was nevertheless strong enough to proceed with the reservation of forests in the Senegal valley despite the violence of the protests.[30] In Sri Lanka, the effects of the development of plantation economy on Kandyan agriculture played a role in the 1848 rebellion, and the repression of shifting agriculture was occasionally slowed down by collective resistance, particularly from the end of the 19th century, when it became a pretext or a tool in the conflicts which opposed local lawyers and speculators to the colonial administration.[31] The political effectiveness of these acts of resistance was greatest when there was a conjunction of popular discontent with agitation organised by nationalist elites, as was the case in some regions in India at the time of the non-cooperation movement (1920-22), and on a much larger scale during the civil disobedience movement campaign of 1930-31, when movements which were labelled, in Congress parlance, as 'forest satyagrahas' (collective non-violent violations of forest regulations) erupted all over the country.[32] The spread of state control over the environment encountered, in this case, a real obstacle. But in a context like this, it is in fact the colonial situation itself which was being challenged, with ecological dispossession figuring as only one of many aspects of a domination which was globally called into question. India, whose national liberation movement was the earliest in the colonised world, was a precursor in this respect.[33]

IV
Conclusion

Before winding up, let me first restate my initial point. Strictly speaking, it would be inaccurate to characterise colonial periods uniformly as the most dramatic phases of ecological devastation for the countries concerned. The first official measures for protecting nature, whatever their motives and effectiveness, arose in these countries on the initiative of colonial governments. And independence has not put a stop anywhere to the destructive processes that were under way. On the contrary, they have accelerated. But it is nevertheless true that it was colonisation which in most cases initiated the processes from which all later developments originated. The newly independent states took over from the colonial states. The economic and political pressures from the developed world persisted everywhere after independence was acquired. Legislation, policies and administrative structures relating to the exploitation and management of natural resources were for the most part maintained. The disruption of the relationship between local societies and their natural resource bases has continued in the worldwide movement towards modernisation, which goes together practically everywhere with an unprecedented increase in the industrial demand for biomass arising from much higher rates of industrial growth, and of demographic pressure on the environment due to the population explosion. In post-independence India, the new ruling elite, supported by the business class, was committed to a resource-intensive state-subsidised pattern of industrialisation, the ecological cost of which was bound to be heavy. But at the time, this ecological trap

in post-war growth policies went largely unnoticed.

Thus the colonial phase of the history of tropical nature has to be set against the general background of the human history of nature. This is a history of continuous alterations and traumas and of continuous human responsiveness to those changing conditions. Human societies have shown and still show an almost limitless capability for situational adjustment. It would be erroneous to present the precolonial relationship between societies and their environment as a golden age of 'equilibrium' which colonial conquest disturbed or destroyed. Such a view, like the now obsolete 'tradition vs modernity' paradigm, assumes the normative operation in precolonial times of a system which in reality probably never existed, and which is in fact a culturalist construct, an ideal type meant to provide a baseline for the assessment (and indictment) of colonial change. We cannot concur in the mythology of the unspoilt, primeval, sacred wilderness with which indigenous societies supposedly lived in perfect balance from the dawn of history until the advent of Europe. This is one of the myths which lie at the base of that green fundamentalism which is known nowadays as 'deep ecology'. What we need, on the contrary, is a radical critique, with regard to this aspect, of capitalist expansionism, of which the colonisation of nature on a world scale has been one of the major objectives, and whose essential dynamics remain in operation, in a multipolar and greatly diversified context, throughout the formerly colonised world today.

Notes

[This paper is a revised version of the fifth Daniel Thorner Memorial Lecture given at the Madras Institute of Development Studies on March 16, 1993. A penultimate version has been presented at the Department of Sociology, University of Lund (Sweden) in April 1995].

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Rapid Growth – The Corpo

Statement of Shri Gaur Hariram Singhania, Chairman & Managing Director, JK Corp Limited at the 56th Annual General Meeting held on Monday, the 7th August 1995

I cordially welcome you to this 56th Annual General Meeting of the Company.

RAPID GROWTH — CORPORATE STRATEGY

Our strategy for accelerated growth is yielding results. During the year under review, the turnover rose to Rs. 560 Crores and Gross Profit to Rs.103 Crores. The Net Profit at Rs. 51.5 Crores registered an increase of over 57% over the previous year. Exports at Rs. 29.2 Crores were nearly two-and-a-half times higher.

The momentum of rapid growth is evident from the fact that in the last two years, Turnover has doubled, Gross Profit has grown 2.3 times and Net Profit 4.8 times. The Earnings per Share has risen to Rs.13.18 from Rs. 5.60 in 1992-93 on a substantially enhanced Equity Capital of Rs.44.88 Crores which is more than three times the Equity Capital in 1992-93. The dividend to shareholders has gone up to Rs.11.79 crores in 1994-95 from Rs 3.22 Crores in 1992-93. Shareholders Funds at Rs.677 Crores have grown by two and-a-half times in last two years.

All the businesses in which the Company is engaged, viz: Paper, Cement, Polyester and Magnetic Tape are sectors of high growth and our strategy is to grow rapidly in these areas.

New capacities in Paper, Cement and Polyester Divisions involving an investment of nearly Rs.500 Crores were commissioned during the year under review. These have started yielding results. The Gross Profit during the first quarter of the current year is higher by 40% over the corresponding period of the previous year.

Further investments for increase in capacities and modernisation in the various Divisions amounting to Rs.700 Crores are on hand. These expansions would substantially increase the turnover and profit of the Company during the coming years.

HIGHLIGHTS

- During 1994-95
- Turnover rose to Rs.560 Crores and Gross Profit to Rs.103 Crores.
- Net Profit at Rs.51.5 Crores was up by over 57%.
- In the last two years,
- Turnover doubled, Gross Profit grew 2.3 times and Net Profit 4.8 times.
- EPS rose to Rs.13.18 from Rs. 5.60 in 1992-93 on three times enhanced capital.
- New capacities in Paper, Cement and Polyester Divisions at an investment of Rs. 500 Crores commissioned during the year.
- Additional investments for increasing its capacities and modernisation of various Divisions of Rs.700 Crores on hand.
- Gross Profit in the first quarter of the current year improved by 40% over the corresponding period of the previous year.
- All Divisions of the Company accredited with ISO 9000 Certification.

GDR ISSUE

During the year under review, the Company made a GDR Issue of 55 million US dollars successfully. The GDRs are listed on the London Stock Exchange.

QUALITY RECOGNITION

A significant achievement of the year was that the Company received ISO 9000 Certification in respect of all its Divisions and products endorsing the importance the Company attaches to Total Quality Standards and Systems. JK Paper is the first Paper Mill in India to receive ISO 9001 certification. Lakshmi Cement has received ISO 9002 certification, and JK Magnetics is the first and only unit in the industry in India to receive ISO 9002. As reported last year, Orissa Synthetics was the first unit in the Synthetic Fibre Industry to receive ISO 9002 for its entire range of products.

I consider this recognition of Quality Management as a tribute to the credo of excellence enunciated by the founding father of the Company, the Late Lala Lakshmipat Singhania. I also acknowledge the dedication to quality standards of the employees at all levels leading to this international recognition. I am confident that all in the Company would strive to maintain and improve upon these standards.

PAPER AND BOARD

JK Paper, true to its tradition, operated at more than 100 per cent capacity utilisation. Our products continued to enjoy excellent reputation for high quality. 70 per cent of our production is of high value added specialty papers and in several varieties we continue to maintain market leadership with strong brand image. A new thrust resulted in trebling of exports.

During the year under review, a new Specialty Paper Machine was commissioned increasing the manufacturing capacity to 75,500 tpa from 60,000 tpa. Further, technological upgradation undertaken would improve brightness and quality of paper, giving us a competitive edge.

A state-of-the-art new Pulp Mill of 1,00,000 tpa capacity being installed would increase pulp capacity, reduce cost of production, and improve the quality of pulp and paper. This would also reduce imports of costly high quality pulp.

The Paper manufacturing capacity is being expanded further to 1,25,000 tpa by upgradation of some of the existing paper machines and installation of a new one. These schemes would cost around Rs 450 crores.

The per capita consumption of paper in India at 3.2 kgs is far below not only the world average of 45.6 kgs, but even 11 kgs of Indonesia and 14 kgs of China. Paper consumption in India is thus bound to rise rapidly. In this context, it is necessary that India takes urgent steps to augment its forest resources. The need for urgently allowing industrial plantations and general afforestation programmes is therefore paramount. Industrial plantations would not only make available requisite pulp wood for the growing requirements of Paper Industry but also add to the green cover. Since these plantations have long gestation, the Government of India must immediately allow industrial plantations of renewable pulp wood. Otherwise, the consequences would be heavy imports of pulp and paper at enormous cost.

CEMENT

The Plant operated at near 100% capacity utilisation of the installed capacity. Lakshmi Cement, with its rigid quality parameters, continues to be the brand leader. Over 70% of the Company's production is of the value added 43 Grade.

Plans are on hand to produce 53 Grade Cement which is a higher value added product.

rate Mission



The increasing thrust on roads building, development of ports, creation of new capacities of power generation and other infrastructural projects and house building activity, is expected to result in accelerated demand growth for Cement. The growth rate of 8% p.a. during 1994-95 is expected to cross 10% in the next five years.

The Rs 400 Crores new Cement Plant of 9 lac tonnes capacity was commissioned in March 1995 increasing the installed capacity of Lakshmi Cement to 1.5 million tpa. Production on this unit is stabilising. The capacity of Cement is being further expanded to 2 million tpa by installing another unit at Lakshmi Cement with an investment outlay of Rs 210 Crores.

I am happy that the new capacities created in the Company, and in its synergy undertaking, JK Udaipur Udyog Limited, will be available at a time when demand growth of cement is on fast track.

POLYESTER FIBRE

The operations of the unit were affected in the last quarter by the unforeseen strike which has since been called off and normalcy restored.

The Polyester industry has been passing through a difficult phase due to shortage of DMT and PTA in international markets and consequent steep rise in prices. The prices of PSF and POY could not rise commensurately. There are signs of improvement in the scenario now.

The demand for Polyester Fibre in India increased five-fold during the period 1984-93. The 20% growth registered in 1993 is expected to continue mainly on account of the high preference of masses for cheaper and more durable fabrics, limited availability and high prices of cotton and the thrust on export of cotton and synthetic textiles.

On completion of part of the balancing scheme, the PSF/POY capacity of Orissa Synthetics increased from 23,000 to 28,200 tpa by September 1994. It would further increase to 38,000 tpa by March 1996 on completion of the full scheme.

MAGNETIC TAPE

Sales were higher by 27%. Magnetic Tape is a high growth sector, due to the electronic boom with expanding middle class consumers. The quality of audio magnetic tape manufactured by JK Magnetics is by far the best in the country and compares favourably with the reputed international brands. Market leader in audio pancake market, JK Magnetics is the preferred brand of leading music recording companies in India. A major breakthrough has been made in exports, with higher volumes to follow.

SYNERGY UNDERTAKINGS

Central Pulp Mills Ltd. — *a challenging task accomplished*

Last year, I had reported to you of the commissioning of 45,000 tpa capacity paper plant in Central Pulp Mills Ltd. after renovation. I am glad to inform you that with the technical and managerial inputs given by JK Corp Ltd., the two Paper Machines of CPM are operating at full capacity and CPM has turned the corner. Value added quality paper matching the market requirements is now being produced and even exported by this company — a feat accomplished in record time.

J.K. Udaipur Udyog Ltd. (JKUUL)

With the technical and managerial assistance of your Company, JKUUL has already achieved 9 lac tpa capacity and plans are afoot to increase the same to 1 million tpa. The turnaround of this unit was achieved during the first full year of operations. Substantial part of the Cement manufactured by JKUUL is of the value added 43 Grade.

REMOVE CONSTRAINTS ON BUSINESS RESTRUCTURING

The economic reforms initiated in 1991 have borne fruit. The direct results are evident in the large flows of foreign investment, increased industrial activity, growth in imports and exports, and increasing and welcome competition in the market place.

With the opening of the Indian economy, and integrating it with that of the global, the Indian corporate sector is faced with a dual challenge. On the one hand, there are new and vast opportunities, and on the other, they have to operate in an intensely competitive environment. This would require the Indian companies to formulate strategies to enhance productivity, efficiency and achieve economies of scale, in addition to induction of modern technology. Large amounts of capital would have to be raised. This would necessitate restructuring of business, flexibility and speed in decision making. It is unfortunate that even after four years of liberalisation, there still exist considerable constraints in regard to mergers, demergers, investments and loans, etc. The much talked about amendments to company law have yet to see the light of the day. Several suggestions including allowing non-voting shares, and buy-back of shares by companies are still to be accepted, although they are in vogue in a number of countries. I feel these measures, so very necessary to empower Indian corporate sector to play its due role in the rapid development of our economy, brook no further delay.

ACKNOWLEDGEMENTS

I acknowledge the continuous co-operation and support given to the Company by the Financial Institutions, Banks, Government authorities, Shareholders, GDR holders, Distributors, Dealers and last but not the least, the Customers.

Thank you.

This does not purport to be a report of the proceedings of the Annual General Meeting.

JK CORP LIMITED

Our future is in demand

Demand Side Factors and India's Industrial Growth

Pradip Maiti
R Kavita Rao

Using a dual economy framework, wherein the industrial sector is postulated to face an effective demand problem, the paper proposes to explore the extent to which demand side factors served as a constraint to growth of the Indian industrial sector, over the period of 1960-61 to 1989-90. The main factors considered are growth of agricultural output and of autonomous expenditure as indicators of demand side factors. We have also sought to explore the possibility of changes in the nature of the underlying relationships by using dummies, to demarcate the different sub-periods.

I
Introduction

INDUSTRIAL growth in post-independence India has been characterised by significant ups and downs. These have evoked considerable debate regarding factors affecting and/or constraining such growth. The fact that the issues raised in this debate remain unresolved calls for further investigations. The present paper is one such attempt, where we seek to explore the extent to which demand side factors have served as a constraint to India's industrial growth. Such a study becomes all the more relevant in the context of the programmes for structural adjustment and policies of liberalisation and privatisation being pursued in the recent times by the Indian government. While all such corrective policies are expected to relax any existing bottlenecks to supplyside responsiveness, it becomes pertinent to assess the role of the demand factors in her industrial growth so far.

The framework we shall use is a kind of dual economy framework. The growth of an industrial sector is generally looked upon as a part of a wider process of development of the economy, namely, a transformation from a predominantly traditional, agrarian setup to a modern industrial economy. The literature on dual economy models deals with the characterisation of such economies and constraints to industrial growth therein. This literature comprises of broadly two kinds of models. The set of classical and neo-classical models deals with a supply-led industrial sector, where the industrial sector does not face any effective demand problems.[1] The other set of models explicitly considers the problem of effective demand, where savings are not automatically equal to investment/autonomous expenditure and hence there is no guarantee that the profit maximising output of the industrial sector would be demanded. Possible constraints to industrial growth in a labour surplus economy then turn out to be insufficiency of autonomous expenditure, inadequate growth of agriculture, etc.[2] It is this latter set of models that we propose to use in the present paper for analysing the behaviour of industrial output in India during the period from 1960-61 to 1989-90.

A study of the literature on the industrial growth in post-independence India reveals that this entire period can be classified into three sub-periods. After an initial period of rapid industrial growth of almost 8 per cent of per annum on an average, a phase of slow growth set in. This phase, usually referred to as a phase of stagnation, extends from the middle of the 1960s to almost the end of the 1970s during which the average annual rate of growth of industrial output dropped to 4 per cent. During this phase, of course, the economy had gone through two successive droughts in the mid-1960s, another couple of droughts in the early 1970s and a number of oil shocks in the 1970s. Industrial rate of growth, however, picked up in the 1980s when it exceeded 7 per cent per year, on an average. Studies exploring these different phenomena have put considerable emphasis on agriculture-industry linkages on the one hand, and the behaviour of autonomous expenditure on the other.[3] As we shall see later, these two sets of factors also assume vital importance in the present paper. The paper is organised as follows: Section II presents our basic model while Section III reports the empirical results obtained. Some concluding observations are contained in Section IV.

II
The Model

The framework to be adopted is a dual economy framework in which the economy is disaggregated into two broad sectors – agriculture and non-agriculture. Non-agricultural sector includes industrial and tertiary sectors. Services produced by government administration will be a product of the non-agricultural sector and government consumption expenditure is the main item of expenditure on that product. The specification of the model is completed by making a simplifying assumption, namely, that foodgrains is the representative output of the agricultural sector. This assumption may be justified by an appeal to the fact that foodgrains production is important not only quantitatively,[4] but also qualitatively as its output and relative price are the two basic variables in macro models for developing economies.

The consumption demand for manufactured goods (C_m) comes from people engaged in both the sectors. Such demand from a sector depends on the real income originating in that sector and the relative price. If Y_n, X and p are respectively non-agricultural output,[5] foodgrains output and the relative price of foodgrains (i e, the ratio of price of foodgrains to the price of manufactures), C_m may be taken to depend on Y_n and pX. The former is a variable measuring real incomes of capitalists and workers engaged in the non-agricultural sector[6] while the latter gives a measure of income of cultivators. Of course, in the latter case one should consider not output of foodgrains as such, but the marketable or marketed surplus of foodgrains (X^s, say). However, to keep the structure simple and also because of the fact that no time series data on X^s for the country as a whole are available, we shall not introduce a variable like X^s. Instead, we assume that the marketable surplus in terms of manufactured goods (pX^s) is positively related to pX. However, once we recognise that the relevant variable which represents cultivators' real income is pX^s, we have to keep in mind that the marketable surplus (X^s) in a period comes partly from current production (X) and partly from production in the preceding year (X_{-1}). Hence we shall use two variables to represent cultivators' income in the current period, namely pX and pX_{-1}.

Apart from real income, the other variable which affects C_m is the relative price of foodgrains (p). A *ceteris paribus* rise in p will induce mainly income effect on the demand for industrial consumer goods particularly by those people who are dependent on the markets for their consumption of foodgrains (e g, industrial workers). The reason is simple. Given that their demand for foodgrain is price-inelastic, a *ceteris paribus* rise in p will force them to spend a larger fraction of their income on foodgrains, and hence to reduce their expenditure on industrial

consumer goods. Thus one may write

$$C_m = c(Y_a, pX, pX_{-1}, p) \quad (1)$$

The aggregate demand for industrial goods includes not only consumption demand, but investment demand, export demand and intermediate demand. Some of these demands are autonomous while the rest depend on sectoral outputs. However, so far as investment demand is concerned, private investment (PI) is affected by government investment in infrastructure and other capital goods. We may thus postulate that the aggregate output of the industrial sector (Y_m) depends on the explanatory variables included in equation (1) earlier as well as on the (real) autonomous expenditure on such goods (A_m):

$$Y_m = d(Y_a, pX, pX_{-1}, p, A_m) \quad (2)$$

The variable A_m may include (real) government investment (GI) and possibly also export of industrial goods (E_m). However, in our empirical exercises the sum of GI and E_m as an autonomous variable has not yielded better results than the one including GI only. Hence, the variable A_m is taken to consist of GI only.

The non-agricultural sector consists of industrial and tertiary sectors, and as mentioned earlier, services produced by government administration are a product of the non-agricultural sector and an autonomous item of expenditure on these services is government consumption expenditure. Thus the demand for the non-agricultural output will be affected by all the variables on the RHS of equation (2) as well as the (real) value of government consumption expenditure (GC):

$$Y_a = f(Y_a, pX, pX_{-1}, p, A_m, GC) \quad (3)$$

Before we proceed further, let us mention that (3) may be solved for Y_a to express the effective demand for Y_a in terms of other variables as follows:

$$Y_a = E(pX, pX_{-1}, p, A_m, GC) \quad (3a)$$

We now need only market demand and marketable surplus relations for foodgrains to determine its relative price. There is already a considerable literature on the topic (see, for example, Chakrabarti, 1977). We consider a simple model and postulate that the relative price of foodgrains is related positively to Y_a and negatively to lagged and current outputs of foodgrains:

$$p = h(Y_a, X, X_{-1}) \quad (4)$$

Equations (3) and (4) are the two basic relations determining equilibrium in the economy. Solving these for the two endogenous variables, Y_a and p, one gets

$$Y_a = F(X, X_{-1}, A_m, GC) \quad (3R)$$

$$p = H(X, X_{-1}, A_m, GC) \quad (4R)$$

Substituting the above in equations (1) and (2) one gets the reduced form expressions for C_m and Y_m, the two variables of our interest, as follows:

$$C_m = C(X, X_{-1}, A_m, GC) \quad (1R)$$

$$Y_m = D(X, X_{-1}, A_m, GC) \quad (2R)$$

TABLE 1: ESTIMATED LOG-LINEAR REGRESSION EQUATIONS FOR THE OUTPUT OF INDUSTRIAL CONSUMER GOODS (C_m)

Equation	Explanatory Variables (in Logarithms)												
No	Intercept	A_m	GC	A_a	X	X_{-1}	pX	pX_{-1}	p	D	DA_a	D′	$\bar{R}^2$	DW
1.1	0.277	0.118	0 220		0.101	0 141							0.982	1.88
	(2 16)	(2.72)	(5.01)		(1.59)	(2 01)								
1.2	–0.061			0.343	0.115	0.139							0.981	1.86
	(–0.52)			(8.74)	(1.83)	(1 97)								
1.3	(–0.095)	0.154	0.184				0.139	0.134	–0.221				0.981	1.91
	(–0.17)	(2.76)	(2.790)				(2.05)	(1.63)	(–2.45)					
1.4	–0.465			0.340			0.139	0.138	–0.207				0.982	1.95
	(–1.43)			(8.91)			(2.22)	(1.88)	(–2.36)					
1.5	0.493			0.275	0.119	0 161				–0.830	0.083	–0.036	0.982	2.00
	(1.37)			(4.79)	(1.87)	(2 22)				(–1.32)	(1.36)	(–1.56)		

Notes: R^2 denotes coefficient of determination adjusted for degrees of freedom and DW, the Durbin-Watson statistic.
The figure in parenthesis below an estimated coefficient gives its t-ratio. The same practice is followed for Table 2 also. The dummy variables in Tables 1 and 2 are defined as follows.
In D′ = 1, for each year from 1960-61 to 1964-65;
0, for all other years.
In DA_a = In A_a, for each year from 1980-81 to 1989-90;
0, for all other years.
In D = 1, for each year from 1980-81 to 1989-90;
0, for all other years.

TABLE 2: ESTIMATED LOG-LINEAR REGRESSION EQUATIONS FOR THE OUTPUT OF INDUSTRIAL SECTOR (Y_m)

Equation	Explanatory Variables (in Logarithms)												
No	Intercept	A_m	GC	A_a	X	X_{-1}	pX	pX_{-1}	p	D	DA_a	D′	$\bar{R}^2$	DW
2.1	(–4.166)	0.157	0.602		0.214	0 131							0.994	0.98
	(–27.98)	(3.12)	(11.80)		(2.89)	(1 61)								
2.2	–5.107			0.767	0.285	0.135							0.989	0.79
	(–27.54)			(12.43)	(2.89)	(1.22)								
2.3	–4.805	0.206	0.529				0.256	0.187	–0.354				0.995	1.19
	(–8.31)	(3.47)	(7.50)				(3.54)	(2.13)	(–3.68)					
2 4	–6.533			0.716			0.304	0.271	–0.310				0.994	1.40
	(–16.70)			(15.61)			(4.02)	(3.07)	(–2.94)					
2.5	–5.193			0.781			0.310	0.104		–0.047		–0.060	0.992	1.19
	(–13.37)			(11.60)			(3.64)	(1.06)		(–1.39)		(–2.17)		
2.6	–5.534			0.814	0.327	0.089				–1.186	0.0108		0.991	1.34
	(–16.03)			(12.05)	(3.62)	(0.87)				(–1.47)	(1.37)			
2.7	–4.423			0.681	0.331	0.129				–2.296	0.221	–0.096	0.994	1.61
	(–10.66)			(10.30)	(4.51)	(1.53)				(–3.17)	(3.11)	(–3.64)		
2.8*	–4.340			0.672	0.314	0.146				–2.269	0.219	–0.097	0.990	1.88
	(–9.42)			(9.41)	(4.38)	(1.82)				(–2.73)	(2.69)	(–3.31)		

* This equation is obtained by re-estimating eq (2.7) after correcting for first-order autocorrelation of the residuals.

Our final step is to estimate the relations (1R) and (2R). This is discussed in the next section.

III
Empirical Results

In the empirical exercise the two variables C_m and Y_m are represented by the two production indices, viz, the index of production of industrial consumer goods and the general (i e, all commodity) index of industrial production, respectively. We have tried to fit both linear and log-linear regression equations for each variable. In each case log-linear equations have yielded better results and hence only these are reported in Tables 1 and 2. All equations are estimated by the OLS method and by using the annual observations[8] on the variables over the period from 1960-61 through 1989-90.

Output of Industrial Consumer Goods (C_m)

Table 1 reports results for C_m. The first exercise involving A_m, GC and the two series of foodgrains output as regressors yields good results with expected signs and satisfactory t-ratio for all estimated coefficients; $\bar{R}^2$ is quite high and DW statistic is satisfactory (eq 1.1 in Table 1). If A_m and GC are lumped together to form a single variable, A_n, the total autonomous expenditure on non-agricultural output (i e, $A_n = A_m + GC$), the result remains almost the same (eq 1.2) and the estimated coefficient of A_n turns out to be just equal to the sum of those of A_m and GC in eq (1.1). Henceforth, we shall report results involving mainly the total autonomous expenditure, A_n. It may be of some interest to inquire how equation (1) will look empirically when Y_n is replaced by the expression (3a). Equations (1.3) and (1.4) of Table 1 show results of such exercises.[9] The results are very good and all coefficients including that of p are of expected signs and have high t-ratios.

As we have mentioned earlier, the two widely debated issues in the context of India's industrial growth are those of industrial stagnation and revival which are supposed to have occurred around the mid-1960s and during the period of the 1980s, respectively. We have sought to investigate these issues in an indirect way, namely, by examining whether the structure of relations postulated in (1R) and (2R) would exhibit shifts across different periods. For this purpose, we consider a number of dummy variables – two intercept dummies (D′ and D) for the two periods, viz, the first half of the 1960s and the 1980s and a slope dummy for autonomous expenditure (DA_n) for the 1980s. The best result is obtained when all the dummies are present (eq 1.5). We find that all dummies have coefficients higher than unity, DW statistic is 2 and the slope dummy DA_n has a small positive coefficient. Although $\bar{R}^2$ remains the same as in equation (1.2), we choose equation (1.5).

Aggregate Output of Manufacturing Sector (Y_m)

With two series of foodgrains output and A_m and GC separately or their aggregate A_n as regressors, the estimated equations turn out to be quite good, except for the low value of the DW statistic and low t-value of the coefficient of X_{-1} (equations (2.1) and (2.2) of Table 2). Once again, one may be interested to know the empirical counterpart of equation (2) when Y_n is replaced by the expression (3a). The results for such partial reduced form expressions, given in equations (2.3) and (2.4) of Table 2, show that all coefficients have expected signs and are also highly significant. Interestingly, comparing eq (2.3) with eq (2.1) or eq (2.4) with eq (2.2), one finds that estimated coefficients of a given regressor are very close in the two equations.[10]

In order to investigate whether the relation involving these variables has undergone any shifts over time we introduce, as before, the three dummy variables, D , DA_n and D′. Regression results involving alternative combinations of these dummies are shown in equations (2.5) – (2.7) of Table 2. We observe that coefficients of all the dummies are significant along with those of other explanatory variables.[11] However, values of DW statistic for these equations are low, except that for equation (2.7), which falls in the inconclusive range. For the equation (2.7), the first-order autocorrelation coefficient (ρ), based on the regression residuals, is estimated to be 0.1935. Using this estimate of ρ, the equation (2.7) is re-estimated after correcting for first-order autocorrelation and (2.8) gives this re-estimated equation. We observe that DW statistic has improved substantially and magnitudes as well as t-ratios of all coefficients have remained more or less

TABLE 3. DATA ON SELECTED MACRO VARIABLES OF THE INDIAN ECONOMY

Year	Index of Industrial Production (Base 1980-81 = 100)		Relative Price of Foodgrains (Base 1981-82 = 100)	Foodgrains Output* (Million Tonnes)	Government Final Expenditures at 1980-81 Prices (in Rs Crore)	
	Consumer goods	General			Investment	Consumption
	C_m	Y_m	P	X	A_m	GC
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1960-61	63 2	36.2	94 5	72.0	5151	3573
1961-62	64 7	39.2	91.9	72 1	5102	3836
1962-63	64.2	42.9	92 7	70.3	5873	4629
1963-64	68.5	46.9	95.9	70 6	6611	5733
1964-65	72.9	51.0	114.1	78 2	7411	5939
1965-66	73.8	53 8	114 5	63.3	7798	6516
1966-67	73 4	54.1	120.8	65.0	6777	6572
1967-68	69.5	54.7	135.6	83.2	6237	6705
1968-69	76.0	58.5	119.2	82.3	6312	7073
1969-70	79.5	62 9	123 3	87.1	6179	7764
1970-71	80.1	65.4	113.8	94.9	6335	8492
1971-72	81.4	69.1	107.9	92.0	7006	9369
1972-73	84.5	71 8	111 8	84.9	8316	9402
1973-74	84.6	72.4	115.9	91.6	8137	9305
1974-75	88.3	74.7	132.2	87.4	6957	8875
1975-76	86.9	79.6	115.8	105.9	8201	9799
1976-77	89.5	87.3	99.4	97.3	10144	10576
1977-78	92.2	90.6	108.5	110.6	10806	10898
1978-79	99.7	97.5	109.7	115.4	10843	11706
1979-80	94.4	96.2	98.0	96.0	11142	12424
1980-81	100.0	100.0	96.0	113.4	11693	13084
1981-82	106.0	109.3	100.0	116.6	13152	13663
1982-83	103.4	112.8	105.5	113.3	15247	15075
1983-84	108.1	120.4	108.7	133.3	15551	15718
1984-85	114.0	130.7	99.7	127.4	16433	16983
1985-86	122.6	142.1	100.1	131.6	17080	18924
1986-87	127.2	155.1	100.2	125.5	19231	20849
1987-88	126.0	166.4	102.0	122.8	18660	22660
1988-89	127.5	180.9	106.7	148.7	19490	23877
1989-90	132.9	196.4	97.9	149.7	20042	25337

Note: * The value of X for 1959-60 is 67.5.
See Rao (1993) for the sources and method of computation of these data.

unchanged. One may, therefore, choose either equation (2.7) or equation (2.8).

IV
Conclusion

Our empirical results show that policy variables like government consumption and investment expenditures have played a crucial role in influencing the industrial production in India during the last three decades. These are all demand variables. Another factor is also found to have been important, viz, the growth of the agricultural output – perhaps a mixed variable representing both demand pressures and supply of wage goods. These are in fact the variables which are supposed to play vital roles in process of industrialisation in the various dual economy models.

An interesting observation of the study is that the elasticity of industrial output with respect to a given explanatory variable has varied across different periods. As the positive coefficients of the slope dummy DA_n in the two tables indicate, a one per cent increase in autonomous expenditure (A_n) is observed to induce a larger increase in both the aggregate industrial output and output of the industrial conmsumer goods in the 1980s than in the preceding period. Some plausible explanations may be advanced for such an increase in the value(s) of multiplier corresponding to autonomous expenditure in the 1980s. The marginal propensity to invest might have been higher in the 1980s; also the marginal propensity to consume the industrial good might have been larger in the 1980s, presumably owing to some shifts in the distribution of personal disposable income in this period towards groups having higher propensity to consume the industrial good. Another contributory factor seems to be the change in the pattern of expenditures and revenues of the government in the 1980s. While the tax rates are found to be more or less stable in the 1980s [Sen Gupta 1993; Kelkar et al 1991], transfer as a percentage of total expenditure and presumably as a proportion of GDP has increased [Rao and Tulsidhar 1991:19]. This might have increased the multiplier effect associated with a given increase in autonomous expenditure in the 1980s than in the past.

Notes

[Comments from Amitava Bose and technical assistance from Shubendu Chakravarty and Somesh Saha are gratefully acknowledged. Authors themselves are, however, responsible for whatever errors still remain.]

1 The pioneering models in this group are Lewis (1954), Jorgenson (1961) and Fei-Ranis (1964). A survey of some of these models can be found in Dixit (1973).

2 Rakshit (1982) builds up formal macro models involving demand constrained industrial sector. A survey of all the different types of models can be found in Rao (1992).

3 See, for example, the studies by Ahluwalia (1985, 1991), Bagchi (1970), Chakravarty (1979), Lahiri et al (1984), Nagraj (1992), Rangarajan (1982). A critical analysis of the various studies on behaviour of industrial output can be found in Rao (1993).

4 For instance, foodgrains output has a weight of 68 1 per cent in the index numbers of India's agricultural production with the triennium ending 1969-70 = 100 as the base.

5 This may be interpreted as the value of outputs of non-agricultural goods at constant prices.

6 A rise in Y_n is expected to raise the income of the workers. Further, if the outputs are demand-constrained, producers produce less than their profit maximising levels of output and hence a rise in output will raise their profits also [Rakshit 1982:19].

7 A clear exposition of such effects of p on C_m is given in Rao (1992). See also Bose (1993).

8 The data are given in Table 3. The sources and the methods of construction of these series are discussed in Rao (1993).

9 Since pX and pX_{-1} appear as regressors, these equations may be called partial reduced form equations. Given that these equations contain an endogenous variable p and that we are using OLS, these particular estimates may suffer from simultaneous equation bias.

10 This may imply that coefficients in equations (2.3) and (2.4) are not very much affected by simultaneous equation bias

11 We have also tried with a slope dummy for A_n for the period of the first half of the 1960s, but its coefficient has not turned out to be significant.

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Missing Females: A Disaggregated Analysis

S B Agnihotri

The problem of sex ratio imbalance in India needs a disaggregated analysis. The absence of such analysis masks the seriousness of the problem among certain groups and in certain areas. This paper presents data on the female/male ratio for scheduled castes, scheduled tribes and the rest of the population. While further disaggregation among various subgroups is necessary, the data presented here help to identify some major problem areas.

THE adverse female-to-male sex ratios in South Asia has attracted considerable academic and policy concern in the recent years. Among different regions of the world, South Asia stands out both for low sex ratios and lower life expectancy at birth for females [Sen 1987 T-1]. The Indian subcontinent represents extreme manifestation of this pattern.

Census reports in India have voiced concern over the declining trends in the sex ratios [Nath 1991]. This decline has taken place steadily since the turn of the century [Bose 1991]. The seeming reversal in this trend in the 1981 Census had given rise to much optimism. This has turned out to be short-lived with the 1991 Census figures indicating a decline in this ratio to 927 females per thousand males. Available data reveal that increased urbanisation or improved economic prosperity has not necessarily resulted in correcting these adverse trends [Kynch and Sen 1983; Krishnaji 1987]. As to the understanding of the phenomenon, the official position is that it is "... difficult to pinpoint any particular reason for the declining sex ratios which require a detailed analysis ..." [Nath op cit].

The available literature on this subject is dominated by two themes and an omission – that will be the subject matter of some detailed analysis below. The 'omission' refers to the absence of an analysis of the sex ratio patterns among three distinct categories of the Indian population – the tribals, the scheduled castes (once considered untouchables) and the others – normally referred to as the 'general' category. The analyses currently done do look at different categories – urban and rural, different regions or different occupational groups like cultivators, agricultural labourers and the non-agricultural workers. The analysis in terms of the scheduled tribes, the scheduled castes and the general or the non-scheduled components of the total population is absent.

Miller (1981) in her otherwise authoritative analysis of the juvenile sex ratios in India has explicitly opted out of this line of analysis and has instead taken up individual castewise analysis.[1] Two of the most recent and detailed reviews on this issue, viz, Chatterjee (1990) and Bennet et al (1991) do not cover this aspect either. A literature search between 1981 and 1991 also indicates that this line of analysis has not been pursued.

This omission is surprising because anyone familiar with the tribal Indian society cannot miss out its similarities with Boserup's 'female farming system'. These are high female labour participation, prevalence of shifting cultivation, late entry or even absence of plough and low level of monetisation of the economy. Boserup (1976) has herself pointed this out. She has also mentioned the scheduled castes as being major suppliers of casual labour and being 'unpropertied' class in Miller's terms [Miler 1981]. The supply of casual labour covers both agricultural and non-agricultural sectors. These are important respects in terms of which the ST and the SC populations differ from the 'general' population.

One would prima facie expect, therefore, a difference in the sex ratio pattern among these three groups. An analysis of the census date of three decades 1961 to 1991 indicates this to be indeed the case (Table 2). The female-male ratio (fmr) values expressed as number of females per thousand male population, are significantly higher for the tribal population and closer to the African ratios. This is followed by fmr values for the Scheduled Caste population, while the fmr values for the non-SC/ST population have been the lowest until recently. The difference between fmr values for SC and non-SC/ST or 'general' population has narrowed down during the last two decades.

The fmr pattern presented in Table 2, is both interesting and worrying. It also brings out the merit in disaggregation of the data in more than one ways. It allows one to compare the fmr data across the three socioeconomic groups, across different states and over the four decades, viz, 1961 to 1991.

The first feature to be noticed is that the problem of declining fmrs is more serious than envisaged so far for the 'general' category in a number of states and for the Scheduled Castes as a whole. For the scheduled castes the overall fmr declined further by three points during 1971-1981 when the overall fmr for the total population went up, even if temporarily. This decline is seen in almost all states including Tamil Nadu and Andhra. Only Himachal Pradesh and Punjab in the north, Kerala in the south, West Bengal, Assam and Sikkim in the east were significant exceptions. The decline was pronounced in the cowbelt Bihar, UP, MP and Haryana. It was also pronounced in Orissa as well. During 1981-1991 decade, the decline in fmr has been significant for ST population as well – from 983 in 1981 to 972 in 1991.

It needs to be stressed that the absence of such disaggregation had masked some of the drastic reductions in fmr that took place in the past. During 1961-1971 the declines in fmr values among some of the groups were as sharp as 50 females per 1000 males in Bihar, 32 females per 1000 males in MP, 23 females per thousand males in Orissa and 45 females per thousand males in UP. Hardly any attention has been focused on these sharp declines. Similar sharp declines have taken place during 1981-1991 also. Interestingly, wherever the fmr values for SC population have gone up, the 'general' category fmr values have gone up. But the converse is not necessarily true.

TABLE 1. SEX RATIO AND LIFE EXPECTANCY RATIO (Female/Male)

Region	Sex Ratio (1980)	Life Expectancy Ratio (1980-85)
World	0.990	1.047
Western Europe	1.064	1.104
Eastern Europe	1.056	1.098
United States	1.054	1 106
Latin America	0.999	1.047
Asia	0.953	1.022
India	0.931	0.993
Pakistan	0.929	0.961
Bangladesh	0.939	0.979
Western Asia	0.940	1.052
Eastern and south-eastern Asia	1.008	1.065
China	0.941	1.404
Africa	1.015	1.065
Northern Africa	0.986	1.060
Non-Northern Africa	1.024	1.021

Source: Sen, A K (1987b): 'Africa and India – What Do We Have to Learn from Each Other?' WIDER Discussion Paper No 19.

Missing Females

Another interesting way of looking at the same information is to calculate the number of missing females. If we take, say, the 1961 fmr (941) as the base fmr, then the number of missing females in, say, 1991 would be the number of women required to be added to the 1991 female population, so as to have the same fmr as in 1961. This number can be expressed as:

$$dw = [\text{fmr}(61) - \text{fmr}(91)] * M(91) \quad ...3.1$$

where M(91) is the male population of 1991 Census.

This is straightforward, as,

$$\text{fmr}(91) = W(91) / M(91), \text{ and,}$$
$$\text{fmr}(61) - \text{fmr}(91) = [W(91) + dW]/M(91) - W(91)/M(91) \quad ...3.2$$

Readjusting this we get the expression 3.1 above.

An exercise on above lines for 1981 shows the number of total missing females to be 31.24 lakh. The ST population accounts for only 3 per cent of this number. STs form about 7 per cent of the population. STs account for 29 per cent of the missing females although they make 14.6 per cent of the population as their share. The two figures for general category are 68 per cent and 78.5 per cent respectively.

The choice of an adhoc base, however, creates a problem in further disaggregation of the data. This is because the total fmr

$$F = W/M = \Sigma W(i)/M = \Sigma\{W(i)/M(i)\} * \{M(i)/M\} \quad ...3.3$$
$$\text{or, } F = \Sigma p(i) * f(i) \quad ...3.4$$

Table 2: FMR Table
(No of women per thousand men)

State/Union Territories	Year	Total FMR	SC FMR	ST FMR FMR	Non SC-ST
India	1961	941	957	987	934
	1971	930	935	982	924
	1981	934	932	983	930
	1991	927	922	972	923
Andhra Pradesh	1961	981	980	976	982
	1971	977	973	973	977
	1981	975	971	962	977
	1991	972	969	960	974
Arunachal Pradesh	1961	894		1,013	299
	1971	861	904	1,007	460
	1981	862	592	1,005	599
	1991	859	627	998	658
Assam	1961	869	863	918	862
	1971	896	917	960	886
	1981	901			901
	1991	923	919	967	916
Bihar	1961	994	1,031	1,014	985
	1971	954	981	1,003	943
	1981	946	966	993	937
	1991	911	914	971	905
Goa	1961	1,066			1,066
	1971	981	936	742	982
	1981	975	956	845	976
	1991	967	967	889	967
Gujarat	1961	940	972	970	933
	1971	934	950	968	927
	1981	942	942	976	936
	1991	934	925	967	929
Haryana	1961	868	894	–	863
	1971	867	871	–	866
	1981	870	864	–	872
	1991	865	860	–	866
Himachal Pradesh	1961	938	934	983	937
	1971	958	950	1,000	959
	1981	973	959	978	977
	1991	976	967	981	978
Jammu and Kashmir	1961	878	890	–	876
	1971	878	924	–	874
	1981	892	922	–	889
	1991	–	–	–	
Karnataka	1961	959	965	953	958
	1971	957	957	957	957
	1981	963	968	971	961
	1991	960	962	961	959
Kerala	1961	1,022	1,013	1,006	1,022
	1971	1,016	1,012	995	1,017
	1981	1,032	1,022	992	1,033
	1991	1,036	1,029	996	1,038
Madhya Pradesh	1961	953	973	1,003	934
	1971	941	941	998	925
	1981	943	932	997	926
	1991	931	915	985	916
Maharashtra	1961	936	962	978	932
	1971	930	947	973	926
	1981	937	948	974	932
	1991	934	944	968	928
Manipur	1961	1,015	942	1,022	1,014
	1971	980	914	1,009	969
	1981	971	956	975	969
	1991	958	973	959	957
Meghalaya	1961	937	796	1,001	670
	1971	942	898	996	743
	1981	954	790	1,002	776
	1991	955	821	997	739
Mizoram	1961	1,009	0	1,026	390
	1971	946	38	1,021	208
	1981	919	125	997	227
	1991	921	157	982	243
Nagaland	1961	933	575	1,007	287
	1971	871	–	973	332
	1981	863	–	955	495
	1991	888	–	946	558
Orissa	1961	1,001	1,015	1,016	991
	1971	988	993	1,007	979
	1981	981	988	1,012	969
	1991	971	975	1,002	959
Punjab	1961	854	858	–	852
	1971	865	856	–	868
	1981	879	868	–	883
	1991	882	873		885
Rajasthan	1961	908	923	926	902
	1971	911	914	930	907
	1981	919	913	945	916
	1991	910	899	930	909
Sikkim	1961	904	–	–	904
	1971	863	842	–	864
	1981	835	913	927	801
	1991	878	939	914	862
Tamil Nadu	1961	992	993	951	992
	1971	978	984	951	977
	1981	977	980	968	976
	1991	974	978	960	973
Tripura	1961	932	921	955	921
	1971	943	940	954	938
	1981	946	942	962	940
	1991	945	949	965	931
Uttar Pradesh	1961	909	941		901
	1971	879	896	880	874
	1981	885	892	915	883
	1991	879	877	914	879
West Bengal	1961	878	916	969	861
	1971	891	927	955	877
	1981	911	926	969	902
	1991	917	931	964	844

TABLE 3: MISSING FEMALES 1971-1991

(in 000s)

State/UT	Year	Total				SC				ST				Non SC-ST			
		Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase
India	1961	2262.93	2129.42	133.52		329.37	315.12	14.25		151.62	149.69	1.93		1781 94	1664 61	117.33	
					65.87				12.56				1.55				51.77
	1971	2840.49	2641.10	199.39		413.43	386.62	26.81		191.81	188.34	3 48		2235.25	2066.14	169 10	
					26.34				9.86				1 01				15.48
	1981	3439.30	3213.57	225.73		542.11	505.44	36.67		260.39	255.90	4.48		2636.81	2452.23	184.58	
					92.76				19.68				5.20				67 88
	1991	4352.16	4033.68	318.49		719.29	662.94	56.35		343.63	333.95	9.68		3289.24	3036.78	252.46	
Andhra Pradesh	1961	181.62	178.22	3.40		25.12	24.61	0.51		6.70	6.54	0.16		149.79	147.06	2.72	
					1.75				0.29				0.06				1.39
	1971	220.09	214.94	5.15		29.27	28.47	0.80		8.40	8.18	0.22		182.41	178.29	4.12	
					1 54				0.36				0.39				0.78
	1981	271.09	264.41	6.68		40.39	39.22	1.17		16.19	15.57	0.61		214.51	209.61	4 90	
					2.73				0.50				0.25				1.98
	1991	337.25	327.83	9.41		53.80	52.12	1.67		21.43	20.57	0.86		262.02	255.14	6.88	
Arunachal Pradesh	1961	1.78	1.59	0.19		0.00	0.00	0.00		1.48	1 50	–0.02		0 30	0.09	0.21	
					0.16								0.01				0.15
	1971	2.51	2.16	0.35		0.00	0.00	0.00		1.84	1.85	–0.01		0.67	0.31	0.36	
					0.12				0.01				0.00				0.11
	1981	3.39	2.93	0.47		0.02	0.01	0.01		2.20	2 21	–0.01		1.17	0.70	0.47	
					0 19				0.00				0 02				0.17
	1991	4.65	4.00	0.65		0.02	0.02	0.01		2.75	2.75	0.00		1.87	1.23	0.64	
Assam	1961	57.98	50.39	7.59		3.89	3.43	0.46		6 07	5.57	0.50		48.03	41.39	6.64	
					0.44				–0.06				–0.17				0.67
	1971	77.14	69.11	8.03		4.76	4.36	0.40		8 20	7.87	0.33		64.18	56.88	7.31	
					2.35				–0.40				–0 33				3.07
	1981	104.67	94.29	10.38		0.00	0.00	0.00		0.00	0.00	0 00		104.67	94.29	10.38	
					–1.36				0.70				0 49				–2.55
	1991	116.58	107.56	9.02		8.65	7 95	0.70		14.62	14.13	0.49		93.32	85.49	7 83	
									1 69								
Bihar	1961	233.01	231.54	1.47		32.19	33.18	–0 99		20 88	21 17	–0.29		179 95	177.19	2.75	
					11.93								0.21				9.96
	1971	288.47	275.06	13.41		40.14	39.37	0.77		24.62	24.71	–0 08		223.71	210 99	12.71	
					6.06				0.97				0.28				4.80
	1981	359.31	339.84	19.46		51.58	49.84	1.75		29 15	28.95	0.20		278.57	261.05	17.52	
					20.83				3.92				0.78				16.13
	1991	452.02	411.72	40.30		65.69	60.02	5.67		33.58	32.59	0.98		352.75	319.11	33.64	
									–5.67								
Goa	1961	2.86	3.04	–0.19			0.00	0.00		0.00	0.00	0.00		2.86	3.04	–0.19	
					0.26								0.00				0.26
	1971	4.01	3.94	0.08		0.07	0.07	0.00		0.00	0.00	0 00		3.94	3.87	0.07	
					0.05				–0.00				–0.00				0.05
	1981	5.10	4.98	0.13		0.11	0.10	0.00		0 00	0.00	0.00		4.99	4.87	0.12	
					0.07				–0 00				–0.00				0.07
	1991	5.95	5.75	0.20		0.12	0.12	0.00		0 00	0.00	0.00		5.82	5.63	0.19	

(Contd)

TABLE 3: (*Contd*)

State/UT	Year	Total				SC				ST				Non SC-ST			
		Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase
Gujarat	1961	106.34	99.99	6.34		6.93	6.74	0.20		13.98	13.56	0.43		85.42	79 70	5.72	
					2.73				0 27				0.17				2.29
	1971	138.02	128.95	9.08		9 36	8.89	0.47		18.97	18.37	0.60		109.69	101.68	8.01	
					1.12				0.26				–0.01				0.87
	1981	175.53	165.33	10.19		12.56	11 83	0.73		24 54	25.95	0.59		138.44	129.55	8.88	
					3.81												
	1991	213.55	199.54	14.01		15.90	14.71	1.19		31.32	30.30	1.02		166.34	154.54	11.80	
Haryana	1961	40.63	35.28	5.35		7.20	6 44	0.76		0 00	0.00	0.00		33.43	28.84	4.59	
					1.83				0.55				0.00				1.28
	1971	53.77	46.60	7.18		10.13	8.82	1.31		0.00	0 00	0.00		43.64	37 77	5.87	
					1.80				0.49				0.00				1.30
	1981	69.10	60.13	8.97		13.22	11.42	1.80		0.00	0.00	0.00		55.88	48.71	7.17	
					2.94				0.65				0.00				2.29
	1991	88.27	76.36	11.91		17.48	15.03	2 45		0.00	0.00	0.00		70.80	61.33	9.47	
Himachal Pradesh	1961	14.51	13.61	0.90		3.33	3.11	0 22		0.62	0.61	0.01		10.57	9.90	0.67	
					–0.17				–0.02				–0.01				–0.13
	1971	17.67	16.93	0.73		3.95	3.75	0 20		0.71	0.71	0.00		13.01	12.48	0.54	
					–0 14				0.02				0.02				–0.19
	1981	21.70	21 11	0.59		5 38	5.16	0.22		1.00	0.98	0.02		15.32	14.97	0.35	
					0 05				–0 00				–0 00				0.05
	1991	26.17	25.53	0.64		6 66	6.44	0 22		1.10	1.08	0.02		18.41	18.01	0.40	
Jammu and Kashmir	1961	18.97	16.64	2 32		1 50	1.34	0.17		0.00	0.00	0.00		17.46	15.31	2.16	
					0.68				–0.02				0.00				0.69
	1971	24.58	21.58	3.00		1 98	1.83	0.15			0.00	0.00		22.60	19.75	2.85	
					0.42				0.05	0.00			0.00				0.37
	1981	31.65	28.23	3.42		2.59	2 39	0.20			0.00	0.00		29.06	25.84	3.22	
					–3.42					0.00			0.00				
	1991	0.00	0.00	0.00		0.00	0.00	0 00			0.00			0.00	0.00	0.00	
Karnataka	1961	120.41	115.46	4.95		15 87	15.31	0.56		0.98	0.94	0.05		103.56	99.21	4.35	
					1.50				0.28				0.01				1.21
	1971	149.72	143.27	6.45		19.67	18.83	0.84		1.18	1.13	0.05		128.87	123.31	5.56	
					0.65				0.08				0.22				0.35
	1981	189.23	182.13	7.10		28.43	27.52	0.91		9.26	8.99	0.27		151.53	145.62	5.91	
					2 17				0.51				0.11				1.55
	1991	229.52	220.25	9.27		37 56	36.13	1.43		9.77	9.39	0.38		182.19	174.13	7.46	
Kerala	1961	83.62	85.42	–1.80		7.13	7.22	–0.10		1.06	1.07	–0.01		75.43	77.13	–1.70	
					0.08				–0.01				0.01				0.08
	1971	105.88	107 30	–1.72		8.81	8.91	–0.10		1.35	1.34	0.01		95.72	97.34	–1.62	
					–2.26				–0.17				0.00				–2.10
	1981	125.28	129.26	–3 98		12.61	12.89	–0.28		1.31	1 30	0.01		111.36	115.07	–3.72	
					–1.22				–0.14				–0.00				–1.08
	1991	142.89	148.10	–5.21		14.23	14.64	–0.41		1.61	1.60	0.01		127.06	131.85	–4.80	
Madhya Pradesh	1961	165.78	157.94	7.84		21.56	20.97	0.59		33.34	33.44	–0.10		110.88	103.53	7.35	
					4.73				1.08				0.19				3.45
	1971	214.55	201.99	12.57		28.10	26.44	1.67		41.99	41.89	0.10		144.47	133.66	10.80	
					2.77				0.91				0.10				1.76
	1981	268.26	252.93	15.34		38.08	35.50	2.58		60.03	59 84	0.20		170.15	157.59	12 56	
					8.20				1.71				0.98				5.51
	1991	342.67	319.14	23.53		50.28	45.99	4.29		77.58	76.41	1.17		214.81	196.74	18.07	

TABLE 3: (*Contd*)

State/UT	Year	Total				SC				ST				Non SC-ST			
		Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase
Maharahstra	1961	204.29	191.25	13.04		11.35	10.92	0.43		12 12	11.86	0.26		180.82	168.48	12.35	
					5.16				0.40				0.15				4.62
	1971	261.16	242.96	18.20		15.54	14.71	0.83		14.97	14.57	0.41		230.64	213 68	16.97	
					2.26				0.35				0 35				1.55
	1981	324.15	303.69	20.46		22.99	21.81	1.18		29.24	28.48	0 76		271.92	253.40	18 52	
					6.68				1.34				0 41				4.92
	1991	408.26	381.12	27 14		45.05	42.52	2.53		37 18	36.00	1.17					
Manipur	1961	3.87	3.93	–0.06		0.07	0.06	0.00		1.23	1.26	–0.03		2.57	2.61	–0.04	
					0.17				0.00				0.01				0.15
	1971	5.42	5.31	0.11		0.09	0.08	0.01		1.66	1.68	–0.01		3.67	3.55	0.11	
					0.10				–0.00				0.06				0.04
	1981	7.21	7.00	0.21		0.09	0.09	0.00		1.96	1.92	0 05		5.15	5.00	0.16	
					0.19				0.00				0.08				0.10
	1991	9.38	8.99	0.40		0.19	0.18	0.01		3.23	3.09	0.13		5.97	5.71	0.26	
Meghalaya	1961	3.97	3.72	0.25		0.01	0.01	0.00		3 19	3.20	–0 00		0.77	0.52	0.26	
					0.05				0.00				0 02				0.03
	1971	5.21	4.91	0.30		0.02	0.02	0.00		4.08	4 06	0 01		1 11	0.83	0.29	
					0.01				0.00				–0 03				0.03
	1981	6.84	6.52	0 32		0.03	0.02	0.01		5 38	5.39	–0.01		1 43	1.11	0.32	
					0.09				0.00				0 04				0.05
	1991	9.08	8.67	0 41		0.05	0.04	0 01		7 60	7.58	0 03		1 42	1 05	0.37	
Mizoram	1961	1.32	1.34	–0.01		0.00	0.00	0.00		1 29	1.32	–0 03		0.04	0.01	0.02	
					0.10				0.00				0.00				0.10
	1971	1.71	1.62	0.09		0.00	0.00	0.00		1.55	1.58	–0 03		0.16	0.03	0.12	
					0.11				0.00				0.04				0.08
	1981	2.57	2.37	0.21		0.00	0.00	0.00		2.31	2.31	0.01		0.26	0.06	0.20	
					0 07				0 00				0 05				0.02
	1991	3.59	3.31	0.28		0.01	0.00	0.01		3 30	3.24	0.06		0 29	0.07	0.22	
Nagaland	1961	1.91	1 78	0.13		0.00	0 00	0 00		1 71	1 72	–0 01		0.20	0.06	0.14	
					0 23				–0 00				0.07				0.15
	1971	2.76	2.40	0.36		0.00	0 00	0 00		2 32	2 26	0 06		0 44	0.15	0.29	
					0 21				0 00				0.09				0.12
	1981	4.16	3.59	0.57		0.00	0 00	0.00		3.33	3 18	0.15		0.83	0.41	0 42	
					0.15								0 14				0.01
	1991	6.41	5.69	0.72		0.00			0 00	5 45	5.16	0.29		0.96	0.54	0.43	
Orissa	1961	87.71	87.78	–0.08		13.71	13.92	–0 21		20 95	0 00 21.29*	–0.34		53 04	52.57	0.48	
					1.45				0.32				0.16				0.97
	1971	110.41	109.04	1 38		16.61	16.50	0 11		25 27	25 45*	–0.19		68.53	67.08	1.45	
					1 12				0 11				–0 17				1.17
	1981	133.10	130.60	2.49		19.44	19 21	0.23		29 40	29 75*	–0.35		84.26	81.64	2.62	
					2.19				0 41				0 29				1.49
	1991	160.64	155.96	4.69		25.96	25.33	0 64		35 13	35.19*	–0.06		99.55	95 43	4.11	
Punjab	1961	60.08	51.28	8.80		13.38	11 49	1 89		0.00	0.00	0.00		46.69	39.79	6.91	
					1.02				0.69				0.00				0.32
	1971	72.67	62.85	9.82		18.04	15.45	2 59		0.00	0 00	0.00		54.63	47.40	7.23	
					1.04				0.61				0.00				0.42
	1981	89.37	78.52	10.86		24.16	20.96	3.20		0 00	0.00	0.00		65.21	57.56	7.65	
					1.89				0.69				0.00				1.20
	1991	107.78	95.04	12.74		30.66	26.77	3.89			0 00	0 00		77.12	68.27	8.85	

(Contd)

TABLE 3: (*Contd*)

State/UT	Year	Total				SC				ST				Non SC-ST			
		Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase	Male	Female	Missing Female	Incremental Increase
Rajasthan	1961	105.64	95.92	9.73		17.47	16.12	1.35		11.99	11.11*	0.88		88.17	68.69	19.48	
					2.30				0.47				0.25				5.79
	1971	134.84	122.81	12.03		21.29	19.46	1.83		16.19	15.06*	1.13		113.55	88.29	25.57	
					2.43				0.83				0.05				6.86
	1981	178.54	164.08	14.46		30.52	27.87	2.66		21.51	20.32*	1.18		148.02	115.89	32.13	
					6.53				1.41				0.81				10.98
	1991	230.43	209.63	20.80		40.07	36.01	4.07		28.37	26.38*	1.99		190.36	147.25	43.11	
Sikkim	1961	0.85	0.77	0.08				0.00		0.00	1.50	-1.50		0.85	0.77	0.08	
					0.07	0.00	0.00		0.01				1.50				0.06
	1971	1.13	0.97	0.15		0.05	0.04	0.01		0.00	0.00	0.00		1.08	0.93	0.15	
					0.13				0.00				0.03				0.48
	1981	1.72	1.44	0.28		0.10	0.09	0.01		0.38	0.35*	0.03		1.63	1.00	0.63	
					-0.02				-0.00				0.01				0.06
	1991	2.16	1.90	0.26		0.12	0.12	0.01		0.48	0.43*	0.04		2.04	1.35	0.69	
Tamil Nadu	1961	169.11	167.76	1.35		30.45	30.23	0.22		1.29	1.23*	0.06		138.66	136.31	2.35	
					3.22				0.35				0.02				3.16
	1971	208.28	203.71	4.57		36.86	36.29	0.57		1.60	1.52*	0.08		171.42	165.90	5.51	
					1.10				0.32				0.00				1.82
	1981	244.88	239.20	5.67		44.85	43.96	0.89		2.64	2.56*	0.08		200.02	192.69	7.34	
					1.72				0.28				0.03				1.69
	1991	282.99	275.60	7.39		54.15	52.98	1.17		2.93	2.81*	0.12		228.84	219.81	9.03	
Tripura	1961	5.91	5.51	0.40		0.63	0.58	0.05		1.84	1.76*	0.08		5.29	3.17	2.11	
					0.05				0.01				0.02				0.49
	1971	8.01	7.55	0.46		0.99	0.93	0.06		2.31	2.20*	0.11		7.02	4.42	2.60	
					0.11				0.03				0.01				0.74
	1981	10.55	9.98	0.57		1.60	1.51	0.09		2.98	2.86*	0.11		8.95	5.61	3.34	
					0.22				0.03				0.04				1.52
	1991	14.18	13.39	0.79		2.32	2.20	0.12		4.34	4.19*	0.15		11.86	7.01	4.86	
Uttar Pradesh	1961	386.34	351.12	35.22		79.35	74.65	4.70		0.00	0.00	0.00		306.99	276.47	30.52	
					21.70				5.49				0.13				17.14
	1971	470.16	413.25	56.92		97.84	87.65	10.19		1.06	0.93*	0.13		372.32	324.67	47.66	
					10.85				3.22				-0.02				7.81
	1981	588.19	520.43	67.77		123.97	110.56	13.41		1.22	1.11*	0.10		464.22	408.76	55.46	
					21.85				5.81				0.03				16.31
	1991	740.37	650.75	89.62		155.99	136.77	19.22		1.50	1.37*	0.13		584.38	512.61	71.77	
West Bengal	1961	185.99	163.27	22.72		35.97	32.94	3.03		10.43	10.11*	0.32		150.03	120.22	29.80	
					2.88				0.32				0.26				4.83
	1971	234.36	208.76	25.60		45.75	42.41	3.35		12.95	12.38*	0.58		188.61	153.98	34.63	
					-0.19				1.28				-0.10				1.27
	1981	285.61	260.20	25.41		62.32	57.69	4.63		15.59	15.11*	0.48		223.29	187.39	35.90	
					4.02				1.10				-3.58				6.50
	1991	355.11	325.67	29.43		83.27	77.54	5.73		15.59	18.70*	-3.11	—	271.84	229.44	42.40	

Where M(i) and W(i) are men and women in ith category and P(i) is the proportion of male population.

It is easy to see that further disaggregation would render

$$F = \Sigma p(i)*f(i) = \Sigma_{i,j} [p(i)*\ p(i, j).f(i, j)] \quad ...3.5$$

and so on where f(i, j) is the fmr for the jth subgroup of ith category and p(i, j) the proportion of male population of the jth subgroup to that of the ith category.

If we use the above expression into the expression for missing females, i e, in 3.3 above the disaggregation would become messy indeed. A simple way out of this would be to take the desirable or 'base' fmr to be unity or 1000 females per thousand men. In that event, the number of missing females dW = M – W; i e, the difference between the male and the female population would give the number of missing females. This expression lends itself immediately to further disaggregation, for,

$$dW = \Sigma dW(i,j,k...) = \Sigma\ [M(i,j,k....) - W(i,j,k...)] \quad ...3.6$$

where i,j,k... represent the progressive disaggregation into different relevant subgroups. One could now really play around with disaggregation as the reference fmr has been 'normalised' to unity.

Table 3 gives the estimate of the missing females statewise and categorywise arrived at in the above manner. It also shows the incremental increase in the number of missing females in successive decades. Tables 4.1, 4.2, 4.3 and 4.4 estimate this number for the 1991 census data. It also indicates the percentage contribution made by a particular state to the number of missing females in a given category to that at all India level. This is further compared to the share of population of that state to the all India population in that category. This helps one in getting some idea whether the state contributes disproportionately or otherwise to the number of missing females in a given category. Andhra Pradesh, for example, has 7.93 per cent of the country's population but its contribution to the number of missing females is hardly 2.95 per cent. U.P. on the other hand has 16.59 per cent of the country's population but contributes 28.14 per cent of the number of missing females.

In addition to this we also have to look at whether the fmr is declining or increasing in a given category and in a given state. Some states may be doing badly on all the three scores, e g, larger contribution to the number of missing females on all India basis in a given category compared to its share of population, larger contribution to overall missing female population in the state compared to its share in population and declining fmr. Some others may be improving in all three respects. For scheduled castes, UP provides the example of the former while Kerala provides an example in latter category. West Bengal on the other hand gives a mixed picture of high contribution to the number of missing SC females but steadily improving fmr.

The number of missing females has gone up from 133.52 lakh in 1961 to 318.49 lakh in 1991. However, the tribals who contribute about 8 per cent to country's population contribute about 3 per cent to the missing female population. The non-SC/ST category contributes disproportionately to it – about 79.3 per cent while its share of population is 75.4 per cent. The scheduled castes contributed 17.69 per cent to the missing female population as against their share of 16.5 per cent of the overall population.

If we notice the trend across time, the incremental increase in the number of missing females has gone up sharply in 1991. Further, the percentage contribution of the SC population to the missing female population is increasing while that of the 'general' category coming down. In fact, the picture becomes sharper in focus if we look at the addition to the number of missing females across 1971-1991 period. The contribution of ST, SC and general streams to this addition (66 lakhs) in 1971 was 2.3 per cent, 19 per cent and 78.8 per cent which changed to 5.6 per cent, 21.2 per cent and 73.2 per cent, respectively.

If we disaggregate the data at the state level, few more useful insights can be obtained. Different states contribute differently to the national aggregate and one can identify the major contributors or 'culprits' in a given category. The trend in fmr pattern in such states is also worth noting.

The ST population: Three categories of states can be mainly discerned on the basis of the fmr – the tribal majority states, states with significant tribal population, i e, Orissa

TABLE 4.1: MISSING FEMALES-STATEWISE 1991
(Total Population)

State/UT	Male	Female	Missing Female	Percentage Contribution All India Total	Percentage Share of Population
	(in 000s)				
India	4352.16	4033 68	318.49	100.00	100.00
Andhra Pradesh	337.25	327.83	9.41	2.96	7.93
Arunachal Pradesh	4.65	4.00	0.65	0.21	0.10
Assam	116.58	107.56	9.02	2.83	2.67
Bihar	452.02	411.72	40.30	12.65	10.30
Goa	5.95	5 75	0.20	0.06	0.14
Gujarat	213.55	199.54	14.01	4.40	4.93
Haryana	88.27	76.36	11.91	3.74	1.96
Himachal Pradesh	26.17	25.53	0.64	0.20	0.62
Jammu and Kashmir	–	–	–	–	–
Karnataka	229.52	220.25	9.27	2.91	5.36
Kerala	142.89	148.10	-5.21	(1.63)	3.47
Madhya Pradesh	342.67	319.14	23.53	7.39	7.89
Maharashtra	408.26	381.12	27.14	8.52	9.41
Manipur	9.38	8.99	0.40	0.12	0.22
Meghalaya	9.08	8.67	0.41	0.13	0.21
Mizoram	3.59	3.31	0.28	0.09	0.08
Nagaland	6.41	5.69	0.72	0.23	0.14
Orissa	160.64	155.96	4.69	1.47	3.78
Punjab	107.78	95.04	12.74	4.00	2.42
Rajasthan	230.43	209.63	20.80	6.53	5.25
Sikkim	2.16	1.90	0.26	0.08	0.05
Tamil Nadu	282.99	275.60	7.39	2.32	6.66
Tripura	14.18	13.39	0.79	0.25	0.33
Uttar Pradesh	740.37	650.75	89.62	28.14	16.59
West Bengal	355.11	325.67	29.43	9.24	8.12
A and N Island	1.54	1.26	0.28	0.09	0.03
Chandigarh	3.59	2.83	0.75	0.24	0.08
Dadra and Nagar Haveli	0.71	0.68	0.03	0.01	0.02
Daman and Diu	0.52	0.50	0.02	0.01	0.01
Delhi	51.56	42.65	8.90	2.80	1.12
Lakshadweep	0.27	0.25	0.02	–	0.01
Pondicherry	4.08	4.00	0.08	0.03	0.10

and MP and the 'mainland' states of Rajasthan, Gujarat, Maharashtra, Bihar, Andhra Pradesh and West Bengal. The former two categories have high fmr values but these are coming down at a rate which should cause concern particularly in MP and Orissa. The 'mainland' states show a sharper decline still and contribute significantly to the number of missing females. Rajasthan deserves particular attention in this context. With an fmr decline of 15 women per thousand men between 1981 and 1991 its contribution to the number of missing ST females has gone up to 20.57 per cent while its share of the country's tribal population remains only 8 per cent. If we look at the incremental increase in the number of 'missing females' between 81 and 91, we find that the four states of Bihar, MP, Gujrat and Rajasthan contribute to about 60 per cent to this increase.

The decline in the ST fmr values across the 1981-1991 period has virtually occurred in all the states and is in a sharp contrast with the trends between 1961 to 1981. This is a matter of worry and warrants further scrutiny

The scheduled caste population has witnessed a steady deterioration in the fmr values across all the regions Notable exceptions are Kerala, Himachal Pradesh, Punjab, West Bengal, Sikkim and Manipur. In general wherever the SC fmrs have gone up during a given decade the non-SC/ST fmr values have also gone up but not vice versa

The decline of the fmr in Bihar from 966 in 1981 to 914 in 1991 shows that there is something seriously wrong In fact, the trend across 1961 to 1991 shows similar decline: in 1961 Bihar had fmr of 1031 which declined to 981 in 1971 and further to 966 in 1981. This merits further attention as well as policy intervention.

As indicated earlier, the contribution of the SC population to the number of missing females is growing over the years. In absolute numbers it has moved from 14.25 lakh in 1961 to 56.35 lakh in 1991. In 1991 its percentage contribution to the total number of missing females was 17 7 while its contribution to the incremental increase was higher still, i e, 21.2 per cent. Of this incremental increase of 19.68 lakh, UP, Bihar and MP contribute about 58 per cent while their share of the country's scheduled caste population is 37 per cent .

If we look at the absolute figures for 1991, we find that UP alone contributes 34.11 per cent to the total number of missing females on all India basis. This is about 13 per cent in excess of its population share (21.2 per cent). Haryana, Punjab and Rajasthan contribute another 18.5 per cent while sharing only about12 per cent of the country's SC population. West Bengal and Madhya Pradesh contribute in large numbers but not disproportionately compared to their share of the population on all India basis. The southern states and Orissa contribute much less to the number of missing females compared to their share in the country's SC population. But as the fmr tables reveal, the fmr values for the SC population are going down in all these states except Kerala.

The 1991 Census data reveals a sharp increase in the number of missing females in this category Their number has gone up from 184.6 lakh in 1981 to 252.5 lakh in 1991. The incremental increase which had come down in 1981 (15.5 lakh) has jumped nearly four-fold to 67.88 lakh. Bihar and UP which share about 28 per cent of the country's non-SC/ST population contribute about 41 per cent to the number of missing females in 1991 Their contribution to the incremental increase is higher still and is over 47 per cent. These two states are singled out not just for the magnitude of their contribution alone but also for the declining trends in fmr. The decline in Bihar by about 32 females per thousand men across 1981-1991 period is rather serious Haryana, Punjab and Rajasthan again contribute disproportionately to the number of missing females compared to their share of population. The share of West Bengal is expected to steadily come down with improving fmrs and as indicated below, the figures would improve further if migration correction is made.

The Migration Effects

The above analysis of the sex ratios has to incorporate the effects of migration on sex ratios. FMR values will be higher if there is an outmigration of males or inmigration of females. Similarly, outmigration of females or inmigration of males will depress the FMR values. All the four types of migration occur in any region. As such one has to work out the net outmigration of both male and the female population for each state and add it to the enumerated population to arrive at the corrected FMRs. It is quite possible that different social groups exhibit different patterns of migration. This would necessitate a disaggregated analysis of the migration figures as well Some

Table 4.2 Missing Females, 1991
(Non-SC/ST)

State/UT	Male	Female	Missing Female	Percentage Contribution		Percentage Share of Population
		(in 000s)		State Total	All India Total	
India	3289 24	3036 78	252 46	79 27	100 00	100 00
Andhra Pradesh	262.02	255 14	6 88	73 08	2 72	8 18
Arunachal Pradesh	1 87	1 23	0 64	97 90	0 25	0 05
Assam	93 32	85 49	7 83	86 86	3 10	2 83
Bihar	352 75	319 11	33 64	83 49	13 33	10 62
Goa	5 82	5 63	0 19	97 80	0 08	0 18
Gujarat	166 34	154 54	11 80	84 21	4 67	5.07
Haryana	70 80	61 33	9 47	79 46	3 75	2 09
Himachal Pradesh	18.41	18 01	0 40	62 62	0 16	0 58
Jammu and Kashmir	-	-		-	-	-
Karnataka	182 19	174 73	7 46	80.50	2 95	5 64
Kerala	127.06	131 85	4 80	92 19	(1 90)	4 09
Madhya Pradesh	214 81	196 74	18 07	76 79	7 16	6 51
Maharashtra	326.02	302 59	23 44	86 36	9.28	9 94
Manipur	5.97	5 71	0 26	65 19	0 10	0 18
Meghalaya	1 42	1.05	0 37	91 55	0.15	0.04
Mizoram	0.29	0 07	0 22	76 68	0 09	0 01
Nagaland	0.96	0.54	0 43	59 05	0 17	0.02
Orissa	99 55	95 43	4 11	87 80	1 63	3 08
Punjab	77.12	68 27	8 85	69 48	3 51	2.30
Rajasthan	161 99	147 25	14 74	70 87	5 84	4 89
Sikkim	1 56	1 35	0.22	81 55	0 09	0 05
Tamil Nadu	225.91	219 81	6 10	82 58	2 42	7 05
Tripura	7 52	7 01	0 52	65 65	0 20	0.23
Uttar Pradesh	582 87	512.61	70 27	78 41	27 83	17 32
West Bengal	252.45	229.44	23 01	78 19	9.12	7.62
A and N Island	1.41	1 13	0 27	97 40	0 11	0 04
Chandigarh	3.00	2 36	0.64	85 20	0 25	0 08
Dadra and Nagar Haveli	0.15	0.11	0 04	-	0 02	
Daman and Diu	0 44	0.42	0 01	81 61	0 01	0 01
Delhi	41.77	34 49	7.28	81 74	2 88	1.21
Lakshadweep	0 02	0 01	0.01	89 73	0 01	-
Pondicherry	3 42	3.35	0 07	86 82	0 03	0 11

useful observations could nevertheless be made.

The migration effects will be more pronounced as we go down from the national level to the regional, state, district and the village level. At the state level the effects are still insignificant as revealed by the 1971 census figures (Table 5.1). Inter-state migrations hardly involve 3 to 3.5 per cent of the total and 10 to 15 per cent of the migrant population. Major migration takes place within the states.

Among different states, Maharashtra and West Bengal have traditionally attracted migrants from other states for occupational reasons. In these two states the migrant population accounts for 6.41 and 4.72 per cent of the population of the State, respectively. Haryana (8.54 per cent) and Punjab (4.32 per cent) are the other two states with high migrant population. This is mainly on account of the agricultural prosperity following the green revolution. Madhya Pradesh is the only other non-border state where the migrant population accounts above 4 per cent of the population of the state.

A preliminary study of the effect of migration on FMR for different states was done for the total rural population (Table 5.2). The total population was taken for the analysis as the disaggregated data for migration in terms of the ST, the SC and the general categories is not readily available. The population of the state was corrected for by adding the figure for the net outmigration separately for the male and the female population and the corrected FMRs were worked out. The expression for the corrected population is thus:

$$CP = EP + Out - In$$

where CP is the corrected population, EP is the enumerated population, 'out' is the outmigrating population and 'in' the inmigrating population.

A comparison of the fmrs for different states with the corrected fmrs shows marginal changes in the fmr values. However, there is a significant improvement in the fmr for both Maharashtra (965 to 993) and West Bengal (942 to 978), respectively. For Madhya Pradesh the improvement is marginal (956 to 961). All the northern states of UP, Rajasthan, Punjab, Haryana and Himachal Pradesh show a decrease in the fmr. The decrease for Bihar (971 to 952) is quite significant and it would be interesting to study the categorywise breakup. There is a likelihood of significant outmigration of tribal males from Bihar which may account for the high fmr for the tribal population.

Kerala is the only southern state where the corrected fmr drops appreciably from 1020 to 1005. But this is consistent with the known and traditional male outmigration from Kerala. While a disaggregated analysis of the migration figures and necessary migration corrections are needed to be made one can expect that the picture would change only marginally in most cases. These changes would certainly not account for the trends in the fmr and the number of missing females observed above.

This analysis establish the usefulness of disaggregation while analysing the observed sex ratio imbalances in India. It also presents a simple and useful method of analysing the problem by unpacking the missing females issue through equation 3.6.

The above disaggregation prioritises the areas needing remedial intervention and suggests that it has to be designed differently in different parts of the society. Tribal Orissa for example, would require different intervention compared to, say, the 'developed' Haryana. In areas where fmrs are already favourable, the intervention should aim at consolidating the position. On the other hand, where the fmrs are low and deteriorating, immediate corrective interventions, e.g. improvement in girl child's access to nutrition and female literacy.

TABLE 5.1 : PERCENTAGE OF TOTAL MIGRANTS TO TOTAL POPULATION IN EACH STATE ACCORDING TO PLACE OF BIRTH

State	Total Migrants	Within the States	Outside the State
Andhra Pradesh	31.57	29 86	1 63
Assam	33.21	23 03	3.58
Bihar	27.96	25 87	1 66
Gujarat	32 06	28.53	2.87
Haryana	32 61	18.6	8 54
Himachal Pradesh	33.17	27 96	3 85
Jammu and Kashmir	18 79	16.38	1.5
Kerala	21 83	20.56	1 17
Madhya Pradesh	34.16	29 1	4.27
Maharashtra	38 7	31 51	6 51
Manipur	18 73	15 23	2 34
Meghalaya	29 98	18 41	5 39
Mysore	31 26	27 21	3.95
Nagaland	17 91	8 32	7 27
Orissa	30 62	27 95	2 24
Punjab	36 34	24 04	4 32
Rajasthan	29 76	25 42	3 32
Tamil Nadu	28 56	26 21	1 94
Tripura	47 15	11 46	1 62
Uttar Pradesh	25 01	23 04	1 42
West Bengal	30 22	18 19	4 72
India	30 42	25 31	3 4

(Migrants from outside India 1 66)

Source *Census of India 1971*, Paper No 2 of 1979 S C Shrivastava *Migration in India*

TABLE 4 3 MISSING FEMALES 1991
(Scheduled Caste)

State/UT	Male	Female	Missing Female	Percentage Contribution: State Total	Percentage Contribution: All India Total	Percentage Share of Population
		(in 000s)				
India	719 29	662 94	56 35	17 69	100 00	100 00
Andhra Pradesh	53.80	52 12	1 67	17 77	2 97	7 66
Arunachal Pradesh	0 02	0 02	0 01	1 42	0 02	
Assam	8 65	7 95	0 70	7 74	1 24	1 20
Bihar	65.69	60 02	5 67	14 07	10 06	9 10
Goa	0 12	0 12		2 09	0 01	0 02
Gujarat	15 90	14 71	1 19	8 50	2 11	2 21
Haryana	17 48	15 03	2 45	20 54	4 34	2 35
Himachal Pradesh	6 66	6 44	0 22	34 05	0 39	0 95
Jammu and Kashmir	–	.	.	.	.	–
Karnataka	47 56	36 13	1 43	15 42	2 54	5.33
Kerala	14 23	14 64	0 41	7 93	(0 73)	2 09
Madhya Pradesh	50 28	45 99	4 29	18 23	7 61	6 96
Maharashtra	45.05	42 52	2 53	9 32	4.49	6 34
Manipur	0 19	0 18	0 01	1 28	0 01	0 03
Meghalaya	0 05	0 04	0 01	2 19	0.02	0 01
Mizoram	0 01	0 00	0 01	1 78	0 01	–
Nagaland	–	..	..	–	.	–
Orissa	25 96	25 33	0 64	13.58	1 13	3 71
Punjab	30 66	26 77	3 89	30.52	6.90	4 15
Rajasthan	40.07	36 01	4 07	19 55	7 22	5.50
Sikkim	0.12	0 12	0.01	2 89	0 01	0.02
Tamil Nadu	54 15	52.98	1 17	15 82	2.08	7 75
Tripura	2.32	2.20	0 12	15 15	0.21	0 33
Uttar Pradesh	155 99	136.77	19 22	21.45	34.11	21 18
West Bengal	83 27	77 54	5 73	19.47	10.17	11.63
A and N Island	–	–	–	–	–	–
Chandigarh	0.59	0 47	0.11	14.80	0 20	0 08
Dadra and Nagar Haveli	0 01	0 01	.	3 09	–	–
Daman and Diu	0 02	0 02	..	(7 92)	–	–
Delhi	9 79	8 16	1 63	18 26	2.88	1.30
Lakshadweep	–	..	–	–	–	.
Pondicherry	0 66	0 65	0 01	13.18	0 02	0.09

TABLE 5.2: INTER-STATE MIGRATION CORRECTED FMRS

State/UT		Total(M)	Total(F)	FMR	Migration (Total PDP) OUT(M)	OUT(F)	Correction (0.1) Corrected PDP IN(M)	(INF)	NET(M)	NET (F)	POP+W(M)	POP+W(F)	Corrected FMR
India	T	284049	264116	930	(Correction in the total category not effected on account of the								
	R	225320	213716	949	'Unspecified' Category included in the Census Figures								
	U	58729	50390	858									
Andhra	T	22009	21494	977	–	–	–	–	–	–	–	–	–
	R	17698	17402	983	326.06	364 81	165.9	248.7	160 16	116 11	17858.16	17518 11	981
	U	4311	4092	949	175.3	182 22	144.7	149.3	30.6	32.92	4341.6	4124.92	950
Assam	T	7714	6911	896	–	–	–	–	–	–	–	–	–
	R	6975	6361	912	69 6	52.3	300 8	131.6	231 2	79 3	6743.8	6281.7	931
	U	739	550	744	33.6	29	46 6	31 3	0.13	2 3	726	547 7	754
Bihar	T	28847	27506	954	–	–	–	–	–	–	–	–	–
	R	25729	24990	971	1045.7	686 2	249.5	437	796 2	249.2	26525.2	25239 2	952
	U	3118	2516	807	184.06	119 14	115 2	127.3	68 86	8 16	3186.86	2507 84	787
Gujarat	T	13802	12895	934	–	–	–	–	–	–	–	–	–
	R	9842	7358	951	256 51	240 56	256.9	189.6	0.39	50 96	9841 61	9408 96	956
	U	3960	3537	893	182 26	171 92	159 6	149 2	22 66	22 72	3982 66	3559 72	894
Haryana	T	5377	4660	867	–	–	–	–	–	–	–	–	–
	R	4420	3844	870	225 8	374 8	225 5	405 5	0 3	30 7	4420.3	3813.3	863
	U	957	816	853	103	127 5	95 7	124 6	7 3	2 9	964 3	818.9	849
Himachal	T	1767	1693	958	–	–	–	–	–	–	–	–	–
	R	1629	1590	976	89.14	65 54	39 7	37 3	49 44	28 24	1678 44	1618 24	964
	U	138	103	746	37.7	28 6	27 4	28 5	10 3	0 1	148 3	103 1	695
J and K	T	2458	2158	878	–	–	–	–	–	–	–	–	–
	R	1997	1762	882	19 13	16 01	26 5	14 6	7 37	1 41	1989 63	1763 41	886
	U	461	396	859	22 88	20 91	14 3	13.4	8 58	7 51	469 58	403 51	859
Kerala	T	10588	10759	1016	–	–	–	–	–	–	–	–	–
	R	8852	9029	1020	317.9	184 3	83 2	76.9	234 7	107 4	9086 7	9136 4	1005
	U	1736	1730	997	254.6	164 5	44 1	41 4	210 5	123 1	1946 5	1853 1	952
M P	T	21455	20198	941	–	–	–	–	–	–	–	–	–
	R	17823	17046	956	215 9	448 3	540.9	675 4	325	227 1	17498	16818 9	961
	U	3632	3152	868	126.7	174 9	268	282 7	141 3	107 8	3490.7	2044 2	872
Maharashtra	T	26116	24296	930	–	–	–	–	–	–	–	–	–
	R	17842	17219	965	249 4	362 4	1172 8	779 5	923 4	417 1	16918 6	16801.9	993
	U	8274	7077	855	242.8	280 2	719 4	567	476 6	286 8	7797 4	6790 2	871
Manipur	T	542	531	980	–	–	–	–	–	–	–	–	–
	R	470	461	981	4 86	2 91	12 8	7	7 94	4 09	462 06	456 91	989
	U	72	70	972	2 11	1 14	2 9	1 22	0 79	0 08	71 21	69 92	982
Meghalaya	T	521	491	942	–	–	–	–		–	–	–	–
	R	444	423	953	8 34	7 48			8 34	7 48	452 34	430 48	954
	U	77	638	883	6 84	6 38	–	–	6 84	6 38	83 84	74 38	887
Karnataka	T	14972	14327	957	–	–	–	–	–	–	–	–	–
	R	11249	10928	971	268.5	366 1	311 4	371 2	-42 9	-5 1	11206 1	10922 9	975
	U	3723	3399	913	238	240 4	243 6	218 8	-5 4	21 6	3717 6	3420.6	920
Nagaland	T	276	240	870	–	–	–	–	–	–		–	–
	R	241	224	929	2 5	1 7			2 5	1 7	243 5	225 7	927
	U	35	16	457	1 31	1 15			1 31	1 15	36 13	17 15	472
Orissa	T	11041	10903	988	–	–	–	–	–	–	–	–	–
	R	10041	10056	1002	194.3	198.8	166	207.2	28 3	-8 4	10069 3	10049 6	998
	U	1000	845	845	44 4	34	62.2	54 8	-17 8	-20 8	982 2	824 2	839
Punjab	T	7267	6285	865	–	–	–	–			–	–	–
	R	5533	4801	868	386.6	338 8	163.7	202 1	222 7	136 7	5755 7	4937 7	858
	U	1734	1484	856	225.2	215 6	104.4	112 4	120 8	103 2	1854 8	1587 2	856
Rajasthan	T	13484	12281	911	–	–	–	–	–	–	–	–	–
	R	11061	10161	919	438 6	520 9	186	410	252 6	110 9	11313 6	10271 9	908
	U	2423	2120	875	189 5	184 1	109	146	80 5	38 1	2503 5	2158 1	862
Tamil Nadu	T	20828	20371	978	–	–	–	–	–	–	–	–	–
	R	14439	14296	990	288	269	178.7	183.4	109 3	85 6	145423	14381 6	989
	U	6389	6075	951	277.8	244 2	218	216 6	59 8	27.6	6448 8	6102 6	946
Tripura	T	801	755	943	–	–	–	–	–	–	–	–	–
	R	707	677	944	12 3	7 22	10.3	6.4	2	0.82	719	677 82	943
	U	84	78	929	4.1	3 1	4.29	3.6	-0.19	-0.5	83 81	77 5	925
UP	T	47016	41325	879	–	–	–	–		–	–	–	–
	R	40214	35739	889	1414.9	982	268 9	550.4	1146	431.6	41360	36170 6	875
	U	6802	5586	821	555.6	427 6	172.9	249 9	382 7	177 7	7184.7	5763 7	802
West Bengal	T	23435	20876	891	–	–	–	–	–	–	–	–	–
	R	17174	16171	942	164.6	262 4	1009.9	463	-845.5	-200.6	16328 5	15970.4	978
	U	6261	4705	751	168.3	177 4	224 9	123	-56 6	54.4	6204.4	4759 4	769
Arunachal Pradesh	T	251	216	861	–	–	–	–	–	–			
	R	231	211	883	–	–	–	–	–	–	239	211	883
	U	12	5	417	–	–	–	–	–	–	12	5	417
Goa, Daman Diu	T	431	427	991	–	–	–	–	–	–			
	R	311	320	1029	26.09	27 85	–	–	26.09	27.85	337 09	347 85	1032
	U	120	107	892	31 2	33 95	–		31.2	33 95	151.2	140 95	932

(– Indicates insignificant values)

campaign would be called for. Areas where the fmrs are low but improving the measures already taken should be accelerated.

While a detailed discussion of the interventions and their design would be outside the scope of this presentation; two observations can be made. The author has elsewhere analysed the 71 census data in more details and has examined the link between fmr and flp. The significant differences between the three sociocultural groups, i e, the ST the SC and the 'general' population are in conformity with above analysis. However, the flp emerges as a dominant variable in determining the fmr. The implications of these findings are that creation of opportunities for female labour participation in productive activities and ensuring the female's control over the income thus generated will be the immediate need in areas of low and deteriorating fmrs.

The second issue relates to further disaggregation of the missing female patterns. The analysis of 1971 census data referred to above indicates that agricultural labourers, cultivators and non-agricultural workers also exhibit important differences between themselves within each of the above categories. The magnitude of the problem of sex ratio imbalance among these subgroups will warrant further scrutiny.

Conclusion

It will be ambitious to draw detailed conclusions at this stage of the analysis. But it is clear that the problem of sex ratio imbalance in India needs a disaggregated analysis. It is also clear that the absence of such analysis masks the seriousness of the problem among certain groups and also in certain areas. This has perhaps been the reason why fmr deteriorations as sharp as 50 women per thousand men during different decades in some of the states, failed to attract policy or academic attention. The decline in fmrs revealed in 1991 necessitates that such attention is focused on the major problem areas. Such problem areas can be identified with the help of the data presented here and through further disaggregation among various subgroups. We already notice that the northwestern states of India exhibit an adverse trend towards female survival. It can further be seen that such a trend is making inroads in other parts of the country, as well. Certain regions also stand out for not succumbing to this trend. The strategy for improving the declining fmr trend will differ between these two regions. That would be the objective of the next stage of this analysis.

Table 4.4 Missing Females 1991
(Scheduled Tribe)

State/UT	Male	Female	Missing Female	Percentage Contribution State Total	Percentage Contribution All India Total	Percentage Share of Population
		(in 000s)				
India	343 63	333 95	9 68	3 04	100 00	100 00
Andhra Pradesh	21 43	20 57	0 86	9 15	8 90	6 20
Arunachal Pradesh	2 75	2 75	-	0 68	0 05	0 81
Assam	14 62	14 13	0 49	5 40	5.03	4 24
Bihar	33 58	32 59	0 98	2 44	10 14	9 77
Goa	0 00	0 00		0 11	0 00	-
Gujarat	31 32	30 30	1 02	7 29	10 55	9 09
Haryana	0 00	-		0 00	0 00	0 00
Himachal Pradesh	1 10	1 08	0 02	3 33	0 22	0 32
Jammu and Kashmir	-			-	0 00	0 00
Karnataka	9 77	9 39	0 38	4 08	3 90	2 83
Kerala	1 61	1 60	0 01	(0 13)	0 07	0 47
Madhya Pradesh	77 58	76 41	1 17	4 98	12 12	22 73
Maharashtra	37 18	36.00	1 17	4 32	12 11	10 80
Manipur	3 23	3 09	0 13	33 53	1 37	0 93
Meghalaya	7 60	7 58	0 03	6 26	0.26	2.24
Mizoram	3 30	3 24	0 06	21 54	0 63	0 96
Nagaland	5 45	5 16	0 29	40 95	3 05	1 57
Orissa	35 13	35 19	0 06	(1 37)	(0 66)	10 38
Punjab	-			0 00	0 00	0 00
Rajasthan	28 37	26 38	1 99	9 58	20 57	8 08
Sikkim	0 48	0 43	0 04	15 56	0 42	0 13
Tamil Nadu	2 93	2 81	0 12	1 60	1 22	0 85
Tripura	4 34	4 19	0 15	19 20	1 56	1.26
Uttar Pradesh	1 50	1 37	0 13	0 14	1 34	0 42
West Bengal	19 39	18 70	0 69	2 35	7.15	5 62
A and N Island	0 14	0 13	0 01	2 60	0 08	0 04
Chandigarh					0 00	
Dadra and Nagar Haveli	0 54	0 55	-0 01	(34 30)	(0 12)	0 16
Daman and Diu	0 06	0 06	-	26 31	0 04	0 02
Delhi	-	-		-	0 00	0 00
Lakshadweep	0 24	0 24		10 27	0 02	0 04
Pondicherry		-	-		-	0 00

Note

1 Miller opines, in her analysis of the social variations that " Given the choice between using the modern (census) data for just three categories (i e ST, SC and General) or using somewhat old data (1931 census) on castes, I opted for the latter.

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Economic Reforms and the Rural Poor

S Mahendra Dev

BOTH the critics and supporters of the economic reform now agree that the poverty has increased during the first 18 months (July 1991 to December 1992) of the reform period. They disagree, however, on the factors responsible for the increase in poverty, particularly rural poverty.

A recent paper by Tendulkar and Jain (TJ hereafter) published in *EPW* (June 10) examined the factors responsible for the rise in poverty and their links with the reforms. They first present three measures of poverty (head count ratio, poverty gap index and FGT index) for both rural and urban areas for the period 1970-71 to 1992 and discuss the proximate factors responsible for increase in rural poverty in the post-reform period. They have used two alternative poverty lines. According to their estimates, head count ratio (HCR1) for rural areas increased significantly from 36.55 per cent in 1990-91 to 42.06 per cent in 1991 (July-December) and to 48.07 per cent in 1992. There was also a significant rise in the severity of poverty. Urban poverty increased marginally during the same period. According to TJ, "the accentuation of rural poverty during the National Sample Survey periods of 1991 (July-December) and 1992 (January-December) can be seen to be a combined consequence of the natural forces, constricted manoeuvrability of government action, political factors and only *indirectly* certain decisions relating to the economic reforms since July 1991." Their clear conclusion is that "economic reform-related decisions contributed indirectly rather than being the only or even the major cause of the sharp accentuation of rural poverty during the period under consideration" (p 1377). The purpose of my note is to (a) provide a different interpretation to the factors mentioned by TJ; (b) highlight that fiscal compression could be the main reason for not undertaking relief works at state level (or the 'constricted manoeuvrability' mentioned by TJ) in a "below normal agriculture year"; and (c) indicate that any decline in social consumption (as opposed to private consumer expenditure) could be attributed mainly to reforms during the post-reform period.

At the outset it may be mentioned that this note has a limited purpose of addressing the question, namely, whether reforms were responsible for increase in rural poverty during the 18-month period July 1991 to December 1922. It does not address the counterfactual questions like what would have been the situation without reforms or the issues relating to the medium- and long-term implications of the reforms for growth and equity.

Before going to the specific comments, I have two general comments to make on the patterns of poverty ratios and on reforms.

(a) Some patterns can be seen from the two alternative poverty ratios given by TJ. For want of a better term I call the lower end poverty ratio as the ratio for 'ultra poor' or 'ultra poverty' Table 1 shows that the ratio of ultra poverty (HCR2) to the total poverty ratio (HCR1) declined gradually over time. In other words, the rate of decline in ultra poverty has been faster than the total poor. But the ratio increased again during the 18 months of the reform period. For urban poverty, there was a marginal increase in this ratio in the 18 months as compared to the years 1989-90 and 1990-91 For rural poverty, increase in the ratio was true even for FGT Index

(b) A few words on reforms are in order The impact of economic reforms on poor in India so far has not been as bad as in the Latin American countries On the other hand, it has not been as favourable as in some of the East Asian countries [Rao 1995]. During the first few years of the stabilisation period it is expected that the reforms would have adverse impact on both rural as well as urban poor although the reforms are mainly targeted to the organised sector Two World Bank economists [Ravallion and Subbarao 1992] have argued that in the short run, the adjustment process would affect the poor adversely because the costs would be felt quickly whereas the benefits would take time to materialise. Therefore, it is the responsibility of the government to take care of the poor as far as possible by maintaining the social sector expenditure during the adjustment period This is important even for the success of the reforms. The reform process does not seem to be reversible irrespective of the government that comes to power in 1996 elections. Therefore, it is important to know the costs of adjustment.

Coming to the main issue, my comments on TJ's paper are the following:

(1) It is true that, as TJ indicated, so far the reforms have been mainly limited to the urban organised sector. Therefore, according to them, the rural sector would not be affected directly by the reforms. This point was made by many others. I digress a bit here from TJ to Bhagwati and Srinivasan (1995) who, in response to the statement of 13 economists, say that "since the reforms did not extend significantly and in a direct way to agriculture and to rural non-agricultural activities, it is unlikely that they, in themselves, could have contributed to an increase in unemployment and poverty if indeed there was any". However, according to me, the reforms have considerable direct and indirect (and positive and negative) impact on rural areas. First, it was expected that reduction of industrial protection and devaluation would benefit the agriculture sector. On the negative side, a cut in fertiliser subsidy and public investment would affect the agriculture sector

TABLE 2 DETAILS OF EMPLOYMENT, 1989-90 AND 1992
(Millions of Persons, usual status)

Categories	Rural		Change 1989-90 to 1992
	1989-90	1992	
Self empl agriculture	122.2	132.3	10.1
Regular empl agriculture	5.5	3.9	-1.6
Casual empl agriculture	70.5	74.9	4.4
Self empl secondary	17.7	11.4	-6.3
Regular empl secondary	3.4	4.1	0.7
Casual empl secondary	11.2	9.9	-1.3
Self empl tertiary	18.8	16.9	-1.9
Regular empl tertiary	10.5	9.0	-1.5
Casual empl tertiary	4.1	3.6	-0.5
Unemployed	2.8	2.9	0.1
Total	266.7	268.9	2.2

Source Compiled from Chandrasekhar and Sen (1995); Last column computed by the author

TABLE 1 RATIO OF ULTRA POVERTY TO TOTAL POVERTY, 1970-71 TO 1992

(Per Cent)

Year	Ratio of HCR2 (Ultra) to HCR1 (Total)		Ratio of FGT2 (Ultra) to FGI (Total)	
	Rural	Urban	Rural	Urban
1970-71	79.00	80.76	65.80	66.35
1972-73	80.23	80.19	66.45	65.60
1973-74	79.22	79.94	63.98	64.41
1977-78	79.05	78.15	65.70	66.53
1983	76.58	75.06	63.30	63.11
1986-87	75.29	76.97	61.09	63.56
1987-88	72.28	74.56	58.91	62.43
1988-89	70.97	75.55	57.34	62.18
1989-90	68.27	73.96	55.59	60.56
1990-91	68.95	72.99	56.77	62.15
1991	71.04	73.14	55.75	61.97
1992	74.64	74.20	59.17	60.94

Source: Computed from the information given in Tendulkar and Jain (1995)

adversely. Similarly, increase in issue prices for PDS (as part of the reform process) would also have affected the rural poor. The reforms in industrial sector might have directly affected non-agricultural activities (which are not insignificant) in rural areas. As TJ admitted, the cuts in public investment and social expenditure directly affect the rural areas. For framing economic policies, it makes some difference whether the reforms have direct or indirect effect on rural poverty. But for the poor it does not make much difference. Coming back to Bhagwati and Srinivasan (1995), they also say that "the overwhelming majority of the labour force in India is employed in agriculture and the dominant mode of employment is self employment and not wage employment. Unemployment is not a well defined concept for the self-employed". It may be noted that for many self-employed, secondary activity may be wage employed and thus person days would be affected as opposed to persons. Even self-employed persons like rural artisans and other household industry might have been affected. I, however, partly agree with Bhagwati and Srinivasan when they say that before and after comparisons of reforms on unemployment, poverty and growth have problems.

(2) It is by now well known that changes in agricultural growth and rural prices (particularly foodgrain prices) are the important determinants of changes in rural poverty. However, what is not well known is the importance of public action in influencing the changes in rural poverty. TJ mentioned the importance of public distribution system and employment programmes in the drought year 1987-88. These factors are discussed below.

(2a) *Agricultural Growth.* I believe that agriculture growth is very important for rural areas for not only increasing production but also for income generation to the labourers in the form of employment and wages and its linkages with non-agriculture. Its indirect impact to prices is also quite high. Growth has to be, however, relatively high to make an appreciable impact on the poor. Commenting on the trickle down hypothesis of Ahluwalia (1978), Srinivasan (1985) considers that the results should be interpreted with caution since there was very little to trickle down at the all-India level. In the 1980s, there was slightly higher growth in agriculture as compared to the 1970s. During the period 1981-82 to 1991-92, foodgrains growth rate was around 2.9 per cent and overall growth was around 3.4 per cent per annum. It was also a broad-based growth with West Bengal recording the highest growth in foodgrains. However, there are constraints to agriculture growth in some states and every state cannot have a Punjab type high growth. Therefore, there is a need for public action till non-agricultural growth absorbs the labourers productively. Turning to 1991-92, it is true that rainfall was below normal in many regions in this year and it affected agricultural production. In several states, coarse grains production declined. It may be, however, noted that rice and wheat production also declined. The decline could be partly due to decline in fertiliser consumption which in turn was due to increase in fertiliser prices. This could be attributed to the reforms. Gaiha (1994) has shown that fertiliser consumption per hectare declined in 1991-92 in Andhra Pradesh and Maharashtra.

Secondly, it is interesting to note that in spite of decline in agricultural production, even the share of agriculture employment in total rural employment (usual status) has not declined during 1991 and 1992 (more on this later). Also, we do not know how much impact the decline in coarse cereal production would have on the consumption of the poor. Even in the 1980s, there had been a shift from coarse cereals to fine cereals even in the coarse grain producing states. It is true that this shift increased the cost of calories.

(2b) *Foodgrains prices*: One of the major reasons for increase in rural poverty could be the increase in procurement prices. It is true that farm lobbies were responsible for the rise in these prices. It, may, however, be noted that part of the blame should go to reforms (I am not attributing everything to reforms). Similarly, the expectations of the traders regarding prices could have increased after the reforms. It is probably similar to the organised sector's expectation of high salaries in the post-reform period. As mentioned by TJ, devaluation and reduction in fertiliser subsidies led to increase in procurement prices. Therefore, reforms might have triggered the intensification of the demands of the farm lobbies and expectations of traders. Increase in issue prices of PDS would have also affected the purchasing power of the rural poor (more on this later).

(2c) *Employment*: TJ have not talked about the employment growth based on NSS data during these 18 months of reform period. Chandrasekhar and Sen (1995) looked at the industrial distribution of workforce for the years 1989-90 and 1992 based on NSS data. Since daily status details are not available, they looked only at usual status employment. This may have some biases because a person works in different activities (agriculture, non-agriculture) in a year. However, the information given for the employment by occupational classification in Table 2 shows that employment for agricultural classes did not show any decline whereas non-agricultural employment went down significantly between pre- and post-reform periods. Similarly, the sectoral shares given in Table 3 for the period 1977-78 to 1992 shows that the share of primary sector increased in the post-reform period as compared to pre-reform period for both males and females. These results indicate that in spite of reduction in agricultural production in the post-reform period, employment (in terms of usual status) has not declined in the primary sector. The stabilisation policies could be responsible for the reduction in employment in non-agricultural activities [for more on this see Chandrasekhar and

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Sen 1995]. Also, Sen (1994) indicated that government expenditure was responsible for the growth of rural employment, particularly non-agricultural employment, during the 1980s. Absence of the government expenditure in non-agricultural activities could be partly responsible for the decline in rural non-agricultural employment and income.

(3) *PDS: Urban Bias and other issues*: TJ commented that PDS is predominantly urban oriented programme. Further they say that "...the increase in CIP were more relevant for the urban poor and the urban population in general with the univeral (untargeted) urban public distribution system" (p 1377). This was true in the 1960s and 1970s. During this period, it was limited to a few southern states and urban metropolitan areas. Even the study of Howes and Jha (1992) which showed that there was urban bias indicated a considerable reduction in urban bias between 1979 and 1986-87. There are, however, significant inter-state disparities in the allocation of foodgrains. For example, the Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh (BIMAORU) states have been getting very little allocations compared to other states. Urban bias is only in a few states (e g, West Bengal) and few commodities. On the other hand, some other states have rural bias in PDS (e g, Andhra Pradesh). Some studies done by the Commission for Agricultural Costs and Prices (CACP) have also shown that there is very little urban bias in PDS. It is true that delivery systems and infrastructure are poor in rural areas. So the impact of PDS on rural puchasing power may be lower than urban areas. TJ assume that urban areas have absorbed the foodgrains from PDS during the post-reform period. Is there evidence on this statement?

It is a different matter that, as shown by some researchers, the impact of PDS on poor is marginal and it is not cost-effective as compared to other programmes like public works. The present PDS also has some other problems [for example, see Parikh 1994' for other problems, see Dev forthcoming]. It may be noted, however, that the problems in PDS may affect both rural and urban areas more or less equally.

According to TJ, one of the reasons for the increase in rural poverty in the post-reform period could be the reduced manoeuvrability of government action due to considerably depleted public stocks. It may be worth noting here that during the severe drought of 1987-88, the offtake under PDS was around 19.5 million tonnes. As shown in Table 4, the offtake (rice and wheat) during 1990-91, 1991-92 and 1992-93 was 14.97, 18.72 and 16.77 million tonnes respectively. The point to be noted is that the offtake for PDS was much higher in 1991-92 and 1992-93 (which are relevant for us) as compared to a normal year 1990-91 although it was lower than that of drought year like 1987-88. It is true that availability of more foodgrains under buffer stock could have made some improvement in the purchasing power. But the recent experience shows that even the high bufferstock (about 37 million tonnes now) does not guarantee increase in offtake if the difference between open market prices and issue price is not significant.

(4) *Poverty Alleviation Programmes*: TJ admit that the "the squeeze on the central anti-poverty programmes during the fiscal compression can be directly attributed to economic reforms" (p 1377). But, according to them, the importance of this factor is tempered by three factors: (a) the central government programmes would not have prevented sharp increase in rural poverty because of their limited scale; (b) limited effectiveness of these programmes due to problems of organisation and delivery systems; and (c) drought-relief works in 1987-88 were much more effective than central programmes.

I will take up the last point first. In 1991-92, weather effect was mainly on north and western states. In the northern states there was not a significant problem because of irrigation. In 1987-88, as mentioned by TJ, some states undertook drought-relief works and that prevented (combining with PDS) the rise in poverty. My point is why did the state governments not undertake measures to help the poor in 1991-92? Was it because the centre declared it as 'meteorologically normal' year? or because the funds were not available due to fiscal compression and decline in the allocation of funds to states? or because the bufferstock was not available for relief works? For me, it looks like the fiscal problems due to reforms could be the main reason for not undertaking relief works in different states. For example, in Maharashtra, the index number of foodgrains declined from 184.5 in 1990-91 to 128.6 in 1991-92. The expenditure under Employment Guarantee Scheme did not show any increase in real terms. On the other hand, there were some attempts to divert the funds (probably to meet the non-plan expenditure in the budget!). My hypothesis is that had there been efforts by the state governments as well as the centre to increase the purchasing power of the poor through anti-poverty programmes, probably rural poverty would not have increased. With the relatively high purchasing power, rural poor could have purchased even the PDS grains. The state governments and the centre did not undertake these programmes because of the fiscal compression due to reforms.

It is true that there have been many leakages and other problems in anti-poverty programmes in India. For example, the Concurrent Evaluation of JRY (January-December 1992) showed that more than 50 per cent of the workers working under JRY were *non-poor* (Table 5). It is also true that these are relief programmes and only economic growth can provide productive and sustainable employment. It does not, however, mean that anti-poverty programmes cannot make a significant dent on poverty. Although TJ do not deny the importance of these programmes, they say that central programmes could not have prevented sharp increase in rural poverty. My point is that maintaining the expenditure under central programmes could have at least prevented certain sections of the population falling below the poverty line.

A short digression: (a) One cannot reduce the leakages in anti-poverty programmes completely. It can be minimised with better administration. For example, in some programmes, the leakage can be reduced from 85 per cent mentioned by Rajiv Gandhi (this was quite high and exaggerated) to 30 to 40 per cent level. It may be noted, however, that fine tuning of targeting programmes are also harmful to the poor. I G Patel has once commented that in some cases it is cheaper and simpler with leakages rather than

TABLE 4: FOODGRAIN OFFTAKE UNDER PDS
(Million tonnes)

Year	Rice	Wheat	Total
1987-88	10 17	9 22	19.39
1990-91	7 09	7.87	14.96
1991-92	8 78	9.94	18.72
1992-93	7 41	9 36	16.77

Source: *Economic Survey*, 1989-90 and 1993-94.

TABLE 5: PERCENTAGE DISTRIBUTION OF JRY WORKERS BY ANNUAL INCOME, ALL-INDIA - CONCURRENT EVALUATION

Groups by Annual Income		Per Cent
(a) Destitute group	(up to Rs 2,265)	1 14
(b) Very very poor	(Rs 2,266-3,500)	4.27
(c) Very poor	(Rs 3,501-4,800)	12.95
(d) Poor	(Rs 4,801-6,400)	24 68
(e) Above poverty line	(Rs 6,401)	56.96

Source: *Concurrent Evaluation of JRY (January-December 1992)*, A Report, Ministry of Rural Development, July 1993.

TABLE 3: INDUSTRIAL DISTRIBUTION OF RURAL EMPLOYMENT (NSS USUAL STATUS)

Year	Males			Females		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
1977-78	80.6	8 8	10 5	88 1	6 7	5 1
1983	77.5	10 0	12.2	87 5	7 4	4.8
1987-88	74.5	12.1	13.4	84 7	10 0	5 3
1989-90	71 7	12.1	16.2	81 4	12 4	6 1
1990-91	71 0	12 1	16.9	84 9	8 1	7 0
1991 (July-December)	74.9	11.2	13 9	86 3	7 9	5.8
1992 (January-December)	75 7	10.4	13 9	86 2	7 8	6.0

Source: Compiled from Chandrasekhar and Sen (1995).

targeting [also see Sen 1992]. Supporters of these programmes say that leakages are everywhere in the society. We have also leakages in the growth-based programmes. For example, irrigation projects in India may have large leakages.

(b) Anyway, in the absence of higher growth and imperfections in markets, poverty alleviation programmes are important. Even employment creation through market mechanism would be costlier in the short run as compared to government programmes. In 1990-91, Rs 30 were spent in generating one day's employment under JRY in Maharashtra. GOI (1992) quotes a rough estimate made by Subbarao for normal developmental activities in 1986-87. According to this estimate, Rs 64 is needed for generating one day's employment via normal developmental activities in 1986-87 [see GOI 1992]. Tendulkar (1992) discusses the importance of the direct attack on poverty in the light of the barriers to income mobility for the poor, particularly for the virtually assetless poor. In the absence of significant redistributive measures as happened in East Asia, Indian poverty alleviation programmes can also be considered as programmes that change the structure of income distribution. Of course, one has to distinguish between populist programmes and other programmes [Rao 1995]. The protective social security schemes are equally important. "Studies point out that 60 per cent of the total disabilities occurring in India can be prevented if expectant mothers receive proper nutrition and care" (*The Economic Times*, July 25, 1995). There is certainly a need for improving the efficiency of the government programmes [Dantwala 1983]. Regarding organisational and delivery systems for poverty alleviation programmes, institutional reforms may be needed for implementation in order to reach the benefits to the poor effectively.

(5) *Social Consumption*: It is known that total consumption of a person or household consists of private consumer expenditure and social consumption. TJ's concern in their paper was mainly on private consumption. It is difficult to get information of social consumption at the household level. However, many studies have shown that social sector enpenditure declined considerably during the first few years of the reforms period [among others, see Gupta 1995, Guhan 1995, Prabhu 1994, Tulsidhar 1993]. These studies have shown that expenditure on health and education and other sectors have declined and it could affect the human development indicators. Decline in expenditure on important components of health sector, namely, preventive health care, was also noticed. I attribute any decline in social consumption mainly to reforms.

The above interpretations regarding the impact of reforms on the rural poor can be summarised as in Table 6.

To recapitulate, the interpretations mentioned in this note indicate that the increase in rural poverty indicators (based on private consumer expenditure) in the post-reform period was more due to the direct and indirect impact of reforms as compared to factors like weather and farm lobbies. One of the main factors could be the inability of the states and the centre (due to fiscal compression) to undertake relief works in order to increase the purchasing power of the rural poor. In other words, the 'constricted manoeuvrability' mentioned by TJ could be attributed to the reforms. Any decline in social consumption indicators could be mainly due to reforms. I have not discussed here the counter factual qestions like what would have been the situation without reforms and the issues such as the impact of economic reforms on poverty in the medium and long-run or the trade-off between the short and long run.

TABLE 6. IMPACT OF REFORMS ON RURAL POOR

Due to Reforms (Directly)	Due to Reforms (Indirectly)	Not Due to Reforms
Decline in rural non-agriculture employment and income	Increase in the expectations of traders and farmers regarding prices	Weather factor. Only 68 per cent and 65 per cent of districts had normal/excess rainfall in 1991-92 and 1992-93 respectively
Decline in fertiliser subsidies	Increase in the issue prices of PDS	
Reduction in central expenditure anti poverty programmes	Inability of the state governments to undertake relief works to increase the purchasing power of the rural poor	Part of the excess increase in procurement prices could be attributed to farm lobbies
Decline in expenditures on sectors which improve social consumption	On the positive side, decline in industrial protection and devaluation were expected to shift the terms of trade towards agriculture. Devaluation can also have negative effects in the short run. For example, in some states, area under foodgrains were shifted to non-farm activities for export purposes.	Lower level of buffer stock compared to the optimum level (this could be partly due to weather factor)

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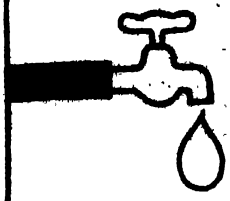
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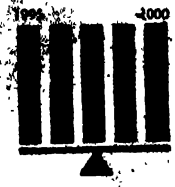
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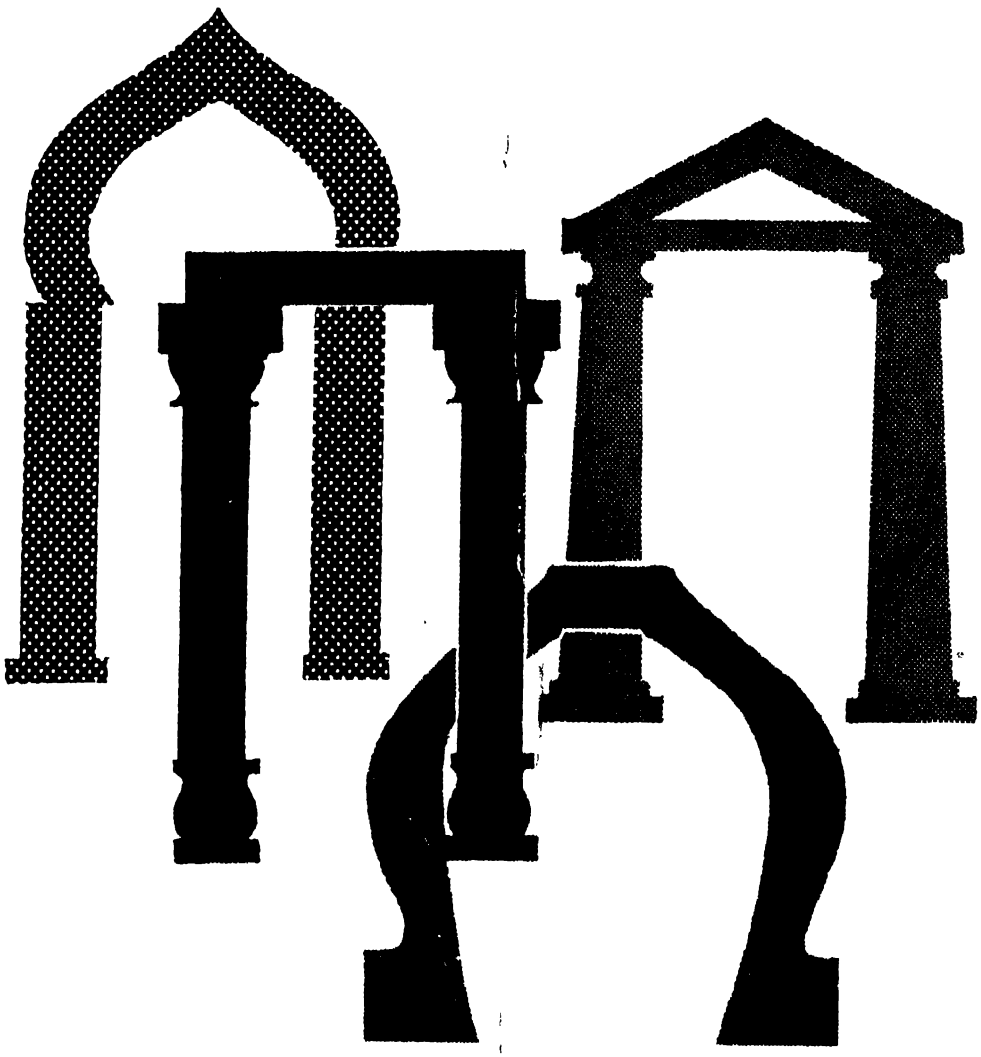
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Lessons from East Asia

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LETTERS TO EDITOR

Technology Development in Fertiliser Industry

I WAS resisting my temptation to intervene in the Sudip Chaudhuri-Ramaswamy Iyer debate on the developments in the Indian fertiliser industry in the 1960s and the 1970s, but since (May 28, 1994, August 20, 1994, April 29, 1995 and June 24, 1995) Iyer has made an attempt to obfuscate the issues by referring, above all, to the "appreciative letters" he has received in support of his position, I felt prompted to respond. I have long worked on the Indian fertiliser industry and having gone through the material during the period when the decision regarding the 1,350 tpd ammonia plants were being taken, which incidentally was during Iyer's tenure as the financial adviser in the ministry of chemicals and fertilisers, I can provide some vital facts that Iyer has preferred not to mention

One of the most glaring omissions in Iyer's interventions was the absence of any reference to the Sethna Committee report (chaired by H N Sethna, then chairman of the Atomic Energy Commission) that considered the working of the three engineering design organisations involved in the Indian fertiliser industry, viz, P and D division of the FCI, FEDO of the FACT and the EIL. This report was never made public. Iyer could possibly provide the reasons why the report was kept secret. But what is important in the context of the Chaudhuri-Iyer debate is that the Sethna Committee had argued that EIL should not have been in the business of setting up fertiliser plants in the country The Bechtel Corporation-supported EIL was thrust upon the fertiliser industry even when two public sector organisations, P and D and FEDO, were long involved in setting up plants largely based on expertise available locally. Thus, instead of allowing P and D and FEDO to hone up their skills, it could be said that EIL was introduced to dissipate the efforts of the organisations that were involved in developing indigenous technology.

The Sethna Committee's arguments, it needs to be pointed out, centred around strengthening of the P and D division of the FCI. Standardisation of plants (both ammonia and urea) was among the foremost suggestions made by the Sethna Committee to make the P and D division more efficient as an engineering design organisation. It is in this context that the points raised by Chaudhuri regarding the implications of setting up of the 1,350 tpd ammonia plants become relevant, and he is quite justified in questioning the veracity of the decision in favour of the larger-sized plant. 900 tpd ammonia plants were then the size that P and D division was capable of handling and this size should have been adopted as the standard. There was no need to scale up the ammonia plant to 1,350 tpd particularly when this larger-sized plant gave no clear operational cost advantages. On the contrary, it could be argued that the 1,350 tpd plants could not be adopted as a standard size because several regions of the country did not have the infrastructure to transport the over-dimensioned equipment required for this size of plants. The decision in favour of the 1,350 tpd ammonia plants was nonetheless taken, but in all this the ultimate loser was the P and D division of the FCI, which had by then been made a separate company as the FPDIL. This was the last nail in the coffin of the efforts to develop indigenous technology in the Indian fertiliser industry. Iyer could refer to the article I had written in the Annual Number of the *EPW* in 1984 dealing with the above mentioned issues.

Iyer's own role in the process of downgrading of the achievements of the P and D division deserves mention. The issue of time and cost overruns in the projects P and D division had handled was studied by an independent organisation, the Institute of Financial Management and Research (IFMR). Although the report was unable to fix the responsibility for the overruns conclusively on the P and D division, the report was nonetheless used to flog the organisation. This report was given undue importance by Iyer in his capacity as the financial adviser of the ministry. A note was circulated by him that even I could lay my hands on! And all this he did while the Sethna Committee report gathered dust and which, as I mentioned before, was arguing for strengthening of the P and D division, and therefore of the indigenous efforts at technology development in the Indian fertiliser industry.

BISWAJIT DHAR

New Delhi

Fudged Statistics

KALIMUDDIN SHAMS, West Bengal's minister for agricultural marketing, informed the state assembly on July 24 that the prices of potatoes and vegetables – in which West Bengal is a surplus state as per the state government's statistics – were rising because of the centre's restriction on export and non-availability of infrastructural facilities for storage. This statement betrays the utter idiocy of ministers – whether of the left or right variety – in today's Indi Rising prices despite surplus production also raise serious questions about the quality of statistics of the West Bengal government. A few months ago, due to floods in some neighbouring states, trucks carrying fish did not arrive from some southern states leading to a sudden jump in fish prices by more than 50 per cent. Finding no buyers for such costly merchandise, fish stalls in the market remained closed for nearly a week. All this happened in Calcutta proper where the people have relatively good buying-power and in a state which has had the highest production of fish for some years. Comments about the West Bengal government's fudged statistics that appear occasionally in the 'Discussion' columns of the *EPW* are well taken.

A READER

Calcutta

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ECONOMIC AND POLITICAL WEEKLY

Back to the Roots

IN Beijing next week, more women will be talking the same language and sharing the same idiom and grammar than ever before in articulating a women's perspective and reviewing the tremendous changes in the decade following the Nairobi Conference on Women. And as never before in the history of the modern women's movement, they will be confronting and challenging the limits of accommodation possible within the dominant world order structured by the neo-liberal economic paradigm.

While gender disparities are pervasive and, as the *Human Development Report* 1995 suggests, persistent, some indices measuring social change with regard to women have shown considerable and consistent improvement in most countries. However, the progress towards women's equality appears to slow down in proportion to its costs to the state in terms of the economic, political and social change required to engender such change. Between 1970 and 1990 life expectancy rose 20 per cent faster for women than for men; in adult literacy and school enrolment, the gaps between men and women have been halved; and female literacy rates are now closer to men's. Primary school enrolment of girls in developing countries has risen by 1.7 per cent a year during 1970-90, showing a higher rate than for boys.

The snapshot of women's health status is not so bright. Infant mortality rates, the reduction of which is directly related to the lowering of fertility rates and increasing contraceptive prevalence, have declined. The one has fallen significantly and the other has risen, whereas maternal mortality rates, which reflect the status of investment in infrastructure, have shown remarkably small declines in developing countries. Shockingly enough, 46 per cent of all maternal deaths occur in the three countries of the Indian subcontinent, India, Bangladesh and Pakistan. Significantly, comprehensive data on women's health and their access to health care facilities continue to be unavailable, hiding the lack of progress in the area. There is evidence, for instance, that malnutrition affects women more than men: according to the *HDR 1995*, 458 million women suffer from iron deficiency while only 238 million men are so affected. Similarly, protein energy malnutrition severely affects women more than men and is estimated to be the cause of 3,00,000 deaths among women in the age group 15 to 59 in developing countries. But there is little information on how many more women die of communicable diseases, whether more women are affected by these diseases or die because of neglect, how badly women are affected by gender-biased medical systems and on investment patterns in health care for women.

Even more stark is the evidence on women's economic situation. Poverty, as the *HDR 1995* puts it, has a woman's face. More than 70 per cent of the 1.3 billion people living in poverty are women and the number of rural women living in absolute poverty rose in the last two decades to 50 per cent. Women's labour force participation has grown by a meagre 3.9 percentage points in the last two decades, bringing the rates nowhere near the 58 per cent for men in 1990. According to the *World Development Report 1995* (WDR), however, in many countries – 30 of the 45 low income countries – the female share in the labour force has actually fallen: in India from 30 per cent in 1970 to 25 per cent in 1990.

There are far more women 'unemployed' in the sense of those who seek employment and do not find it. There has been hardly any progress in providing work-related welfare measures such as child care facilities, maternity benefits, social security, etc. While women constitute 80 per cent of food producers, few countries have legislated to protect their right to the land that they till. The one sector where women's participation has risen, and sharply, is the informal sector, which includes home-based production as well as small and cottage industries and trade and service occupations. This is also the sector which has the poorest working conditions and is the most ill-legislated, ill-monitored.

Are women's rights today better protected and more uniformly institutionalised? Though the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) has been signed by 139 countries, only 41 have ratified it, with the result that even in countries where, for instance, educational and other opportunities have been opened up for them, women may not have the right to manage property, to land, or to travel or even to access income-earning opportunities. And not surprisingly, there continue to be only a minuscule number of women in decision-making bodies, in parliaments or in administrative structures.

In other words, change or 'progress', it would appear, has occurred in those areas where, for one, the least disturbance has taken place in conventional structures, and for another, the state has had an associated pay-off, with least effort, as for instance in education because of the demonstrated connection between female literacy and the all-important goal of fertility reduction. As has been evident, the change in attitudes manifested in families allowinwg female children to enrol in schools and in the state providing such facilities becomes irreversible and a step towards the breaking up of patriarchal structures only if adequately supported by other more radical changes in the economic, political and social system. But these changes have not even begun. Thus while there is much

to celebrate at Beijing, the struggle for women's equality appears to be poised at a critical juncture. While the first approaches to the struggle did not deny the bias against women in the economic roots of society, they focused on the changes required in the ways of seeing and ways of thinking. This radical reconstruction of the worldview appears today to have been adopted, but in fact it is only the rhetoric which is in place. For gender equality is a facet of economic growth which premises equality not only in terms of the gains of development but in allowing for participation in defining the processes and goals of development. This has not happened and, worse, there is evidence that given the prescriptions being proposed, there will be even less change in that direction. While the idea that economic growth is not a sufficient condition for ensuring women's equality is widely accepted, the fact that expansion of economic opportunities for all is a precondition for ensuring women's empowerment has been ignored. The *HDR 1995*, for instance, while it advocates various changes to increase women's entitlements, ensure a critical threshold for decision-making positions to be held by women and increase educational opportunities for women, has only this to say in terms of revamping the economic and institutional arrangements, encourage men to participate in family care, offer flexible work schedules, change tax and social security incentives, and change laws on property, inheritance and divorce. To seek special concessions in an environment where opportunities for employment, for increasing purchasing power, for accessing basic necessities are being squeezed is ridiculous and pointless. In fact certain kinds of growth being advocated are designed to make the situation worse for women. The *WDR 1995*'s emphatic recommendation that countries pursue market-based growth paths, take advantage of new opportunities at the international level by opening up trade and encouraging export-oriented growth, even while acknowledging that these movements will cause further social distress, even if only in the interim, will in the long run squeeze opportunities for equal participation in economic growth. More significantly, such a prescription makes it imperative that vulnerable sections be offered protection. Defining women as the most vulnerable of those who need to be protected from the 'interim' distress is politically safe and takes care of the demands of the women's movement. Thus in a sense there is change waiting in the wings, change which will move women towards the goal of equality, but it will be ephemeral, for it will only facilitate the consolidation of an inegalitarian economic and political system and will in time erode the current gains for women.

SAVING RATE

Negative Impact of Financial Liberalisation

IT used to be feared, as long as a decade back, that the low domestic saving rate of the US, its low household saving rate in particular, would become a source of destabilisation of the world economy. US gross saving as per cent of GDP had declined from an average of 20.3 per cent during 1973-80 to 17.6 per cent during 1981-87. The US economy was being propelled by high household consumption expenditure. In the 1980s US domestic investment began to exceed domestic saving, giving rise to a large deficit on the current account of the balance of payments as well as a budget deficit, which made the US absorb sizeable saving from the rest of the world. This situation, it was thought, could not be sustained for long. No doubt, some correction has been made in the budget deficit, but the current account imbalance, which had narrowed somewhat in the latter half of the 1980s, has got worse. The saving rate slipped further to 14.2 per cent in 1992, with only a marginal improvement to 14.6 per cent and 15.5 per cent, respectively, in the next two years. During these years when the US experienced the most rapid economic recovery amongst all the industrialised countries, according to the latest BIS annual report and the OECD economic survey of the US, net household saving as percentage of personal disposable income dwindled from 8.3 per cent in 1984 to 5.5 per cent in 1992 and further to 4.1 per cent each in 1993 and 1994. At the other end of the spectrum, net household saving in Japan rose from 14.4 per cent to 15.6 per cent and 16.6 per cent, respectively, over the same period.

It could be argued that the US economy has not collapsed, that in fact it has prospered, despite the low saving ratio. It could be further suggested that with the freeing of cross-border capital flows and financial sector liberalisation the world over, inter-country imbalances in saving can now be evened out smoothly without disrupting the world economy. But, on the other hand, it is equally true that because the present world economic order makes it possible for some rich countries to promote high consumption levels which propel their growth, a general shortage of saving is being created. Second, what is also being promoted is an unequal distribution of world saving as the richer countries are able to attract productive capital in far larger measure than the poorer countries. Finally, for the above reasons, the cost of capital for the poorer countries has tended to increase with rise in world interest rates.

These developments have raised quite an interesting debate on the whole question of trends in world saving, saving behaviour of individual countries and its determinants and consequences. In its latest *World Economic Outlook* (May 1995) the IMF has provided a succinct review of the issues involved. Historically, it is the US which was the highest saving nation in the world (with a saving rate of 20 per cent of GDP as early as the 1870s), whereas most of the other industrial countries, including Japan, the UK and France (as also Canada and Australia), had much lower saving rates (between 10 and 15 per cent). While the US saving rate stayed remarkably constant over most of the 20th century until the 1980s, virtually all the other industrial countries and the fast growing among the developing countries have seen their saving rates move up to the 20 per cent range. A few countries, such as Japan, China and some of the newly industrialising Asian economies, have achieved saving rates in excess of 30 per cent.

Driven partly by the rapid rise in Japan's saving rate, overall world saving rate climbed steadily from the 1960s, touching peak levels during the oil price shocks of 1973 and 1980. But since 1980 the world saving rate has declined markedly. Having averaged 23 per cent in the pre-oil shock years of 1960-72, it rose to 25 per cent between 1973 and 1980 and then came down to 22.5 per cent after 1981, it averaged 21.75 per cent in 1992 and 1993, down by over 2 percentage points from the levels of the late 1960s and the 1970s. It is interesting that the restraint on consumption necessitated by the oil price increases, in the industrial countries in particular, brought about a rise in world saving.

The IMF review highlights that decline of public sector saving has been responsible for the fall in saving rates in the industrial countries. It is the public sector in other words which has sustained the high private consumption levels. The industrial countries currently account for roughly one-half of world saving, though their share of world GDP is over 70 per cent. By contrast, the average national saving rate of the developing countries has shown a sharp upward trend from about 19 per cent of GDP in 1970 to 27 per cent today. The rate for the developing Asian countries has gone up by over 10 percentage points, from 21 per cent in 1969 to over 31 per cent in 1993, thanks to the rise in private saving rates. Saving rates in Africa and the developing countries in the western hemisphere have, however, come down – in the case of the latter countries after rising in the 1970s. The IMF study comes to the categoric, and significant conclusion that "among the factors responsible for the fall in the saving rate in these countries were the surge in capital flows and financial liberalisation, which resulted in increased access to domestic and foreign borrowing". The impact of financial liberalisation on saving

behaviour has been negative also in the industrial countries, according to the IMF. In the developing countries, while the inflow of foreign capital may increase the total funds available for investment, it is likely to partially replace national saving by raising domestic consumption. Suggesting a distinct negative relationship between domestic saving, especially private saving, and the inflow of foreign saving, the IMF review brings out how capital flows into the major Latin American countries have lowered national saving rates because these countries simultaneously liberalised and opened up their financial systems. The high growth Asian countries, on the other hand, followed very cautious policies in opening up and liberalising their financial sectors and the result has been that in their case capital inflows have supplemented national saving and increased overall investment. The IMF review also finds that the impact of foreign aid on saving, though mixed, has been generally negative, with some 40 per cent of aid on average going into consumption.

The tricky question of the relationship between income growth and saving rate remains unanswered. The impact of changes in the real interest rate on the saving rate is similarly ambiguous, with both a positive substitution effect and a possible negative income effect. Empirical studies have generally found little overall effect. Also ambiguous is the effect of taxation on saving behaviour, because taxes and subsidies for saving exert their effect through the effective post-tax interest rate and, as noted above, the saving rate has been found to show not much sensitivity to changes in the real interest rate. The effect of the real interest rate on saving tends to be all the more weak in developing countries because of liquidity constraints and low levels of income. The effect of the age composition of the population on the saving rate has been found to be significant, particularly in the OECD countries. The life-cycle model, with providing for retirement taken as the principal motivation for saving, would expect the saving rate to decline as the proportion of the retired in the population increases. On the other hand, a higher proportion of those below the working age and of dependents would also tend to depress the saving rate.

POLITICS

Deal-Makers' Opera

WITH the Lok Sabha polls (due early next year) looming large before the political parties, their leaders have already started working out and testing equations among themselves for negotiating possible alliances and adjustments in order to face the unpredictable electorate in 1996.

Developments in the various political camps during the last few weeks indicate both open overtures and covert powwows among different parties and individual politicians, formulating their respective electoral strategies. While the major political parties and combinations are in a rush to capture power at the centre, the smaller and regional parties, as well as independent politicians, are clamouring to gain a foothold in what might turn out to be a hung parliament where they hope to serve their own interests by playing a decisive role in the horse-trading that would determine the formation of the next government in New Delhi.

Among the major contenders, the sudden decision of the BJP-Shiv Sena government of Maharashtra to felicitate the union home minister S B Chavan on his 75th birthday – otherwise an eminently forgettable occasion in the public mind – and the latter's readiness to attend the ceremony (in spite of opposition from a section of his own party in Maharashtra) are not without electoral significance. The glib explanation offered officially by both the BJP-SS alliance and the Congress Party that it was merely an expression of the state government's ardent desire to honour a 'hero' of Maharashtra whose popularity was supposed to cut across all political barriers will not convince anyone. One view is that Chavan decided to attend the ceremony after getting the nod from the prime minister. With the rapid erosion of the ranks of his followers in the party, Narasimha Rao is obviously keeping his options open, using Chavan as an olive branch to the Sangh parivar. We should not be surprised if tacit understanding is arrived at between the BJP and Rao on the eve of elections.

The other political parties also are hedging their bets by negotiating with regional groups, breakaway factions of the Congress, influential independent candidates and all sorts of odd parties and politicians, not knowing which among them might turn out to be handy in their pursuit of power in New Delhi. The National Front, with the Janata Dal as its leading constituent, is inclined to give up a central strategy laying down uniform principles for poll alliances in favour of a flexible approach that would allow its constituents to come to an understanding with parties or individuals according to their respective needs. We are thus entertained by the political burlesque in the south, where super-star NTR invites Jayalalitha, Rajnikanth, Raikumar and a host of similar matinee idols to form a front called 'Bharat Desam'. At the same time, he hastens to assure the National Front and other national parties that he is amenable to negotiations for electoral adjustments. It is obvious that NTR is trying to expand beyond his Telugu Desam (already fragmented by family squabbles) and emerge as a presiding deity over the southern states – Andhra Pradesh, Tamil Nadu and Karnataka, though not Kerala which, mercifully, has not yet succumbed to the tinsel politics of the film world.

In the northern states, the non-BJP and the non-Congress political parties are also unwilling to put all their eggs in one basket. Both Mulayam Singh Yadav of UP and Laloo Yadav of Bihar – at loggerheads with each other – have taken care to keep Narasimha Rao in good humour. Both are on the hit-list of the Sangh parivar and therefore need protection from the centre. Considered as 'untouchables' by the BJP, they have no option but to join the National Front, but at the same time cannot afford to antagonise Rao, should the latter return to power.

From all these behind-the-scenes deals and all the ambivalent gestures and utterances of politicians what has totally disappeared is ideology – or whatever little of it is left today in the Indian political arena.

KASHMIR

Charade All Round

A correspondent writes:

THE killing of the Norwegian hostage by the Al-Faran militants throws a murky light on the nooks and crannies of the Kashmir dispute, in which are stuck not only New Delhi and Islamabad but Washington too. Trapped by its traditional policy of playing footsie with Pakistan, the US is now being hoisted by its own petard. The Clinton administration should have to do a lot of explaining to its citizens as to why the all-powerful diplomatic and military clout of Washington could not extricate a US national (one of the hostages held for more than a month) from the clutches of a terrorist group which is patronised by the same Islamabad which is being armed by Washington.

On the stalemate over the hostages in Kashmir, curiously enough, all three governments appear to share a common strategy, which is long on diplomatic rhetoric and short on operative measures to get the hostages released. To take our government first, no one in his senses of course could have expected the Indian army to locate and attack the den of the Al-Faran group and rescue the hostages. Its performance during the Charar-e-Sharief operation, when it failed to apprehend Mast Gul who literally walked away from the shrine in front of the army jawans and officers, is evidence of the army's capabilities. The only option left with New Delhi therefore was to blow hot and cold – now threatening to punish the abductors and then appealing to them and finally depending on diplomatic initiatives. Following this, we were entertained by a number of intriguing developments. Under US pressure,

we were told, Maulana Fazlur Rehman, chairman of the Pakistan Senate's foreign relations committee, who is reportedly closely allied with the Al-Faran group, was allowed to visit New Delhi, presumably to establish contacts with the group and persuade it to release the hostages. The Maulana cooled his heels in the Indian capital for a while and then went back to Pakistan.

This brings us to the role of Islamabad. If Maulana Fazlur Rehman was the crucial link between the Pakistan government and the Al-Faran, as we were told, one wonders why it was necessary for him to come all the way to New Delhi to speak to the abductors. He could have done the job from what he calls 'Azad Kashmir' lying within the territory of his own government. Does it mean that Islamabad does not have any control over some of the militant groups operating in Kashmir which it had trained and armed? Or are the ISI and Benazir Bhutto operating at cross purposes? At the end of it all, poor Bhutto was left with the embarrassing task of condemning the killing of the Norwegian hostage by militants whom only the other day she was lauding as 'freedom fighters' receiving 'moral support' (a diplomatic euphemism for military aid and training) from her government.

Whatever the way in which the hostages crisis is resolved, it is clear that both Pakistan and India have bungled in their respective strategic plans on Kashmir. New Delhi underestimated the ruthlessness of a gang of desperadoes, which, it thought, would hesitate to kill foreign nationals. But Al-Faran, peeved by its inability to get its leaders released from Indian jails, and bereft of any sense of responsibility to the cause of the Kashmiris, had no qualms about killing a hostage. It has no doubt embarrassed Islamabad, which should realise now that it has created a Frankenstein by training and arming numerous groups of militants of which it may have lost count by now. The logic of such a muddled militarist strategy inevitably leads to the proliferation of armed bands of mercenaries which acquire an autonomy of their own and create situations beyond the control of their patrons. New Delhi had to pay a heavy price for adopting a similar policy when it trained and armed the Sri Lankan Tamil militant groups, among which the LTTE emerged as a challenge to New Delhi itself and humbled the Indian army in Jaffna. Short-sighted as it is, the ISI of Pakistan failed to learn lessons from its Indian counterpart, the RAW.

One hopes however that among the Kashmiris, those who claim to be freedom fighters, the politicians who support them and the people who sympathise with them will take lessons from the Al-Faran abduction experience. Their dependence on Pakistan's moral and military support (without seeking alternative sources of aid, both inside India and abroad) has not only diluted their identity as freedom fighters (as distinct from the pro-Pakistani Kashmiri groups seeking Kashmir's merger with Pakistan), but also crippled their will and ability to prevent the Pak-sponsored groups – both Kashmiri and those consisting of foreigners (Afghans, Saudis, Libyans and others known in the valley as 'guest militants') – from dominating the armed movement and indulging in crimes like rape, extortion, abduction, etc. It is this that led to the emergence of the hitherto obscure group called Al-Faran from among the Pak-armed militant squads operating in the valley, which had acquired enough clout not only to be able to defy the Indian army, but also to refuse to heed appeals from the local Kashmiri militant front, the Hurriyat Conference. It is quite apparent that Al-Faran owes no loyalty to the local Hurriyat or even to its Pakistani mentors. The Hurriyat then should realise that the Pakistani strategy of indiscriminately arming mercenaries has not worked to the advantage of the Kashmiri militants and would inevitably lead to crimes like the killing of an innocent hostage. In an attempt to dissociate itself from the ghastly incident, the Hurriyat promptly called for a 'Kashmir bandh' protesting against the killing of the Norwegian hostage. But, not daring to condemn Pakistan for arming Al-Faran, the Hurriyat leaders came up with the theory that Al-Faran was an 'Indian intelligence agency'.

How long can this charade continue – with India pretending to solve the Kashmir crisis by holding elections, Pakistan posing as a saviour of Kashmir while planning to annex it and the politicians of the Kashmiri militant movement blaming New Delhi for their own failure to stem the degeneration of the movement that had been brought about by Pakistani military aid and abetment?

NUCLEAR TESTS

Obsolete?

THE Clinton administration's announcement that the US would not conduct any further "nuclear test explosion or any other nuclear explosion" has moved the comprehensive test ban treaty (CTBT), currently being discussed by 38 countries in Geneva, several steps closer to becoming a reality. On the other hand, it does not ensure that the US will either reduce its nuclear arms stockpile or even refrain from adding to it. Nor for that matter is the declaration as momentous as it is made out to be.

The point of fact is that ever since the idea of a comprehensive test ban treaty was conceived there has been an enormous investment in pursuing research on evolving alternative methods of testing which validate and test the reliability of nuclear systems but do not involve explosions. Hydronuclear testing, the capability for which France is now reportedly attempting to acquire in the course of its eight nuclear tests in the Pacific, release very low nuclear energy while being capable of validating the design of a nuclear weapon. A recent well-circulated statement of an influential group of American physicists has suggested that the US could maintain reliable nuclear weapons without physical nuclear tests. There is sufficient information to show that experiments on evolving testing procedures using laser simulations and complex computer systems have been successful enough for the US to have made this declaration of a ban on nuclear test explosions. What is of import here is that all these newer methods of testing without explosions are with the US mainly and to a much lesser extent perhaps with France and the other big nuclear powers. In other words, even if a comprehensive test ban treaty comes into force – and now with the US pushing it, objectors such as Russia may have to fall in line – those countries with the capability of evolving new procedures for testing which do not involve explosions will carry on with the nuclear race.

The other issue, of course, is that even while big nuclear countries have spent large funds in evolving testing procedures, etc, not enough research has gone into the mechanisms of monitoring any of the test ban treaties. The International Atomic Energy Agency (IAEA) charged with the contradictory responsibilities of both promoting peaceful uses of nuclear energy and at the same time ensuring that the terms of treaties such as the NPT are observed, has floundered badly. Its inefficiencies and lack of capability to do its job have become especially evident after the Gulf War and subsequently when it was revealed that South Africa, which had opened its installations to IAEA inspection, was simultaneously creating a nuclear arms industry which the IAEA would certainly have known about but did not divulge. That large-scale illegal proliferation of arms-making material has been taking place is now an established fact and the IAEA's lack of authority as well as of technological inputs to monitor the arms race has become clear.

Thus while Clinton's announcement, coming as it did soon after the Republican-dominated Senate voted $50 million for low-level nuclear tests and in the wake of the world's continued anguish over Hiroshima and the widespread reaction against the French decision to resume testing, may have gained him friends at home and abroad, it in fact does not in any way move the US or the other big powers in the direction of a world without nuclear weapons. In fact there is every possibility it will make the CTBT obsolete and/or ineffective even before it is signed.

DUNLOP INDIA

Record Turnover

DUNLOP INDIA, a member of the Chhabria group of industries, closed its financial year ended December 1994 with a record sales turnover of Rs 596.98 crore, growing by over 36 per cent over the figure for the previous 18-month period on an annualised basis. Profit before tax was Rs 12.56 crore, registering an increase of around 90 per cent over the annualised figure of Rs 8.80 crore for the previous year. It would have been higher but for an adjustment of Rs 7.02 crore made in 1994 accounts for payment of arrears of wages and bonus to employees at the Sahaganj factory. Net profit, at Rs 12.56 crore, showed a growth of 146 per cent over the annualised figure of Rs 5.11 crore for the previous accounting period. The company has changed its accounting year thrice to eventually revert to the December 31 year-end. DIL once again emerged as a dominant player in the truck tyre sector with the average monthly sale reaching 40,000 tyres. The steep increase in profit after tax has been attributed to revision of marketing strategies, greater attention to customer service and an improved product-mix. A dividend of 20 per cent has been declared by the directors.

Dunlop India for the first time exported aero tyres to the US. A major breakthrough was achieved with the company getting repeat orders for steel cord belting from Australia. Trial exports to open up new markets in Vietnam, Latin America, West Asia, Philippines and Myanmar bore fruit as confirmed orders had been received.

In the various market segments – truck tyres, passenger car tyres, farm tyres and aero tyres – the company recorded sales increases of 37 per cent, 21 per cent, 36 per cent and 60 per cent, respectively. In the industrial products category, sale of steel cord belting increased by more than 20 per cent. In respect of aero tyres Dunlop India qualified in the tests of the Federal Aviation Authority of the US and the certified testing facilities of Dunlop, UK. The new H-40 tyre has been developed for Boeing aircraft. Production of sophisticated steel cord belting was increased by 100 per cent after the completion of a Rs 30 crore investment programme phased over a span of three years. Besides two new brands – Glider (a textile belted car radial tyre) and Mahaan (a heavier rear-wheel tractor tyre) – were also launched.

Dunlop's forthcoming projects are a part of its 'Vision-2000' prepared with the objective of well-structured backward and forward integration with the thrust on expanding the core business areas of tyres and rubber products and reducing dependence on outside agencies. Dunlop will reduce its overwhelming dependence on natural rubber by switching to synthetic rubber. It has set a target to change the raw material mix to 35 per cent of synthetic rubber in 1995. The company's modernisation and expansion projects have been put under the charge of its technical collaborator, Sumitomo Rubber Industries of Japan which is the worldwide owner of the Dunlop brand name except in India and France. A new state-of-the-art poly V-belt manufacturing facility in collaboration with Mitsubishi Belting of Japan has been proposed for the industrial products division.

DIL has signed a memorandum of understanding with Gujarat Industrial Investment Corporation for a Rs 700 crore joint venture at Savli to be completed in 25 months. Another joint venture is on the anvil in Gujarat for manufacture of hoses, metalstiks and adhesives. Also to be implemented shortly is a passenger steel radial tyre manufacturing project at the Ambattur factory near Madras. After modernisation, the truck tyre manufacturing capacity would go up from 3 to 5.7 lakh tonnes per annum (tpa), that for car tyres from 3 to 7.3 lakh tpa, aero tyres from 0.24 to 0.48 lakh tpa and industrial belting from 3,000 to 6,000 tpa. The upgradation scheme will include induction of latest 4-bowl calender, modern mixing plant, back pressure turbine and new belting process.

Dunlop is to enter the capital market in August/September with a rights issue of about Rs 318 crore. The proposed issue would be in the form of partly convertible debentures (PCDs) of Rs 200 each with two sets of tradable warrants. One PCD, in two parts, would be offered against two ordinary shares held. Of the total funds to be mopped up, a total of Rs 190 crore would come from PCDs and about Rs 128 crore from warrants. This is the first time that Dunlop is raising funds from the capital market since the company was taken over by M R Chhabria in 1985.

The company's factory at Shahganj, which is the only tyre factory in the country to produce aero tyres and a range of industrial products, has technological collaborations with five world famous rubber companies, namely, Sumitomo Rubber Industries of Japan, the aircraft tyre division of Dunlop, UK, BTR, Dunlop Enerka, Holland, and Mitsubishi, Japan, to keep itself technologically abreast of world standards. DIL is partly sourcing its products from the public sector giant, Tyre Corporation of India, to meet the demand for tyres. While the domestic demand is being taken care of by Dunlop India's Sahaganj and Ambattur factories, Tyre Corporation's production base is mainly utilised for exports. Also on the cards is a carbon black project in Haldia in West Bengal. The project, with an installed capacity of 50,000 tonnes per annum, will cost Rs 107 crore. The West Bengal Industrial Development Corporation will have a 31 per cent stake in the venture.

Dunlop India is reviving two of its ailing businesses, sports goods and bicycle tyres. The sports goods unit will be headquartered in Delhi. Among the company's other proposals are tyre manufacturing facilities in Bangladesh and the United Arab Emirates as well as a couple of industrial products units in Sri Lanka and Mauritius.

DIL has eight subsidiaries, but none of them serve any worthwhile purpose and are a drag on the finances of the company. DIL has diverted as much as Rs 35 crore to five of these subsidiaries as loans to be converted into equity shares. One of the subsidiaries with a net worth of Rs 11,000 received an unsecured loan of Rs 18 crore. Four of the subsidiaries are making heavy losses and there is a proposal to take them out of the Dunlop fold and merge them with Shaw Wallace Properties. There is no explanation for the large investments in these loss-making subsidiaries at a time when funds for modernisation and expansion of DIL have been hard to come by. A case in point is Shahgunj Industrial Finance which has been given an unsecured loan of Rs 18 crore at nil rate of interest and with a 100 per cent conversion obligation against the company's net worth of Rs 11,000 during the accounting year ended October 31, 1994.

Dunlop India faced some setbacks in the year under review. There was an MRTPC probe into arbitrary price increases (by virtue of its monopoly in aero tyres), throwing off of delivery schedules and inadequate compensation for defects in products. There was also a rumoured takeover threat from Essar. Further, having failed to get its $ 250 million GDR issue cleared by the finance ministry, the company now plans to turn to maximum utilisation of its revalued assets all over the country as a means of tiding over the short-term requirements of about Rs 100 crore for its growth programme, but this may prove a serious constraint on the company's plans in the long run.

HOECHST INDIA

Business Restructuring

Hoechst India, a subsidiary of Hoechst AG, the German pharmaceuticals and chemicals giant, closed the financial year ended March 1995 with a turnover of Rs 264 crore, down

(Rs lakh)

Financial Indicators	Dunlop India Dec 1994	Dunlop India Dec 1993	Hoechst India March 1995	Hoechst India March 1994	Zuari Agro Chemicals March 1995	Zuari Agro Chemicals March 1994
Income/appropriations						
1 Net sales	59698	66076	86113	98950	67961	51946
2 Value of production	57790	67377	85147	102353	67532	49118
3 Other Income	455	693	627	684	1190	1129
4 *Total income*	58245	68069	86229	103729	68722	50247
5 Raw material/Stores and and spares consumed	34304	40831	46667	60804	25690	19046
6 Other manufacturing expenses	3050	3388	4087	6345	19556	17197
7 Remuneration to employees	6081	8274	10812	12973	1840	1417
8 Other expenses	10765	10506	16674	16212	9606	6607
9 *Operating profit*	4045	8070	8039	7395	12030	5980
10 Interest	1996	3032	2600	1588	1729	1584
11 *Gross profit*	2575	1884	6160	5055	10324	4497
12 Depreciation	617	892	1462	1278	466	426
13 *Profit before tax*	1256	992	4084	3271	9858	4071
14 Tax provision	0	225	1130	1559	4100	1900
15 *Profit after tax*	1256	767	2954	1712	5758	2171
16 Dividends	390	385	1081	633	813	681
17 *Retained profit*	866	382	1873	1080	4946	1490
Liabilities/assets						
18 Paid up capital	1899	1899	4202	3051	1715	1645
19 Reserves and surplus	31751	33114	42197	45636	17780	9726
20 Long term loans	5187	4754	10820	10571	14936	10080
21 Short term loans	5852	5041	8085	7227	1843	2463
22 Of which bank borrowings	3650	5041	6589	6979	1070	1890
23 Gross fixed assets	49779	50099	70419	71089	30197	16185
24 Accumulated depreciation	20647	18800	26483	24678	10610	10183
25 Inventories	8339	10347	15080	17372	9224	9109
26 Total assets/liabilities	61853	61014	88638	88636	51756	31951
Miscellaneous items						
27 Excise duty	11473	19944	17323	22180	1845	475
28 Gross value added	11307	15190	20416	21964	13312	7311
29 Total foreign exchange income	4459	6917	8406	10018	6	6
30 Total foreign exchange outgo	43170	70100	87820	105580	19860	6182.9
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	96.5	108.3	195.1	227.3	131.3	162.6
32 Sales to total net assets (%)	133.7	147.5	259.8	299.1	187.4	217.2
33 Gross value added to gross fixed assets (%)	22.7	30.3	66.8	77.0	44.1	45.2
34 Return on investment (gross profit to total assets) (%)	4.2	3.1	17.5	14.6	19.9	14.1
35 Gross profit to sales (gross margin) (%)	4.3	2.9	17.9	12.5	15.2	8.7
36 Operating profit to sales (%)	6.8	4.6	21.9	17.8	17.7	11.5
37 Profit before tax to sales (%)	2.1	1.5	12.8	8.4	14.5	7.8
38 Tax provision to profit before tax (%)	0.0	22.7	40.0	81.2	41.6	46.7
39 Profit after tax to net worth (return on equity) (%)	3.73	2.19	16.75	9.10	29.54	19.09
40 Dividend (%)	20.00	20.00	50.00	45.00	60.00	50.00
41 Earning per share (Rs)	6.6	4.0	14.0	12.2	44.2	17.3
42 Book value per share (Rs)	48.9	44.3	105.6	163.0	147.8	89.7
43 P/E ratio (based on latest and corresponding last year's price)	7.7	15.9	43.0	55.0	8.6	24.6
(adjusted for revaluation) (%)	55.5	56.5	98.9	99.0	76.6	88.6
45 Short term bank borrowings to inventories (%)	55.8	48.7	83.5	76.3	11.6	20.7
46 Sundry creditors to sundry debtors (%)	36.8	139.0	262.2	252.4	161.4	175.7
47 Total remuneration to employees to gross value added (%)	53.8	54.5	105.7	102.5	13.8	19.4
48 Total remuneration to employees to value of production (%)	10.5	12.3	27.8	25.7	2.7	2.9
49 Gross fixed assets formation (%)	24.00		22.47	–	55.57	–
50 Growth in inventories (%)	19.41		23.45		1.26	–

by 20 per cent from last year's figure of Rs 329 crore, the result of the transfer of the company's agro division to Hoechst Schering AgrEvo in 1994-95. The company's accounts for the year under review deal only with the pharmaceuticals and animal health divisions. Gross profit stood at Rs 36 crore, up by 13 per cent from Rs 32 crore last year. The effect of the rise in provision for depreciation and taxation by 16 and 15 per cent, respectively, was nullified to a large extent by interest costs which were down by 62 per cent to Rs 6 crore. The company has declared a dividend of 30 per cent against 25 per cent paid for the previous year.

Hoechst India's performance on the export front has been satisfactory with an export growth of more than 25 per cent. Its export portfolio comprises pharmaceuticals, animal health products and bulk drugs. The Russian Federation was a major source of export business. A fillip to exports was provided by the stabilisation of the CIS markets. Hoechst India's presence in the CIS countries is borne out by its estimated market share of 15 per cent.

The pharmaceuticals division, the flagship of Hoechst India, manufactures antipyretics, antihistamines, antispasmodics, antibiotics, antidiabetics and vaccines for rabies and typhoid. The company's animal health division with a market share of 11 per cent ranks third in the industry. The division goes beyond production and its field representatives are trained to offer technical advice to veterinarians and farmers to promote animal health and hygiene.

Hoechst AG had three companies in India till now: pharmaceutical manufacturers Hoechst India and Roussel India and chemical manufacturer Colour-Chem. In March this year Hoechst India was divested of its agrochemical division and AgrEvo India was formed as a subsidiary of Hoechst Schering AgrEvo GmbH, an international joint venture between Hoechst AG and Schering AG, the rationale being to draw on the strengths of the two international companies. The company, which has a market share of 6.3 per cent in the crop protection market, plans to gradually increase it to 10 per cent. The product portfolio will include insecticides, fungicides and herbicides for cotton, rice, tea, pulses, wheat and other cash crops. The company plans to introduce 10 new products in a period of five years using bio-technology and gene technology. In December 1994, a new product, Illoxan, a wheat herbicide, was introduced from AgrEvo's international range in India. Besides crop protection, a priority area for the company is environmental health. In this segment, it is focusing on home hygiene products. In the coming months the Rs 35 crore animal health care division is to be hived off as a subsidiary of Hoechst Veterinar GmbH.

Hoechst acquired Marion Merrel Dow Inc (MMD) in July this year at a cost of $ 7.1 billion. With this acquisition, Hoechst Marion Roussel, as the new merged entity is to be called, will enhance its worldwide presence, particularly in North America. The two pharmaceutical multinationals in India – Hoechst and Roussel – will come under a common management and bring new products from Marion Merrel Dow into the country. Roussel is now a subsidiary of Hoechst India but operates separately. A plan to closely integrate the working of the two companies is being drawn up. While Hoechst India has 66 per cent stake in Roussel India, the other 33 per cent is with Roussel Uclaf of France. Hoechst AG has 50.1 per cent in Hoechst India, with another 28 per cent being owned by Vijay Mallya. The MMD products that may be co-marketed by Hoechst and Roussel are rifampicin, diltiazem, terfenedine and vegabatrin, thereby posing a likely challenge to Lupin which is the market leader in rifampicin. With combined sales estimated at $ 10 billion, Hoechst Marion Roussel (HMR) will be one of the world's largest pharmaceutical organisations and will concentrate on cardio-vascular and anti-infective and metabolic drugs. Hoechst India spent 2.5 per cent of its annual turnover on R and D in 1994-95. According to Werner Badziong, research director of Hoechst India, the company is currently engaged in research in anti-infectives, cardiovascular drugs, alternative treatment for diabetes and treatment for arthritis. The acquisition of MMD which spends a major portion of its sales turnover on research will be beneficial to Hoechst and Roussel products in India, it is claimed. In 1994, MMD spent around 15 per cent of its sales turnover of $ 3.1 billion on research.

A proposal to form a joint venture to manufacture polyethylene between Hoechst AG and Indian Petrochemicals Corporation has been abandoned. According to Eberhart Baltin, CEO, Hoechst India, "it would have got us involved in the ethylene business where we have no interest". A 50:50 joint venture with Reliance at Hazira to make polyester-based industrial yarn is on the cards. Hoechst will provide the technology and Reliance will supply the raw materials. The possibility of building an industrial paints company in India for the automobile industry is also being looked into.

With a view to further consolidating its position in India, Hoechst India is on the look-out for companies that are weak and unable to withstand competition or are faced with internal problems. Hoechst has been looking for a possible partner for its Penicillin G project but has not been successful so far. It is also considering more co-marketing arrangements with pharmaceutical companies. It already has such tie-ups with Boots and Ranbaxy.

ZUARI AGRO CHEMICALS

Rise in Fertiliser Demand

Zuari Agro Chemicals, a K K Birla group company, has reason to be happy with its performance in 1994-95. Turnover for the year stood at Rs 679.61 crore, up by around 31 per cent from Rs 519.46 crore recorded in the previous year. Gross profit was up by 130 per cent from Rs 44.97 crore to Rs 103.24 crore. After provision of Rs 4.66 crore for depreciation and Rs 41 crore for taxation, the company's net profit was Rs 57.58 crore, a rise of 165 per cent from Rs 21.71 crore in the previous year. A 20 per cent hike in the retention price of urea coupled with the impact of the full year's working of the cement division and better performance of the fertiliser division were responsible for the improved results. Enthused by this performance a dividend of 60 per cent has been announced by the directors.

During the year under review, the company achieved a sale of 8,68,481 tonnes of fertilisers. Production of urea and phosphatic fertilisers was 4,02,296 and 3,26,065 tonnes, respectively. Notwithstanding the increased prices of phosphatic and potassic fertilisers and delayed announcement of government concession schemes, the company's sales of phosphatic and potassic fertilisers increased by 21 per cent. The company commenced marketing of single superphosphate under the brand name 'Jai Kisaan Superphos', adding to its existing range of products, and achieved a sales volume of 26,849 tonnes in the first year of its introduction. Sale of pesticides increased by 12 per cent. The company launched 'Bioneem', an eco-friendly neem-based insecticide, in January this year. Zuari Agro is the first Indian company to have started marketing bio-fertilisers from 1992 and the sale of 'Biophos', an environmentally friendly product, rose by 78 per cent last year and was Rs 883 crore. The company markets its fertilisers in Goa, Maharashtra, Karnataka, Andhra Pradesh and western Madhya Pradesh and Uttar Pradesh.

The company has major diversification plans on the anvil. It plans to set up a 2,500 tpd capacity sugar factory at Bidar in Karnataka. With plans to make a foray into financial services, the company has set up Zuari Leasing and Finance Corporation with a paid-up capital of Rs 3 crore. The company has formed a joint venture company in the name of Zuari Seeds in January this year with the Institute for Vegetables and Crops (IFVC) and KOP Investments, Cyprus, on a 50:50 basis for the production and marketing of hybrid seeds. Technical support along with assistance for R and D activities in India would be provided by IFVC. The joint venture will help the company in enhancing the quality and varieties of seeds and will also be in line with the government's policy to allow the private sector to play a leading role in hybrid seeds development in the country. The company has set up a research and development farm and seed testing facility at Hyderabad.

Zuari Agro along with National Fertilisers is setting up a fertiliser plant in Syria, in collaboration with the Syrian government. The possibility of obtaining gas at an economic price in Syria, the key to manufacturing urea at a low cost, is being looked into. Though the location of the plant remains to be decided, the capacity is likely to be 1,350 tpd ammonia and 2,200 tpd urea.

Zuari Agro had originally planned to set up a 1 million tonne grass roots cement plant in Rajasthan, but as cement plants of this size are no longer viable the company has taken over Texmaco's cement plant located at Yeraguntla in Andhra Pradesh with a capacity of 5 lakh tonnes of standard Portland 53 grade cement and plans to expand it. The expansion will be carried out in two phases. The first phase will include doubling the capacity to 1 million tonnes and then to 1.5 million tonnes. A fillip to the cement industry is expected to be provided by the likely privatisation of roads and according to the company's executive president, Gopal Srinivasan, the company hopes for Rs 100 crore growth from cement. The company has entered into an agreement with BOC (India) for the marketing of argon produced by the company's argon recovery plant in Goa.

The company has been awarded the Jamnalal Bajaj Uchit Vyavahar Puraskar by the Council for Fair Business Practices.

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CURRENT STATISTICS

EPW Research Foundation

After touching the lowest level in the last two years in the previous week, the provisional annual inflation rate went up sharply from 7.56 per cent to 8.15 per cent in the week ended August 5. The consumer price index for agricultural labourers for June showed an annual rise of 12.4 per cent almost 2 percentage points higher than the rise in the index for industrial workers. The rise in RBI credit to the central government, while below the levels touched in the previous weeks, is still very high at Rs 16,999 crore (compared to a contraction of Rs 252 crore in the same period of 1994-95). Deposits and advances of commercial banks continue to decline.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Aug 05 1995	Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
				Variation (Per Cent) Point-to-Point							
All Commodities	100.0	294.5	1.0	8.2	10.7	3.5	5.4	10.4	10.8	7.0	13.6
Primary Articles	32.3	303.7	2.2	7.5	12.1	4.0	9.1	12.7	11.5	3.0	15.3
Food Articles	17.4	335.3	2.6	5.7	9.8	6.8	13.2	11.9	4.4	5.4	20.9
Non Food Articles	10.1	322.0	2.0	11.4	18.7	0.5	3.2	15.5	24.9	-1.4	8.1
Fuel Power Light and Lubricants	10.7	284.5	0.1	1.6	10.0	0.1	0.6	2.4	13.1	15.2*	13.2
Manufactured Products	57.0	291.2	0.7	9.8	10.1	3.5	4.3	10.7	9.9	7.9	12.6
Food Products	10.1	280.2	1.0	2.9	9.1	2.8	8.0	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	315.1	2.0	4.8	9.5	5.5	11.4	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Aug 05 1995)	100.0	291.1	-	9.8	10.0	8.9	11.7	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Over Month	Over 12 Months Latest	Over 12 Months Previous	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
			Variation (Per Cent) Point-to-Point							
Industrial Workers (1982=100)	306*	2.0	10.5	10.8	4.4	5.7	9.7	9.9	6.1	13.9
Urban Non Man Emp (1984-85=100)	244	0.4	9.9	8.5	2.9	3.8	9.9	8.5	6.8	15.6
Agri Lab (July 60 to June 61=100)	1337*	1.6	12.4	12.5	2.8	4.2	10.6	11.6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	July 21, 1995	Over Month	Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93
					Variation		
Money Supply (M_3)	539101	3337 (1.0)	8263 (1.6)	12187 (2.7)	78655 (17.4)	73507 (19.3)	50484 (15.4)
Currency with Public	108592	2559 (2.3)	7722 (7.7)	7000 (8.5)	18887 (23.0)	14170 (20.9)	7111 (11.7)
Deposits with Banks	422994	7435 (1.6)	36211 (9.8)	944 (0.3)	58941 (16.9)	57925 (18.7)	42945 (16.1)
Net Bank Credit to Govt	243651	8770 (3.7)	24060 (11.0)	14126 (6.9)	14248 (6.9)	29508 (16.8)	17903 (11.3)
Bank Credit to Comml Sector	291301	4756 (1.5)	1857 (0.5)	3333 (1.4)	15080 (6.4)	17161 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	73389	675 (0.9)	2501 (3.3)	10692 (20.3)	23261 (44.2)	27674 (110.9)	3747 (17.7)
Reserve Money (July 28 1995)	178755	-8142 (-4.4)	9781 (5.8)	-9929 (-7.2)	30303 (21.9)	37892 (25.2)	11274 (11.3)
Net RBI Credit to Centre	115912	1717 (1.0)	11234 (17.8)	1198 (1.2)	949 (1.0)	1396 (1.4)	3586 (3.9)
Scheduled Commercial Banks (Aug 04 1995)							
Deposits	384081	3621 (1.5)	2778 (1.0)	4610 (1.4)	49271 (14.8)	52144 (18.6)	39017 (16.1)
Advances	212851	634 (0.3)	1291 (0.6)	3877 (2.3)	38784 (22.7)	11566 (7.3)	23757 (17.5)
Non Food Advances	198392	1592 (0.8)	894 (-0.1)	6361 (3.4)	37116 (23.4)	7402 (4.9)	21684 (16.6)
Investments	154011	2363 (1.6)	4357 (3.2)	11177 (8.4)	14172 (10.5)	28435 (26.7)	16820 (18.7)

For comparability all monetary and banking data presented here are based on March 31 figures before closure of government accounts.

Index Numbers of Industrial Production (1980-81=100)	Weights	Mar 1995	Average for Full Fiscal Years 1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	301.6	250.6(8.4)	231.1(5.6)	218.9(2.3)	213.9(0.6)	212.6(8.2)	196.4(8.5)	180.9(8.7)	166.4(7.3)
Mining and Quarrying	11.5	321.9	345.8(6.3)	325.2(3.4)	314.7(0.6)	312.5(4.5)	299.2(6.3)	281.6(7.9)	261.1(3.7)	251.6(6.2)
Manufacturing	77.1	291.9	241.8(8.8)	222.3(5.5)	210.7(2.2)	206.2(-0.8)	207.8(8.9)	190.7(8.6)	175.6(8.7)	161.5(7.9)
Electricity	11.4	446.8	414.6(8.5)	390.0(7.4)	363.9(5.6)	357.0(8.5)	329.8(7.8)	305.7(10.9)	275.7(10.5)	249.5(5.1)

Capital Market	Aug 17, 1995	Month Ago	Year Ago	1995-96 So Far Trough	1995-96 So Far Peak	1994-95 Trough	1994-95 Peak	End of Fiscal Year 1994-95	End of Fiscal Year 1993-94	End of Fiscal Year 1992-93
BSE Sensitive Index (1978-79=100)	3446	3413	4507	3015	3557	3233	4604	3261	3779	2281
	(-23.5)		(-23.0)					(-13.7)	(65.7)	(-46.8)
National Index (1983-84=100)	1579	1596	2122	1482	1691	1572	2176	1606	1830	1021
	(-25.6)		(-27.0)					(-12.2)	(79.2)	(-48.1)

Foreign Trade	June 1995	Cumulative for Fiscal Year So Far 1995-96	Cumulative for Fiscal Year So Far 1994-95	1994-95	Full Fiscal Year Variations 1993-94	1992-93	1991-92	1990-91
Exports Rs crore	7291	22514 (25.2)	17989 (11.9)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US $ mn	2289	7170 (25.2)	5729 (11.7)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports Rs crore	8635	25103 (32.6)	18932 (11.2)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US $ mn	2711	7995 (32.6)	6029 (11.1)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-1.9.4)	24073 (13.2)
Non POL US $ mn	2224	6409 (34.6)	4761 (21.49)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade Rs crore	-1344	2589	943	6375	-3259	-9687	-3809	-10640
US $ mn	-422	824	-300	2018	-1039	-3345	1545	-5930

Foreign Exchange Reserves (excluding gold)	Aug 11, 1995	Aug 12, 1994	Mar 31, 1995	Month Ago	Year Ago	Variation Over Fiscal Year So Far 1995-96	Fiscal Year So Far 1994-95	1994-95	1993-94	1992-93	1991-92
Rs crore	62032	55294	66028	-418	6738	-3996	7668	18402	27430	5385	10223
US $ mn	19383	17667	20816	-348	1716	-1433	2491	5640	8724	731	3383

Consumer Price Index for Industrial Workers
(Base: 1982=100) – Centrewise Annual Average

Centre		General Index					Food Index				
		1994-95	1993-94	1992-93	1991-92	1990-91	1994-95*	1993-94	1992-93	1991-93	1990-91
All India		284(10.1)	258(7.5)	240(9.6	219(13.5)	193(11.6)	303(11.4)	272(7.1)	254(10.4)	230(15.6)	199(12.4)
Andhra Pradesh	Gudur	277(10.4)	251(4.6)	240(16.5	206(16.4)	177(6.0)	292(10.2)	265(3.5)	256(20.2)	213(18.3)	180(5.9)
	Guntur	286(9.2)	262(7.8)	243(12.5)	216(17.4)	184(11.5)	318(11.6)	285(8.8)	262(15.9)	226(18.9)	190(12.4)
	Hyderabad	264(9.5)	241(5.2)	229(9.0	210(15.4)	182(9.0)	295(11.3)	265(4.3)	254(10.0)	231(20.3)	192(11.0)
	Visakhapatnam	269(6.7)	252(3.7)	243(12.5)	216(11.9)	193(6.6)	293(8.5)	270(2.7)	263(15.9)	227(12.9)	201(6.9)
	Warangal	280(12.9)	248(3.8)	239(12.2)	213(15.8)	184(10.8)	297(12.1)	265(2.3)	259(14.1)	227(18.8)	191(13.0)
Assam	D D Tinsukia	259(7.9)	240(10.1)	218(7.9	202(23.2)	179(9.1)	279(7.3)	260(11.1)	234(9.3)	214(13.2)	189(10.5)
	Guwahati	287(11.2)	258(7.5)	240(12.1)	214(9.7)	195(7.1)	303(9.8)	276(7.4)	257(13.2)	227(11.3)	204(8.5)
	Labac-Silchar	256(7.1)	239(9.1)	219(9.0	201(16.2)	173(4.8)	274(7.0)	256(8.9)	235(10.3)	213(17.7)	181(4.0)
	Mariani-Jorhat	270(8.0)	250(7.8)	232(9.4)	212(14.0)	186(8.1)	283(8.4)	261(9.2)	239(9.6)	218(15.3)	189(8.6)
	Rangapara-Tezpur	273(8.8)	251(8.2)	232(6.9)	217(17.9)	184(8.9)	275(8.3)	254(10.4)	230(7.5)	214(15.1)	186(10.7)
Bihar	Jamshedpur	264(8.2)	244(6.6)	229(9.0)	210(12.3)	187(12.7)	268(8.5)	247(6.5)	232(7.9)	215(12.0)	192(14.3)
	Jharia	248(8.3)	229(4.1)	220(7.8)	204(12.1)	182(11.0)	246(8.8)	226(3.2)	219(5.8)	207(13.1)	183(13.7)
	Kodarma	252(7.7)	234(8.3)	216(8.0)	200(15.6)	173(8.1)	256(8.0)	237(6.8)	222(8.3)	205(19.9)	171(8.2)
	Monghyr	271(8.8)	249(6.4)	234(6.8)	219(15.9)	189(11.2)	269(8.5)	248(7.8)	230(5.0)	219(19.7)	183(12.3)
	Noamundi	261(6.5)	245(5.2)	233(9.4)	213(13.3)	188(11.2)	259(7.5)	241(5.2)	229(6.0)	216(12.5)	192(11.6)
	Ranchi-Hatia	274(8.7)	252(6.3)	237(8.7)	218(8.5)	201(15.5)	269(8.9)	247(6.9)	231(7.4)	215(10.8)	194(14.8)
Gujarat	Ahmedabad	285(10.9)	257(6.6)	241(7.1)	225(14.8)	196(14.6)	306(12.9)	271(6.7)	254(7.6)	236(16.8)	202(16.1)
	Baroda	283(9.3)	259(7.0)	242(7.6)	225(14.8)	196(12.6)	320(12.7)	284(7.2)	265(7.3)	247(18.2)	209(16.1)
	Bhavnagar	300(11.9)	268(9.8)	244(7.5)	227(14.6)	198(13.1)	317(12.4)	282(10.2)	256(6.2)	241(17.0)	206(15.7)
	Rajkot	281(11.1)	253(6.3)	238(7.7)	221(12.2)	197(13.2)	311(13.9)	273(6.6)	256(8.0)	237(13.9)	208(17.5)
	Surat	298(11.6)	267(6.0)	252(7.2)	235(14.6)	205(12.0)	320(14.7)	279(4.9)	266(9.5)	243(17.4)	207(15.6)
Haryana	Faridabad	275(10.0)	250(8.7)	230(12.2)	205(9.6)	187(12.7)	281(8.9)	258(10.3)	234(10.4)	212(10.4)	192(15.7)
	Yamunanagar	269(12.6)	239(7.7)	222(8.8)	204(11.5)	183(11.6)	289(15.1)	251(7.7)	233(7.9)	216(13.1)	191(15.1)
J and K	Srinagar	281(10.6)	254(6.7)	238(13.3)	210(14.1)	184(7.6)	307(11.6)	275(6.6)	258(14.7)	225(16.6)	193(9.0)
Karnataka	Bangalore	280(10.7)	253(7.7)	235(11.9)	210(14.8)	183(9.6)	304(10.5)	275(6.6)	258(12.7)	229(15.1)	199(8.7)
	Belgaum	294(12.2)	262(6.1)	247(9.8)	225(18.4)	190(8.0)	321(13.0)	284(4.8)	271(12.0)	242(24.1)	195(7.7)
	Hubli-Dharwar	287(9.5)	262(4.8)	250(12.1)	223(16.8)	191(6.1)	305(11.7)	273(4.2)	262(13.9)	230(21.7)	189(6.8)
	Mercara	278(12.6)	247(6.0)	233(13.1)	206(15.1)	179(8.5)	310(14.8)	270(4.7)	258(14.7)	225(18.4)	190(8.6)
Kerala	Alwaye	283(13.7)	249(10.2)	226(11.3)	203(15.3)	176(6.7)	320(14.3)	280(10.7)	253(14.0)	222(20.0)	185(7.6)
	Mundakayam	287(13.4)	253(7.7)	235(11.4)	211(14.7)	184(7.6)	318(16.5)	273(8.3)	252(11.5)	226(18.9)	190(7.3)
	Quilon	299(17.3)	255(8.1)	236(12.9)	209(15.5)	181(2.8)	327(19.8)	273(7.5)	254(13.9)	223(19.9)	186(0.0)
	Tiruvananthapuram	309(12.0)	276(12.2)	246(10.8)	222(15.6)	192(5.5)	342(15.2)	297(18.3)	251(11.6)	225(17.8)	191(4.4)
Madhya Pradesh	Balaghat	279(9.0)	256(6.7)	240(10.1)	218(11.2)	196(10.1)	296(12.5)	263(6.9)	246(12.3)	219(11.7)	196(10.7)
	Bhilai	255(9.0)	234(7.8)	217(8.5)	200(11.7)	179(10.5)	279(11.2)	251(7.7)	233(8.9)	214(13.2)	189(11.2)
	Bhopal	296(8.3)	273(7.9)	253(12.4)	225(14.8)	196(11.4)	318(9.7)	290(7.4)	270(14.4)	236(18.6)	199(11.2)
	Indore	298(9.6)	272(7.5)	253(10.5)	229(12.8)	203(14.0)	326(11.6)	292(7.4)	272(11.0)	245(14.5)	214(16.3)
	Jabalpur	304(8.6)	280(8.5)	258(8.9)	237(9.7)	216(13.1)	299(11.6)	268(6.3)	252(7.7)	234(10.4)	212(15.8)
Maharashtra	Bombay	314(12.5)	279(7.3)	260(11.1)	234(15.3)	203(13.4)	341(12.9)	302(6.0)	285(11.8)	255(20.3)	212(13.4)
	Nagpur	296(8.4)	273(6.2)	257(11.7)	230(14.4)	201(12.9)	299(10.7)	270(5.1)	257(12.2)	229(17.4)	195(14.0)
	Nasik	302(9.0)	277(7.8)	257(8.9)	236(16.8)	202(11.6)	315(10.9)	284(6.8)	266(7.7)	247(22.3)	202(12.8)
	Pune	304(11.4)	273(6.2)	257(15.7)	226(14.1)	198(11.2)	334(11.7)	299(4.2)	287(13.3)	251(18.4)	212(12.2)
	Solapur	296(10.0)	269(2.3)	263(12.9)	233(18.3)	197(9.4)	307(13.3)	271(-1.1)	274(13.2)	242(24.7)	194(9.0)
Orissa	Barbil	275(8.7)	253(7.2)	236(9.8)	215(16.2)	185(11.4)	295(11.7)	264(6.9)	247(10.3)	224(21.7)	184(14.3)
	Rourkela	258(9.3)	236(7.3)	220(11.1)	198(10.6)	179(11.9)	275(11.8)	246(5.1)	234(9.9)	213(13.3)	188(13.3)
Punjab	Amritsar	265(8.6)	244(9.4)	223(7.2)	208(8.9)	191(11.7)	289(9.5)	264(11.4)	237(6.8)	222(10.4)	201(16.2)
	Ludhiana	267(9.4)	244(9.9)	222(5.2)	211(9.3)	193(14.2)	299(9.1)	274(13.2)	242(4.3)	232(9.4)	212(17.1)
Rajasthan	Ajmer	286(10.4)	259(5.7)	245(9.4)	224(13.7)	197(12.6)	293(13.6)	258(6.2)	243(8.5)	224(14.3)	196(14.6)
	Jaipur	274(9.2)	251(8.2)	232(7.9)	215(13.2)	190(10.5)	302(10.2)	274(9.2)	251(10.6)	227(17.0)	194(11.5)
Tamil Nadu	Coimbatore	280(11.6)	251(8.2)	232(12.6)	206(15.7)	178(6.0)	313(12.7)	279(9.0)	256(12.3)	228(17.5)	194(7.2)
	Coonoor	300(11.9)	268(7.6)	249(10.7)	225(13.6)	198(7.6)	344(12.5)	305(8.9)	280(12.6)	250(14.2)	219(8.4)
	Madras	297(12.5)	264(8.6)	243(12.5)	216(14.3)	189(9.2)	319(13.5)	281(10.2)	255(13.3	225(16.6)	193(10.9)
	Madurai	288(9.9)	262(6.9)	245(13.4)	216(12.5)	192(9.7)	317(11.6)	284(6.6)	268(14.5)	234(14.7)	204(9.7)
	Salem	294(16.7)	252(11.0)	227(11.3)	204(12.1)	182(8.3)	305(14.7)	266(9.5)	243(12.0)	217(13.6)	191(10.4)
	Tiruchirapally	305(14.2)	267(9.9)	243(9.5)	222(11.0)	200(9.3)	341(17.2)	291(10.2)	261(10.0)	240(11.6)	215(9.1)
Uttar Pradesh	Agra	269(7.3)	246(7.4)	229(6.5)	215(13.2)	190(13.1)	289(10.7)	261(7.0)	244(4.7)	233(18.3)	197(16.6)
	Ghaziabad	272(7.9)	252(5.9)	238(7.2)	222(12.1)	198(13.1)	262(9.2)	262(7.8)	243(4.3)	233(14.2)	204(18.6)
	Kanpur	283(8.0)	262(6.9)	245(7.5)	228(12.9)	202(13.5)	300(9.9)	273(9.6)	249(5.5)	236(15.1)	205(16.5)
	Saharanpur	276(10.0)	251(7.3)	234(8.3)	216(10.8)	195(14.7)	290(11.1)	261(7.9)	242(8.0)	224(12.6)	199(18.5)
	Varanasi	294(8.1)	272(5.4)	258(6.6)	242(15.8)	209(14.8)	299(10.3)	271(5.9)	256(4.5)	245(20.1)	204(17.2)
West Bengal	Asansol	266(9.5)	243(8.0)	225(6.1)	212(12.2)	189(11.2)	276(10.4)	250(9.6)	228(4.6)	218(14.1)	191(13.7)
	Calcutta	286(8.7)	263(9.1)	241(8.1)	223(9.9)	203(14.0)	299(9.1)	274(9.2)	251(7.7)	233(9.4)	213(17.0)
	Darjeeling	259(8.8)	238(8.2)	220(7.8)	204(12.7)	181(11.7)	275(8.7)	254(9.1)	232(5.9)	219(14.1)	192(13.6)
	Durgapur	292(9.0)	268(8.9)	246(8.4)	227(12.4)	202(15.4)	293(10.6)	265(10.0)	241(5.7)	228(13.4)	201(18.2)
	Haldia	296(8.4)	273(8.8)	251(7.7)	233(11.0)	210(6.7)	282(8.0)	261(8.3)	241(7.1)	225(9.8)	205(15.8)
	Howrah	299(8.3)	276(8.2)	255(7.6)	237(11.8)	212(17.1)	311(8.0)	288(9.9)	262(7.8)	243(12.0)	217(21.2)
	Jalpaiguri	257(8.4)	237(6.8)	206(8.3)	205(12.6)	182(8.3)	268(8.9)	246(6.5)	231(7.9)	214(13.2)	189(9.9)
	Raniganj	254(8.1)	235(6.8)	220(6.3)	207(14.4)	181(11.7)	256(8.5)	236(7.3)	220(5.8)	208(15.6)	180(12.5)
Chandigarh		277(8.6)	255(6.7)	239(7.7)	222(17.5)	189(12.5)	291(12.4)	259(7.5)	241(9.0)	221(13.3)	195(14.7)
Delhi		306(10.1)	278(9.9)	253(12.4)	225(11.9)	201(10.4)	347(12.3)	309(11.6)	277(10.8)	250(14.2)	219(14.1)
Pondicherry		320(11.5)	287(10.0)	261(10.6)	236(15.7)	204(14.0)	363(14.2)	318(11.2)	286(8.3)	264(16.3)	227(15.8)

* 11 month, i e, April to February average.

Science, Technology, Intellectual Property Rights and Development

Arun Ghosh

We need to rethink the entire basis of budgeting, of our education policy, our policy on science, our stance on intellectual property rights and the distinction between public and private property in knowledge.

IN a superb analysis of recent developments in the sciences - pure science applied science, and technological progress - John Ziman (a scientist himself) looks back wistfully at three centuries of scientific progress, and with some uncertainty and trepidation at what the future holds (*Prometheus Bound*, Cambridge University Press, 1994) Ziman is not focusing on the moral-ethical issues that are increasingly involved in some applications of scientific knowledge. Himself a scientist Ziman accepts the unrelenting thirst of mankind for new knowledge, for exploration of the universe in all its facets, as a fact of life Ziman's concern is that this spirit, this quest, is now under increasing threat because of the growing dependence of science on the funding of research, and the increasing focus on *organised research for commercial purposes* Individual quest is now getting to be more and more 'sidelined' because of the problem of 'funding', and to a scientist, this is akin to the chaining of Prometheus The central theme of Ziman's (highly stimulating) study is "the profund transformation that is taking place in the *institutional* arrangements for undertaking research and invention"

Ziman is a realist He accepts the close interconnection between science and technology He also realises that any scientific advance has multidimensional impact; the 'spin-off' of information technology into defence and armaments related technology, of biotechnology for developing catalysts for chemical plants, of an immense number of similar developments which emphasise the multi-disciplinary nature of science

The scientific and technical advances made in the world in the short span of the past 50 years – indeed, possibly in the last 25 years - have in fact changed the entire perspective for the future of mankind Equally, the direction of recent scientific (and technological) developments today should evoke deep concern not only of scientists like Ziman, but of sociologists, economists, politicians, of the people who have to periodically vote politicians to power

One cannot, of course, either *explain* how research gets directed, or *forecast* the results of research. As Ziman says, "it might be very difficult to determine from a highly mathematical analysis of turbulence whether it had originally been motivated by intellectual curiosity, or whether it had been undertaken in order to solve an urgent practical problem arising in the design of an aircraft .The professor of applied mathematics chooses to work on the theory of turbulence in the hope of eventually being able to publish some interesting results that will add to his scientific reputation the aeronautical engineer is instructed by the management of his firm to work on the same theory 'in the hope that it will lead them to a more efficient design"

Ziman recognises that this "convergence of basic and applied research at the level of the laboratory bench has profound effect on the way science is organised" In fact he recognises that pure science and applied technology are getting more and more intertwined and it is increasingly becoming difficult to segregate them, or to treat them as separate subjects separate quests The best illustration – given by Ziman - arises in the area of solid state physics In the 1930s, quantum theory made sense of the varying properties of conductivity of different metals From 'semiconductors' we have now gone on to a wholly restructured 'microchip' which is today at the heart of information and control technology.

It is this type of scientific development that makes traditional economic theory 'outdated'. We are today in a world where the 'increasing returns' from 'knowledge' make the theory of the firm – based on the Ricardian principle of 'diminishing returns' - totally irrelevant. Indeed, it is this factor which is leading, all over the world today, to an increasingly monopolistic production structure. The Walrasian 'general equilibrium', in the modern world, is as dead as the dodo.

No generalisations are, of course, possible, such is the fluid, the dynamic character of modern science and technology. For example, the development of the 'microchip' has changed the economies of scale in many areas, and relatively *small* production units - based on knowledge and skill intensity and a Flexible Manufacturing System (FMS) – are now possible. And yet, equally, both the vast sums required for research and development, and the overlapping of scientific applications, have led to a gradual elimination of 'competition' as we understand it, from many spheres of production To quote from Ziman again, "...many of the components of the modern microchip are not really junction transistors at all, but depend... on some other phenomenon, such as a 'field effect', or 'charge coupling', or 'impact ionisation'... In combination with parallel developments in optics, solid state physics... is already revolutionising the telecommunications industry." The use of optic fibre has changed both the scale and the dimensions of 'economic' production/service industries. Obviously, we need a new institutional framework, a whole set of new economic principles going back, for much of economic activity - to 'utility pricing' theory, and an institutional mechanism for enforcing the same For most of production activity, 'competition – in the Adam Smithian sense is also as dead as the dodo

The current phase of high-technology industry can be sustained only "if enough resources were thrown into its development" This is the lament of the scientist in Ziman, resources are now increasingly available only for organised research for commercial exploitation.

There are some frightening implications of the way science and research are getting organised of late As Ziman – who maintains a wholly amoral stance in this context - says, 'As the Strategic Defence Initiative of the United States government clearly demonstrates, apparently responsible people can now be persuaded that targeted R and D can blast its way to any technological goal, however implausible this may seem to the great majority of the relevant experts".

Realism requires that one must recognise (a) the close links between scientific and technological advance, and (b) the equally close links between the 'funding' of research - whether by the state or by private commercial entities – and the results of research activity. While this is generally wholly understandable for the funding of research by commercial entities, who would always look to commercial profits arising from any investment – be it on hardware or on research – the logic is not equally clear insofar as the state is concerned, the primary concern of which should be the welfare of the people. This is not a moral-ethical issue, it concerns the fundamentals of the organisation of society. The state can justifiably exist only inasmuch as it can further the welfare of the people living within the boundaries of the state; it is essentially a political arrangement among the people of that state; and in modern society, different states have to coexist, so that resources are not thrown into competitive SDIs but for the development of the people. The moral-ethical issues arising from scientific progress stand apart; even without passing any moral-ethical judgment in regard to some recent developments in the area of, say, genetic engineering, or of research on nuclear armaments, one can still insist that the responsibility of every state is the universalisation of 'knowledge'.

the upgradation of skills, and the promotion of scientific and technological research within the state. That is the fundamental basis of the 'social contract' implicit in the constitution of any state. Certainly, the Constitution of India, the Directive Principles of State Policy enshrined in the Constitution, enjoin the Indian state to promote both the universalisation of knowledge and the upgradation of the skills of all the people of India.

But we digress. Let us return to Ziman's analysis of the 'chaining' of Prometheus. Ziman is quick to point out that "The defect of 'market pull' as a paramount principle of science policy is that it underestimates the inherent unpredictability of scientific discovery". He gives the example of the 'Strategic Defence Initiative' of the US which promoted the development of 'pure science' which in turn helped to develop 'generic' or 'enabling' technology. The market is not interested in pure science. According to Ziman, "Contemporary changes in the way that research is organised are putting this tradition (of encouraging pure science) under pressure. ." 'Strategic research' is encouraged with a definite purpose, whereas pure science is what scientists are free to pursue, at the taxpayers' expense. Increasingly, however, scientific information is being commoditised. To quote Ziman again, "The actual boundary between science as *public* knowledge and technology as *proprietary* knowledge has never been sharply defined." Increasingly, however, the convention of keeping science and scientific information – and the promotion of science as a process of enhancing public knowledge – is coming under threat.

Ziman sees this as an inevitable process; he recognises that politicians are under increasing pressure to cut public funding of the spread of scientific knowledge, scientific research and science education. He, as a scientist, regrets this development; and he points to the danger of any external agency – external to the scientific community – setting 'priorities' for scientific research. And yet he pleads for continuing encouragement to human quest for greater knowledge, he pleads for

"-Social *space* for personal initiative and creativity;
time for ideas to grow to maturity,
– *openness* to debate and criticism;
– hospitality towards *novelty*, and
– respect for specialised *expertise*."

Alas, Ziman is crying in the wilderness. Exactly 75 years back, Alfred Marshall wrote presciently, "knowledge is our most powerful engine of production; it enables us to subdue Nature and force her to satisfy our wants. Organisation aids knowledge... The distinction between public and private property in knowledge and organisation is of great and growing importance; in some respects of more importance than that between public and private property in material things..." (Marshall, *Principles*, Eighth Edition, 1920, Macmillan, pp 138-39).

Why do we hammer away at this point again and again and again? We have, under the influence of neoliberal economists, fallen for the dictum that the 'market' is the best mediator for the allocation of all resources; that 'minimum government' is the best form of governance that even education and health of the people are best left to market forces. Under the IMF/World Bank guided economic policies in force since July 1991, direct taxation is being reduced in order to give "greater space to the private sector". And, as a result, in order to curb the budgetary deficit, not only budgetary support for infrastructure is being cut, even the outlay on education, health, scientific research is being subjected to increasing cuts. We have government colleges and universities imparting scientific education, with no laboratories, or with laboratories with no equipment, or without the materials with which to conduct experiments. When our academia in the universities, in the IITs, in the scientific research institutions should be concerned with such problems as the basic science of materials – not just metals and insulators but ceramics, high-density polymers, metallic glasses, fibre-reinforced composites, amorphous semiconductors, biocompatible alloys, with electron microscopy of structural materials, with the atomic arrangements in metallic glass, with what makes the chain molecules in a crystalline polymer fold up the way they do, with the mechanical properties of composite materials, and now with the boundary between a piece of metal and living tissue (some of the current basic science problems highlighted by Ziman) – our political bureaucracy is driving the rapidly declining scientific community in India, through an increasing financial crunch to seek funding from large-scale industry by orienting and attuning their research endeavours to meet the specific needs of the industries financing research. Scientific organisations like the CSIR have been bluntly told that their research must be tailored to the demands of the market, that they must find commercial sponsors for their research. The only agencies so far spared the axe are the nuclear and space agencies for 'strategic' reasons. But from where will these institutions get young scientists, if the teaching of science is to be downgraded, if research in pure science is to be obliterated from all universities and scientific institutions? Our politicians need to realise that (a) the instrumentation and other equipment required for good, scientific research is expensive; (b) that such research, though occasionally done individually, usually requires group effort, which can only be promoted if there are *teams* of good scientists working in tandem, and (c) that the development of any nation depends crucially on the extent to which its scientists and technologists can keep one jump ahead of the rest of the world in crucial areas which can bring about paradigmic changes – through scientific discoveries and inventions – in production technology, through revolutionary changes in the use of materials, reducing costs, and making for unprecedented changes in output and exports. But these changes can occur only when our scientists are one jump ahead in their analyses of 'materials' and their properties. Where are such teams today other than in the BARC and the NASA? And are the scientists there driven by a market ideology?

Today the establishment of such research in new areas is a distant dream. Regrettably, we are sadly lacking in the universalisation of even primary education, which is now to be funded through external assistance, under the DPEP. There is an elaborate manual laying down the guidelines; even primary education in India has now to follow the dictates of the World Bank.

What has happened to our thinkers, our economists, that they do not see how this country is being rapidly colonised again, through a complete take-over of the intellectuals; indeed, of the formation of the intellect of the coming generations? While *education* languishes, satellite TV beams alluring advertisements of a consumerist society, and the cultural ethos being propagated is that of the MTV, the Zee TV, and the 'V' broadcast of Rupert Murdoch's Star TV. It may be too late to stop this rot – though mainland China has so far resisted it; and indeed, even France has banned television broadcasts from the US – but does our government realise that (a) South Korea and Japan have a domestic saving rate of 34 per cent of the GDP while ours has come down from 24 per cent in 1990-91 to 20 per cent in 1993-94, under our 'economic reform policies'; and (b) that savings do not grow under economic policies based on 'supply side economics' of the Ronald Reagan vintage?

Finally, our government's surrender to the Intellectual Property Rights regime imposed by the developed countries has so far been resisted by our parliament, the amending bill to the Indian Patents Act of 1970 is yet to be passed by parliament. But the director-general of the WTO is not worried because, as stated by him, the government of India is merrily accepting foreigners' applications for patents. Under what authority is the government of India accepting these applications in the absence of an amending Act? Is the Constitution not being violated?

The general elections are not far off. The government of India has already announced a number of populist policies, the most significant one being the idea of midday meals to all primary school children. The idea is a good one. And yet, can nibbling at the problem piecemeal solve the problem of primary education when the *total* net transfer of funds from the centre to the states in 1995-96 is less than in 1994-95?

We need to rethink the entire basis of budgeting, of our education policy, of our policy on science, our stance on intellectual property rights, of the distinction between public and private property in knowledge, of the role of the state in the development process. Gimmicks will not suffice.

COMMENTARY

Summit-Led Humanitarianism

Towards Fourth World Women's Conference

Dipankar Sinha

In the contemporary world humanitarianism in the form of the pursuit of human/social development has emerged as a major focus of international conferences. This globalisation of humanitarianism needs to be critically evaluated for several reasons. For, while such international conferences make possible the thematic documentation of the crises they also lead to an avoidance of any critical evaluation of the development processes which have led to the crises.

ONE need not be well-versed in post modern methodology to realise the fact that the presence of development also implies its absence. The history of development is replete with evidence which shows how the prosperity and well being of some are promoted at the cost of others. If we take development to be synonymous with emancipation we are compelled to notice that the majority of inhabitants of the world have been systematically marginalised to facilitate access to better life for the fortunate few. And one does not have to be a hardcore feminist to know that of the marginalised majority, women have been most vulnerable to exploitation, exclusion, instability, deprivation and violence of the worst kind. Thus there are a number of reasons to appreciate the fact that a high level UN-sponsored international conference will be held from September 4-10, to discuss women's plight and right. However our purpose here is not to discuss the possible agenda of the ensuing conference in Beijing. The main concern here is to present a precautionary note on a growing trend in contemporary development thinking and practice – over-optimism about summit-led humanitarianism.

Since the last and especially in this century, there have been several international conferences on peace, containment of war, nuclear non-proliferation, arms limitation and trade-related issues, to mention some. However what merits special attention is that in the contemporary world humanitarianism in the form of human/social development has emerged as a major focus of widely publicised international conferences, held in some cases as summits – the World Summit for Children (1990), the World Conference of Human Rights (1993), the International Conference on Population and Development (1994), the Social Development Summit (1995) as instances. Even the Rio Conference on Environment and Development (1992), more specifically its Agenda 21, has a number of provisions which, by linking environment and development to the survival of human beings address humanitarian issues directly.

The process of globalisation of humanitarianism in the contemporary world order is gradually gaining such overriding importance that any attempt to initiate a critical review of it – which might reveal some interesting correlations between the contemporary world order and its context-specific development practices – might be construed as reactionary. But a critical outlook is unavoidable if one realises that while humane development is an impending necessity in the world today, a number of indications propel one to argue that several forces specific to the contemporary world order might intervene against emancipation of those suffering from exclusion and marginalisation. Before we explain why, it might be useful to refer briefly to the conceptual background and growth of human/social development – the motive force behind the summit-led humanitarianism.

I

It will not be practicable here to repeat in detail what is widely known in development literature that the major thrust of development, as conceived since the end of the second world war and the period of reaching out to the post-colonial societies, was on economic growth. An obsession with economic growth in both the conceptual formation and practical implementation of development contributed to development becoming synonymous with growth. This in turn gave rise to a dangerous optimism that per capita income, national income, gross domestic product, gross national product, rate of industrial production, of capital formation, of consumption and of investment were the most reliable indicators of a country's success or failure in eliminating underdevelopment. Those who opposed such growth-mania did not regard these indicators as useless because they do not play a vital role in measuring the achievements of a country's economy. However, the measurement of the 'health' of the society, which constitutes the core of development as emancipation does not provide exclusive importance to these indicators. This is primarily because these indicators of growth, in segregating economy from society and in giving exclusive attention to the former, prove to be misleading because an economically advanced country may well have a backward society. The fact that a state enjoys the highest per capita income does not necessarily mean that it has a mature civil society or a high level of nutrition or gender equality or freedom, or even the right to life. It should not, however, be assumed that the mainstream development thought with its central focus on economic growth did not bring education, health or other dimensions of the quality of life under its purview. But a gradual, decisive and steady increase in the significance of the means relegated these ends to the background, and ultimately into oblivion.

The concept of human/social development did not develop overnight. Its root can be traced back to various ideas – while none of them can claim sole parentage, the following is a tentative list of major perspectives which expanded the sphere and relevance of human/social development by generating both positive and negative responses: utilitarianism (including welfarism), neo-classical economics, Keynesianism, welfare economics, development economics, and in a certain way, Marxism. While its roots can also be traced back to the basic needs approach and the alternative development – the ideas ruling the 1970s – the concept of human development began to gain wide circulation in the late 1980s. During this period 'discordant' development ideologues and practitioners, having witnessed the fiasco in the name of development in post-colonial societies, were looking for an alternative to counter the hegemony of growth-centric development. The concept in a sense was institutionalised in 1990 when the United Nations Development Programme (UNDP) published the first issue of the *Human Development Report*. It is worth noting that a number of development scholars who are not exactly fond of growthism – Mahbub ul Haq providing the overall guidance, and Amartya Sen, Paul Streeten, Keith Griffin and Meghnad Desai among others working as advisors – are associated with the preparation of the Report(s).

The *Human Development Report*(s) familiarised us with what is known as the Human Development Index (HDI). The HDI combines life expectancy at birth, access to sanitation, safe drinking water, health services, daily calorie intake, female-male gaps, rural-urban gaps, profile of homicides, suicides, child mortality rate, illiteracy rate, to mention only few, with 'traditional' indicators like real GDP per capita and GNP per capita to provide a "composite measure of human development". In asserting that the concept of human development not only

encompasses the development of people but also development for people and development by people, an attempt is made to stress the significance of developing human capabilities and their productive utilisation. Keeping in view the "means over the ends" approach of earlier development practices, the concept of human development, it is stated, "broadens the development dialogue from a discussion of mere means...to a discussion of ultimate ends". The essence of social development, it should be added, is much the same. Perhaps the most distinguishing feature of the two conceptual formations of humanitarianism-based thinking is their prefix. Apparently it might seem that prefixes like human or social are superfluous because development is ultimately a process of human/social transformation. However, the disastrous consequences of dehumanised development with its heavy toll of both natural resources and decent human existence around the globe provide enough ground to use the prefixes as constant reminder of what development is all about.

Thus there could be a number of reasons; especially for those having first hand experience of the continuing development fiasco in the third world, to support the zeal with which some of most distinguished development scholars and professionals from different parts of the world are trying to promote the cause of humanised development. This is particularly laudable in an era when the humanised message of Marxism, at least for the time being, has been reduced, partly because of some of its insentitive 'adherents' to curiculare existence. But the attempt to provide legitimacy to international meets as the most reliable implementing agency of human/social development might not be the best way of promoting humanitarianism; in fact, as we shall argue, it might be self-defeating.

II

The central plank of our argument is not to be equated with the more simplistic statement that the current spate of international conferences and summits only serves the purpose of superficial discussions on humanitarian issues. Such sweeping generalisations tend to miss the key-paradox associated with these meets: while globalising humanitarianism these meets simultaneously cater to the interests of the dehumanised world order. Interestingly the key-paradox is overlooked also by the overenthusiastic advocates of summit-led humanitarianism. Let us provide some clues to the elusive paradox.

The major source of both optimism and over-optimism about the summit-led humanitarianism is much the same: that these meets play a contributory role in placing various crucially important issues of humanised development on the global agenda and in promoting what is known as international capacity building. Any keen observer would agree that a number of issues ranging from human rights, environmental consciousness, gender relations, health care, food, shelter and education to organised crime, corruption, illicit arms trade, illicit drug trade, xenophobia, terrorism, drought desertification and poverty have been globally problematised in the fora of these meets. This not only facilitates awareness both at the level of state and at the level of civil society around the world but also strengthens the struggle against the mainstream development thought and practice. It is clear from the range of issues mentioned above that none of them, with the exception of poverty, were considered significant enough by the exponents of mainstream development. The very fact that the fate of children, for the first time, was linked to the state of development at the Child Summit, or that a linkage of environment and development was established with a humanitarian focus at the Rio Earth Summit or that poverty, lack of employment and social disintegration were combined to visualise a development pattern at the World Summit for Social Development at Copenhagen provides a sufficiently strong impression that these meets have great transformatory potential. It is perhaps (over)optimism about the transformatory promise which sometimes results in such meets taking place within a very short period with no evaluation being made of the progress during the intervening period. To elaborate, the $ 28 billion-expensive Copenhagen Summit which had alleviation and reduction in poverty generation of productive employment, and enhancement of social integration as 'core themes' had brought women under its purview. It has been asserted in the Declaration of the Social Summit that attempt shall have to be made to establish "structures, policies, objectives and measurable goals to ensure greater balance and equity in decision-making process at all levels and broaden women's political, economic, social and cultural opportunities and independence and support the empowerment of women". Several measures ranging from literacy education, equality of status and opportunity, to employment, rights and freedom and grass roots level mobilisation for leadership, have been elaborated in the Declaration and the Programme of Action of the Summit. One might 'legitimately' wonder whether the Beijing Conference will be effectively able to monitor and evaluate the progress made with regard to women's rights at the global level. The argument remains valid even if one takes into account the fact that there has been a 10-year gap between the Nairobi Conference (1985) and the Beijing Conference – the meets to discuss women's issues exclusively. The borderline between necessary overlapping and unnecessary repetition is extremely blurred, and the failure to distinguish between the two would have adverse repercussions on the struggle for human development. But what if one traces some other motive which deliberately gives rise to the 'repetitive zeal'? As hinted earlier, a fundamental feature of these meets is the 'regularity' with which they scrupulously avoid a critical view of the contemporary world order. If the statement seeems too precise, it needs further clarification. Salvaging humanitarianism in the contemporary world needs to go beyond mere problematisation of humanitarian issues by linking them to the state of the world. It needs to explore the nature and functioning of the contemporary world order and its institutional structures to reveal the hindrances – political economic and cultural – to the promotion of human face of development. A regular feature of the summit-led humanitarianism – as evident from the Declaration(s) and the Programme of Action(s) of various meets – is that an elaborate, true-to-fact and systematic presentation of the crises-ridden world is followed by highly reformist recommendations many of which are in reality responsible for perpetuation of these crises.

III

Evidently the recommended measures of summit-led humanitarianism have a narrow institutional base which is specific to the contemporary world order. One or two instances can be given to illustrate the point. All the conferences and summits mentioned here were held under the banner of the UN; the Beijing Conference is no exception. Apparently there could be nothing against involving an organisation of the stature of the UN in promoting humanitarianism at the global level. But those who resort to "if not the UN, what else?" logic with regard to the dissemination of humanitarian messages across the world tend to overlook, deliberately or otherwise that the UN might not be as neutral or as effective as the concerned citizens of the world would like it to be. While the UN celebrates its 50th anniversary this year there has been a significant erosion in its legitimacy and effectiveness. At present in Bosnia the blue helmets are losing face, as one observer puts it. The pathetic failure of the UN Peace Keeping Force in Bosnia is, however, not the only instance. The UN's partisan role and confusing activities in Somalia and Rwanda, and the shocking instance of manipulation of its might and legitimacy during the Gulf War have generated reactions in the form of frustration and anger. The most recent allegations against the UN concern its 'strict silence' regarding human rights abuses in the veto-wielding states and promulgation of 'super censorship' to delete uncharitable references to the organisaton. In short, the credibility of the UN is at stake as never before.

In our view, there can be two categories of advocates of summit-led humanitarianism, of those who expect the UN to play a key-role in the mission. The first category consists of those who sincerely but naively believe that the UN is the agency to make their dream of human development a reality. In overestimating the 'immunity' of the organisation from all kinds of pulls and mani-

pulations they tend to miss the crucial point that for the developed states the stakes in retaining the de-humanised development patterns and practices are quite high. The other category consists of those who, being fully aware of the vulnerability of the UN to the dictates of the 'supervisor-states' of the 'New World Order', recommend a leading role of the organisation to prevent the struggle for human/social development going out of control of the powers that be. Thus, both the categories – the first unintentionally and the second deliberately – minimise the possibility of posing any radical challenge to the contemporary unjust world order

That the summit-led humanitarianism rules out any possibility of structural change in the contemporary world order also becomes evident when one sees how it accords a leading role to two of the most important institutions – the IMF and the World Bank It is interesting that while the Fund-Bank-sponsored economic stabilisation and the structural adjustment programmes (SAPs) necessarily lead to drastic reductions in government spending on social services – thus aggravating the sufferings of the poor who bear the brunt of such reductions beyond redemption – the advocates of summit-based development, as evident from the recommended measures provided in the Programme of Action(s) of various UN-sponsored conferences on humanitarian issues, would think it proper to strengthen the Fund-Bank system. One might point out that in the Social Development Summit it has been mentioned that efforts would be made "to reduce the negative effects and to improve the positive impact" of the SAPs in order "to make them more sensitive to the needs of social development". But this argument cannot be overemphasised to be optimistic about the SAPs primarily because, as pointed out by Kitazawa Yoko to the delegates of the Copenhagen Summit, the programmes are a product of a specific kind of economic model/framework which, being obsessed with growthism and 'free' market, cannot be on friendly terms with the idea of social development. Even if the advocates of the SAPs continue to argue that the programmes in recent years have become more humane, thus tacitly acknowledging their de-humanising role in earlier years, the aggravation of the plight of the debt-ridden countries – a result of the imposition of the conditionalities associated with the SAPs – prove otherwise.

In visualising an impossible and implausible compromise between the demands of the prevailing economic order and the imperatives of human/social development, the summit-led humanitarianism advocates the opening up of all areas of economy of the developing countries to the transnational corporations (TNCs), with the expectation that the TNCs would make themselves 'humanised'. Having an 'impressive' record of political interference of showing utter disregard for the laws, society and culture of 'backward' states and the people of 'primitive' societies, and of creating environmental havoc (as the case of Bhopal), the management of the TNCs might find it very difficult to refurbish the familiar image of their organisation even if they wish to. Moreover, developing a humanistic outlook in the prevailing economic order which is based on cut-throat competition for control of the market would not ensure any substantial return in terms of profit.

That the summit-led humanitarianism would hope to make the Fund-Bank system and the TNCs more 'humane' is not surprising considering the fact that its ultimate aim is to create, as stated in the Copenhagen Summit, a "socially equitable liberal economic order" It is worth noting that in trying to reverse the history of global development by making the liberal economic order 'socially equitable' the recommendations do not suggest any change in the composition of the Fund-Bank structure. Thus it rules out the possibility of tilting the balance in favour of the least developed or developing states. It is also as part of the effort to keep the structure of the neo-liberal world order undisturbed that the summit-led humanitarianism adopts a very favourable view of the GATT — the third part of the 'trinity' of the inequitable world order While we do not want to repeat here the details of the controversy relating to the Uruguay Round of the GATT what must be reasserted is that in spite of the endorsement of the Round of almost all the developing states at Marrakesh on January 1 this year the recolonisation process in the sphere of world trade, as initiated by the architects of the Round, would ensure subjugation, not just subordination, of these states to their developed counterparts.

To refer back to the too frequent recurrence of meets dealing with humanitarian issues one can try to trace the motive in terms of an organised endeavour to repeat the conservative recommendations to drive home the point that the prevailing world order is 'liberal' enough to accommodate human/social development. We can refer to another instance to substantiate the same point, while the Agenda 21 of the Earth Summit – recognised as the most comprehensive document on human/social development – was prepared in 1992, was there any necessity to repeat most of these points and issues in preparing a charter of social development during the Social Summit in 1995? And that too without providing any account of the progress made during the last three years?

The suppression of women, as reflected in the history of human civilisation, knows no boundary; it is being carried on from time immemorial in all parts of the world with equal intensity, transcending all cultures. This has led us to be accustomed to viewing things and conceptualising issues by completely excluding the experiences and perspectives of women, as if they did not matter. The world has always been a man's world because the 'reality' in both the ontological and existential senses has been constructed by man. To recall Sandra Harding's celebrated comment, we have so far asked only the questions about social life that appear problematical from within the social experiences that are characteristic of man. It is highly encouraging for those concerned with the status and role of women that gender issues are increasingly gaining prominence, having passed those days when, in Sheila Rowbotham's words, they were "hidden from history". However in the days of aggressive globalisation, with everything measured and valued in terms of consumerism, the task of countering what Frederique A Marglin describes the "repressive entailments of society" – namely, the ideology and reality of domesticity – and of developing women's minds to assure their achievements in the public sphere will be met with stiff resistance from those who gain from the prevailing inequitable system. After all we live in a world where we have instances of governments indirectly initiating pre-teenage girls into prostitution in south-east Asia to promote international tourism and improve foreign exchange reserves.

If the Beijing Conference, following precedents set by summit-led humanitarianism, recommends only cosmetic changes to the existing gender-related norms and practices, by conveniently avoiding deeper and harder explorations, no purpose would be served. We need to take cognisance of the fact that the issues of everyday life, including those pertaining to women, do not exist solely at the level of 'practice'. They have a real, even if apparently invisible, methodological link to the constitutive logic of the existing order and its orderly mode of operations Thus, female infanticides or cases of bride burning in India, or the organised promotion of girl-prostitutes in south-east Asian countries or wage discrimination against women all over the world or lack of access of women to education and health care cannot be viewed sectorally These are only the 'symptoms' of a discriminating order which, lacking in gender balance, discourages women from meaningfully participating in the decision-making process. But the problem is when social relations and institutions tend to become 'reified' we create and perceive the world through the 'mask of reification', without raising or letting others raise questions and doubts about relationships or ideas that give rise to inequality, oppression and tyranny. The process of reification, in course of time, contributes to paralysis of perception, causing us to lose the transformatory zeal. If the participants in the Fourth World Conference on Women decide to do something drastic in the sense of being constructive, they should go beyond the rhetorics of transformation. The dominant development discourse has always been long on rhetoric and short on sincerity. To reinstate the same, in accordance with the 'tenets' of summit-led humanitarianism, will be essentially self-defeating.

KASHMIR

Caught between the Army and 'Guest' Militants

Gautam Navlakha

On one side is the security apparatus aiming to crush armed and unarmed Kashmiris because they are Muslims. On the other side are the 'guest' militants determined to convert a national movement into a religious war. Between the two, the voice of the Kashmiris for 'azadi' is getting drowned.

AT the end of May 11 the ledger of Indian nation-state contained the following account of Charar-e-Sharief: 1,310 houses destroyed, 1,460 families rendered homeless, and the shrine burnt down. Twenty militants, including Mast Gul, escaped the army dragnet. Troops displayed 9 bodies out of the 29 militants allegedly killed and claimed there were no civilian casualties. But five bodies turned out to be those of civilians. At the other end, months after the event, relief and rehabilitiation work is crawling along. Let alone compensation, interim relief has not been distributed to 370 affected families before disbursement was halted. Whereas 1,310 houses were gutted compensation will be provided to 842. Meanwhile, delay in disbursement means that with autumn just a couple of months away reconstruction of houses cannot begin until next year.

The shrine and its surrounding habitation of 26,000 once were a fulcrum of activity. Two hundred buses visited the town daily. And livelihood of people was intimately tied to the shrine. Not much remains. There are few visitors and little sign of life. The destruction reminds one of a war zone. Debris and burnt out remains had replaced mohallas on the three sides of the shrine which were home to a quarter of the town's population. Instead of the mosque sections of walls remain, and instead of the 500-year old rosewood ziarat a makeshift tent covers the 'mazar' of Sheikh Noor-ud-Din Wali. Where crowds once filled the precincts, only vast empty grounds remain. The bus-stand with eateries and other shops all along the wall of the shrine look forlorn.

Destruction of the two Charar-e-Sharief known for the ziarat of Sheikh Noor-ud-Din Wali, patron-saint of Kashmir, could have been averted, if the objective was removing the 30-40 militants. By granting 'full authority' to the army, prospects of a peaceful settlement took a backseat. Army prohibited journalists and 'outsiders' from entering the town. As the PUCL-CFD report points out a 10-member committee formed by the townspeople acted as a go-between the militants and the army to thrash out an agreement for safe passage. But the local army commander thwarted every possibility of this. In fact after agreeing to hold direct negotiations for which a 48-hour ceasefire was worked out army began firing (*The Hindu*, August 10). If the militants had shown unwillingness to negotiate safe passage then their motives could have been questioned. In its absence, army's actions call for a thorough probe for failing to give priority to protecting the people, the shrine and the town.

Aftermath of Destruction

True, there is no agitation over Charar-e-Sharief any more. But rage has been replaced by grief. Curfew, suppression of every demonstration of anger or sorrow, arrests of leaders, past experience of firing on crowds by the security forces, all combined to stop protests. But people are also hamstrung by the lack of empathy exhibited by Indians for them and their loss. Those who lament the demise of 'Kashmiriyat' entertain no doubt over official narrative. The 22-member parliamentary delegation which visited Charar-e-Sharief posed no questions when people accused the Indian army of the destruction. Their statement issued on May 20 limits itself by asking the governor about the "alleged inaction... in foreseeing and forestalling the happenings". Militants had been present in Charar-e-Sharief since last October but the MPs did not find it intriguing that the army began its operation on the last three days of Ramzan, including Id-ul-Zuha. What was the hurry after claiming the militants were planning to blow up the shrine? The MPs in fact entertained no doubt that the shrine was burnt by Pakistani agents. Once the prime minister clarified that the government of India (GOI) never orders inquiries into the operations of security forces they readily agreed. This meant that once security forces are deployed to deal with insurgencies then their conduct is subject to no restraint. When this is combined with the callousness of the parliamentary delegation which spoke of providing 'liberal assistance', having no time to re-visit and find out about relief and rehabilitation, one can hardly fault the Kashmiris for feeling that the articulate Indians want Kashmir not Kashmiris, and therefore, do not care what happens to them. Willy-nilly every Indian has become an accomplice in the crime of suppressing the democratic right of Kashmiris to opt out rather than accept terror and misrule.

The visit of the US envoy Frank Wisner in June also drove home the point that 'national' interests remain the paramount concern which inform relations between and within nation-states. Of course, no one interrogates the premises and claims of 'national' interests. Notwithstanding, all the scams, cover-ups, demolitions compelling introspection, even the cost of anti-insurgency has not been calculated. In suppressing militancy, escalation in the incidence of violation of life and liberties of people is inescapable. News of major conflagrations are difficult to squash when they occur, which they do at regular intervals. Western powers led by the US then trade off their non-intervention or acquiescence on Kashmir in exchange for climbdown by the GOI on major issues. From the GATT-WTO negotiations to patent regime, and intellectual property rights to opening of infrastructure and insurance sectors, all have coincided with increase in activity at the UN or some other international forum over Kashmir. The price extracted on account of coercive policy on Kashmir is not known but opening up of power, telecommunications, insurance would mean billion dollar businesses. Like it or not, Indians are being made to pay a high price for GOI's violent subjugation of the Kashmiri movement. Instead of rolling back military rule GOI seeks to contain any opprobrium they incur by managing the outflow of news. For instance, by focusing attention on BBC's coverage of Charar-e-Sharief, critical news was discredited, shifting attention from the tragic event to its 'distorted' coverage. BBC's shoddy news editing came in handy. But Indian print and visual media participated unmindful of the need to examine their own pre-suppositions. This resulted in the government's evasion of accountability to their people or the international community. All this contributes in silencing Kashmiris.

Behind all this is a policy that privileges *militancy* over the *movement* and therefore denies the need to address the basic issue of people's alienation. Herein lies the intrinsic failure of the policy of coercion because such an undemocratic response cannot distinguish between armed and unarmed people. No family in the valley has escaped being affected by it. Out of an estimated 20,000 deaths in past six years maximum number have been of civilians caught in the crossfire. No less than 11,000 'militants' are in detention. Former chief of intelligence bureau, M K Narayanan, wrote in a paper presented in 1994 that 70 per cent of the 50-60,000 Kashmiri yough, i e, 35-40,000, who crossed over to Pakistan had been 'neutralised'. (*The Hindu*, November 18, 1994. This could mean anything from their annihilation to their arrest. As a result, popular estrangement has been aggravated and militancy has grown. He also wrote that 'terrorist incidents' rose from 400 in 1988 to 5,000 in 1993. And that in first half of

1994 there were 4,200 such incidents. During this period number of militants rose from less than 300 to 12,000 and central government forces from 3,000 to 5-7 lakh! In Doda district until last year there were 4,000 securitymen; now there are 20,000, including the Rashtriya Rifles. Militants have become stronger say local officials (*The Tribune*, July 30). For instance after militants overran a RR camp in Puneja village (Bhaderwah) recently, RR picked up 300 youngmen. Fifty were so badly tortured that they had to be admitted to Bhaderwah hospital. This will provide new recruits for militants. This confirms that 5-7 lakh soldiers, bunkers, checkpoints, searches, arrests, torture, and killings cannot contain militancy. Despite this overwhelming evidence indulgence is shown towards hardliners.

Going by appearances, the daily grind prevails over 'azadi'. People appear to be leading a normal existence. With this has grown the official belief that people desire peace rather than a peaceful solution. But appearances can be deceptive since there is an element of getting used to militancy. Admittedly there is disgust at many acts of the militants. But this does not amount to disavowal of their political aspiration to opt out of India. Indeed the surface calm is misleading and the heavy hand of the military is evident everywhere. For instance, in public or privacy of home a Kashmiri can be asked to show proof of his/her identity including children above the age of six. For border areas there are special IDs provided. In the valley of approximately 35 lakh population there are anywhere between 5-7 lakh security forces, i e, a soldier for every five to seven Kashmiris! In addition there are bunkers at major crossings, and multiple checkposts on the highways which provide enough opportunity for delay, corruption and harassment. Worse, there is no insurance against a force taught to treat every Kashmiri as an enemy.

In other words Article 21 of the Constitution (right to live with dignity) does not apply for Kashmiris. No distinction is made between those who use guns and those who voice their desire to opt out of India. Democracies recognise the difference between the two and neither permit its blurring nor waive proper legal proceedings. But Jammu and Kashmir (J and K) is governed by arbitrary rules. Once "you deny the distinction between essentially different types of the same crime, then you deny the crime as distinct from the law and you do away with the law itself". Therefore, "an undifferentiated harshness destroys all the effects of punishment for it has destroyed punishment as a consequence of the law". Such is the state of lawlessness that the administration shows utter contempt towards the courts including the J and K High Court's orders related to habeas corpus petitions. Thus, fewere people, including lawyers, come forward to talk and narrate their experience. Fear is expressed about being hauled up by security forces if they are discovered talking to the press, people's right activists or for filing FIRs. The last is a basic right of everyone in a democratic society. But to gloss over this, and as part of psychological warfare, state administration has taken to 'investigating' allegations of atrocities. In what can only be considered cynical, the agency against whom charges are levelled is asked to submit its account which is accepted as the authoritative version. This enables a fair degree of news-management.

Fall-out of Anti-Insurgency

A major divide in J and K today is between those who believe that guns alone can win for Kashmiris their right of self-determination and those who argue that it can only be a part of a struggle that the movement undertakes for achieving its objective. From the heady days of early 1990 when lakhs protested on the streets and a million marched to Charar-e-Sharief to years when the gun ruled, the movement reached a point where a section of leadership began articulating the need for more political action. Until 1993 few Kashmiri leaders were willing to or dared to leave the valley for addressing meetings or press conferences anywhere in India. This changed after 1994 and by early 1995 a number of well publicised visits and meetings took place in which Jammu and Kashmir Liberation Front (JKLF) and Hurriyat leaders participated. Indeed, release of Yasin Malik, Shabir Shah and the return of Azam Inquilabi helped this process. Shabir Shah after his release first visited Jammu and the camps of migrants to begin his political campaign. Indeed, they insisted that the movement must begin to acquire a political profile by meeting, discussing, and informing public in J and K as well as outside the reason for demanding the right of self-determination. It is true they did not spell out their programme but insisted that they were committed to building a democratic J and K and asserted their right to self-determine their future. This manifested a political maturing of the movement and helped to blunt the thrust of Indian propaganda that had presented them in demonic colours. Ironically, if GOI was sincere about a negotiated solution it ought to have encouraged this process. Not only was this response not forthcoming but GOI went ahead to humiliate leaders who spoke of guns as not providing a complete answer. Four months after Azam Inquilabi laid down arms and returned from exile in December last, BSF raided his house to search for guns and then arrested his advisor Jehangir Butt. Expectedly, the very next day militants visited him to ask if he still believed that GOI could be persuaded to start a dialogue without the help of the gun. This process was most dramatically brought out during Charar-e-Sharief impasse when GOI opted for confrontation by disallowing JKLF and Hurriyat leaders from visiting the town to persuade the militants to pull out. They were beaten up and detained. This once again made the gun appear as a more attractive proposition for the youth pushing the need for initiating other forms of struggle to the background.

To this must be added the inability of the movement to bring the gun under their control as exemplified in the escalation of internecine killings. The 'civil war' has reached a stage with breakaway groups from Ikhwan-ul-Musalmeen or Muslim Mujahideen targeting Hizb-ul-Mujahideen (HM), whom they regard as their main enemy, thus depleting the ranks of local militants. These renegade militants operate with official blessing for their kill and loot operations. On July 6 four journalists were kidnapped from heavily fortified Pratap Bagh, in the heart of Srinagar, past several checkpoints and bunkers, by Kuka Parrey faction of Ikhwan. The grouse of the abductors was that whereas the newspapers carry the handouts of HM, their rival they are provided no space. Tired of this, newspapers began retrenching staff and toyed with the idea of suspending publication until militants sorted out their differences. That the matter was sorted out, for the time being, suggests that the leadership and people are trying to resolve their predicament. But they have not met with the same degree of success in their dealing with the 'guest' militants who have begun to play an assertive role.

HM remains the largest militant group but even here the 'guest' militants occupy key roles as exemplified by Mast Gul in Charar-e-Sharief. But the organisation most in news lately is Harkat-ul-Ansar which is active in several countries including Bosnia, Tadjikistan, and Afghanistan. These 'guest' militants remain outside the control of all the political groupings and take independent decisions which evern now and then jeopardise vital interests of the movement. The latest being the beheading of Norwegian hostage by Al Faran on August 13 and the little noticed killing of four local hostages the same day. This also came to light in Charar-e-Sharief where Mast Gul despite being 'advised' by HM leadership to walk out stayed put because GOI's offer of safe passage was found 'insulting'. Significantly, unlike early years of the movement 'guest' militants are largely responsible for a number of kidnappings. Indeed, according to Hurriyat leader Maulana Abbas Ansari, Al Faran, said to be the front for Harkat-ul-Ansar, had also demanded ransom money for the five hostages. Pahalgam (besides Doda in Jammu region) is one of the main area of HUA's operation and they have refused to condemn taking of captives because in Doda district they have been involved in kidnapping for ransom, killing of hostages, etc. Of course, Hurriyat leaders have condemned these acts and maintain that this has "damaged the cause". In order to distance themselves, they called for a strike on August 16 in the valley to express solidarity with the four hostages left. Significantly, it is HUA that decided to disrupt the pilgrimage to Amarnath cayes ignoring the appeals of Kashmiri leaders not to do so. They have also accepted the

responsibility for the July 20 and 26 bomb blasts at Jammu in which 18 persons died and for four of bomb blasts during the yatra.

The political fall-out of this is that GOI's efforts to project the issue in communal terms is now reciprocated by 'guest' militants. Not only do the 'guest' militants undertake actions that target civilians but their foreignness goes a long way to substantiate GOI's propaganda that J and K insurgency has little local roots and is Pakistan-inspired. Thus, the enemy is now both foreign, fundamentalist, cruel, and undeserving of any sympathy. But by refusing to distinguish between the political leadership and the populace from the 'guest' militants the entire movement has been projected as communal at the ground level. As a result none questioned the advisability of letting 'Hindutva' forces lead the pilgrims to Amarnath yatra which resulted in frequent clashes with Kashmiri policemen, ponywallahs, shopkeepers every time something went amiss, a bomb exploded or there was mismanagement, simply because they were Muslims. Hindutva musclemen charged them with being Pakistan's agents. Officials did not bother to project or inform the citizens that these people were braving the warnings of the 'guest' militants. And unlike the pilgrims these Kashmiris will continue to live in the valley. Thus, on the one side, is the security apparatus which sees its task to crush armed or unarmed Kashmiris because they are Muslims. On the other side, are the 'guest' militants, backed by organisations which operate autonomously and determined to convert a national movement into a religious war. For both sides secular democracy is anathema. It is also important to recall that in the first phase of anti-insurgency GOI targeted JKLF. This enabled HM to consolidate its hold. The second phase focused on HM thus enabling the 'guest' militants to get an upper hand. Because of this more troops were deployed, clashes mounted, atrocities rose phenomenally, and more youth joined the ranks of militants. In such a climate, the three-tier action plan – of putting a tight leash on the civilians; of encouraging renegade militants to unleash a fratricidal war; and allowing 'guest' militants to gain pre-eminence – signals a brutal turn to events. The lesson of Charar-e-Sharief is that Indian security forces will not flinch from destructive operations whereas the 'guest' militants will fight unmindful of the interests of the movement. An Afghan-type war for gaining the upper hand can get enacted in which no side will give any quarter. Obviously, security forces overrate their capacity to master every situation notwithstanding monumental failures like the one at Charar-e-Sharief or inability to track down five foreign and 30 local hostages so far. But between the Indian troops and 'guest' militants voice of Kashmiris gets drowned; be it their political demand of right of self-determination or their protest against atrocities. This suits the GOI.

The GOI presumably believes that sooner or later the leadership of the Kashmir movement can be compelled to accept the offer of GOI to 'consider' quantum of autonomy once 'elections' are held. From the reasons cited for on-now-off-again elections for the past one year, it is clear that the postponement of elections was based on contingent factors and not on any strategic re-thinking. And now that the US and the EU envoys are hammering home to Kashmiri leaders that they see elections as serving a useful purpose, GOI is convinced that it can repeat an Assam or a Punjab. Elections will not be supervised by a neutral agency but by the security forces people despise. However, the belief that people will surrender their goal of 'azadi' may be misplaced because the Kashmiris justifiably mistrust New Delhi. It has been a matter of state policy right from the start to erode internal autonomy of J and K Beginning with opposition to 1948 radical land reform on grounds that it targets non-Muslim jagirdars and smacks of communism, legal assimilation started with presidential orders of 1954: (1) The J and K Constitution (Amendment) Act 1954 deleted section 75 of the J and K Constitution Act 1939 which had made the council of ministers the final interpreters of the J and K constitution. Thereby the Sadar-i-Riyasat, i e, the governor, acquired this power; (2) The Constitution (Application to J and K) Order 1954 was issued by the president whereby the jurisdiction of the centre was extended from the original three subjects of "Defence, Foreign Affairs and Communications" to all subjects on the union list along with the residuary powers. These orders were passed on the same day – May 14, 1954. They violate the very first provision of the Delhi agreement (July 24, 1952) which have J and K a special position within the Indian union by conceding that "sovereignty in all matters other than those specified in the Instrument of Accession continues to reside in the state". The 1954 orders extending the powers of GOI included two important provisions: it outlaws any activity which disclaims, questions or disrupts the "sovereignty and territorial integrity of India" and any "insult to the Indian National Flag, the Indian National Anthem and this Constitution" is deemed to be a treasonable act. Both these provisions were in accordance with the wishes of the RSS and its fronts which had been agitating for full merger of the state into India. A month prior to this, in April 13, 1954, customs barrier was removed and J and K became economically an integral part of India. Subsequent years saw extension of Article 312 in 1958 bringing J and K under All-India Services. By January 1965, Articles 326 and 327 enabling the centre to bring the state under the governor's rule without the consent of the state legislature was made applicable. And in 1966 governor Jagmohan 'concurred' with the centre's extension of Article 249 enabling the parliament to legislate on matters in the state list on the strength of a Rajya Sabha resolution.

This being the case, talk of constitutionally guaranteed autonomy is a non-offer. Admittedly, in the short-run a 'settlement' could be forced on Kashmiris. However, the ruthless crackdown which has affected every family only reinforces a reading of the past that is filled with betrayal and violation of every pledge made before the parliament, in the UN, and in public. But while GOI deals its cards the movement is not bereft of resourcefulness. For instance in spite of the best efforts of GOI to keep the movement divided, JKLF decided on August 10 to bury the hatchet and join Hurriyat Conference. The announcement was met by tumultuous ovation by two lakh devotees gathered at Hazratbal. This is all the more remarkable because just two days before this one more JKLF member was allegedly killed by HM. In other words, where there is repression there will be rebellion and where there is attempts to sow discord there will be counter-vailing efforts to close ranks. Besides, local and 'guest' militants will not vanish just because a patch-work arrangement is imposed. Paradoxically, there are forces who profit from the political-economy of anti-insurgency and have a stake in its perpetuation. The several cases that have come to light about the involvement of CRPF, BSF and the army in drug trafficking (*The Statesman*, August 14) shows what 'free hand' given to security forces can come to mean. Financial burden of Rs 2,000-3,000 crore annually on account of anti-insurgency is also of no consequence for those who desire cutback in social investments and augmentation of security apparatus. And yet it is those who profit that guide, if not dictate, government policy. Punjab shows the difficulty encountered in reining in a force which begins to hold on to its powers and profiteering ways. A recent incident highlighted the clout of security-intelligence apparatus. It criticised granting of visa to a Pakistan MP Maulana Fazlur Rehman on grounds that its opinion was not considered, that he was linked to HUA, and that this would demoralise the forces in J and K. Whether their allegations are true or false is not the issue. The point is their assertiveness to question a decision of GOI. It is important to note that notwithstanding their failure and no matter how big their crime, they escape all punishment or criticism in the name of 'national security'. No one interrogates the 'national' in security operations. Therefore, the crossroads at which the Kashmir dispute has been brought will not only reduce the chances of a democratic solution but threaten to carry forward subversion of democratic rights of Indians by the indulgence shown to military, para-military and intelligence apparatus by the GOI and the parliament. This is nothing but an invitation to another danger.

Vinayak Mahadeo Dandekar

Anand S Nadkarni

To describe Dandekar as an aggressive intellectual who used wit and sarcasm to win debates on issues of social importance is to do injustice to the essential humanism of the man. He was deeply interested in studying closely the country's social problems with a view to discovering how best they could be made more manageable, if not eliminated altogether. The focus of his attention was primarily the disadvantaged sections of the community and the approach was basically constructive.

VINAYAK MAHADEO DANDEKAR, the renowned economist, passed away in the early hours of Sunday, July 30, in Pune. A large part of Dandekar's working life was spent in the Gokhale Institute of Politics and Economics, Pune (GIPE). He succeeded D R Gadgil as director of the Institute and built on the firm foundations laid by Gadgil, the founder-director. For a long time before Dandekar took over from Gadgil GIPE was looked upon as a centre of research principally in agricultural economics. Dandekar tried to give the Institute a wider identity by opening new sections such as those in monetary economics, finance, study of socialist economies of eastern Europe and so on. In 1970, during the interregnum separating his two stints as director of GIPE, a very short one and a much longer one, he founded the Indian School of Political Economy (ISPE) at Lonavala near Pune After his retirement from GIPE in 1980 he devoted all his energies and attention primarily to developing the ISPE as a worthy centre for the study of Indian economy, polity and society. As a part of this effort, the ISPE started in 1989 its own periodical, *Journal of Indian School of Political Economy*, which became a regular quarterly in 1991. Both in terms of the nature and quality of its contents, the *Journal* has established an identity of its own, the credit for which has to go largely to Dandekar.

I came to Pune in 1955 as a lecturer in economics in the Brihan Maharashtra College of Commerce. Within a few months' time I came to know Dandekar at a meeting of the Economics Discussion Group consisting of economics teachers from the GIPE and Pune-based colleges, with D R Gadgil as the chairman. The group used to meet at regular intervals with one of the members reading a paper on an economic theme of his choice, to be followed by a discussion. I had an inkling from time to time of Dandekar's wit tinged with sarcasm whenever – and that would be quite often – he expressed his views on the paper being discussed. There was another and wider forum, Poona University Social Sciences Teachers' Seminar, which met once a year to discuss papers prepared on themes fixed sufficiently in advance. At these meetings also Dandekar made his presence felt by his critical comments based upon a careful reading of the papers submitted. During these meetings as a paper writer I had my share of confrontations with Dandekar It was however during the last nearly 20 years that I came to have a closer association with him as a colleague, first in the GIPE and later at the ISPE

Dandekar was not formally trained in economics when he studied for degrees at the Nagpur and later Calcutta Universities. But his training in mathematics and, particularly, statistics during his university days must have helped him substantially when he embarked on a career in empirical economic research by joining the GIPE in 1945. He developed almost an uncanny insight into the tables of data he came across, and over the years he also widened and deepened his perception of ground level realities of Indian economic and social life by getting into close contact with the common people, political and social workers, government officials, teachers, particularly in the rural areas. But his forte, in my view, was his incisively logical mind. This enabled him to see more clearly than many others the intricate interrelations between elements in a social/economic situation so that his analysis that followed was characterised by a refreshing elaborateness of relevant details presented in a logical sequence.

Dandekar was a committed social scientist always alive to the burning issues of the time in the country. His views on these issues arising from his continuous study were presented to the people through his writings and lectures in a frank and forthright manner. As a methodical social scientist he almost abhorred looseness in thinking, particularly among those considered knowledgeable. It was as if he regarded this looseness as indicating a lack of intellectual discipline borne out of some kind of mental lethargy. Dandekar would not tolerate this, and subjected it to frontal attack in his writings and in seminar discussions. There was one more thing which he disapproved of that struck me particularly as I worked with him as executive editor of the *Journal*. This was the common tendency among many authors to display their knowledge by quoting extensively from others, particularly foreign authors, without much justification. On subjecting papers sent for the *Journal* to initial scrutiny Dandekar recommended to authors deletion of such unnecessary quotations in order to make their papers more compact. He was more interested in what the author himself had to say on the subject than what the author knew someone else had said. The identity which the *Journal* gradually developed has much to do with this and several other types of editorial interventions by Dandekar.

Over the years a host of social/economic issues engaged Dandekar's attention, such as poverty, unemployment, water scarcity in Maharashtra, regional imbalance in Maharashtra, the rapidly declining standards in education, the aborted experiment in democratic decentralisation, reform of the electoral system, mind-boggling problems facing women, ban on cow slaughter, pricing of agricultural products, the current experiment in economic liberalisation and so on. Some of these problems, for example, cow protection, or even regional imbalance in Maharashtra are issues on which many people have strong views on sentimental grounds. There are others such as water scarcity in Maharashtra or pricing of agricultural products in the case of which dispassionate objective analysis may not be liked by vested interests. But Dandekar spoke out his mind on several issues without any compunction. In fact, sometimes one felt that he used wit and sarcasm in his presentation with a view to raising a controversy hoping that the debate that followed would generate not merely heat but also some light. It may probably be argued that if Dandekar was much less aggressive in his presentation he would have had a more pliable audience, and this would have helped his mission of educating the people. On the other hand, it is also plausible to say that with people sticking to their prejudices or with vested interests impeding objective assessment, Dandekar felt that only by giving them some kind of a rude shock could people eventually be made to think more clearly and try to comprehend reality. It is difficult to judge which alternative course would yield better results. Every thinker makes his own choice on the basis of his assessment of ground realities as also his own temperamental compulsions.

Dandekar was known for his abiding sense of humour. I remember Dandekar once recounting to us at the tea table at the GIPE with a mischievous smile on his face what a well-wisher said to him when after his first short stint as Director, GIPE, he stepped down on account of differences and started the Indian School of Political Economy. The well-wisher said that though he could quite understand Dandekar's decision to start a new institution, having drifted away somewhat from the GIPE, he (the well-wisher) was at a loss to know why he started a school and not, say, a college! But Dandekar's humour was not always so innocent. In academic encounters he used biting humour as a potent instrument. One may recollect the headings he gave to some of his papers published in the *EPW* joining issue with scholars on themes of current interest. It is likely that many of those who were at the receiving end were irritated, if not angry, on account of this. But it must be said in fairness to Dandekar that the object of his ridicule was not the person who wrote, but the argument which he advanced. What is more, there was one more trait of Dandekar which

I observed. Sometimes in the heat of an argument Dandekar, getting angry, would raise his voice but if, as the argument proceeded he recognised the merit in the argument of the 'adversary' he would back down and redress by owning his mistake. Hence despite bitter academic encounters with him many persons continued to remain his friends.

Dandekar was no respecter of radical social philosophies. He had a poor opinion of socialism, and so also of Gandhism. I always felt that he had not fully thought out his ideas on these subjects. As an Indian economist he was appreciative of the need for economic liberalisation in the country, though he had strong reservations about the way the policy was being carried out by the powers-that-be. He had forthright views on public sector undertakings (PSUs) in India, 'a sacred cow' of the socialists. Considering that PSUs as a group have been loss-making, Dandekar advocated a policy of disinvestment by government in this area and of using the financial resources yielded to repay as much of the public debt as possible with a view to reducing the burden of public debt. He agreed that a PSU may be handed over to workers if they agree to run it at their own risk.

Though Dandekar was thus critical of radical points of view he was quite in sympathy with the basic objective of radical action, viz, promoting the well-being of the disadvantaged sections of the Indian Society. Dandekar included among the disadvantaged section the poor of the land, workers in the unorganised sector and women. He left out the workers in the organised sector of industry as, in his view, these workers were in a position to use their collective power to extract from the oligopoly enterprises a share in the surplus earned at the expense of the really disadvantaged. He came down heavily on several of the trade unions of organised workers which, time and again, held the society to ransom to get a rise in their rewards. In this respect the radicals have a perspective different from that of Dandekar. The trade union movement, to them, is another 'sacred cow'; in consequence they back all types of labour organisations in their exorbitant demands, failing to realise that this trade union action, if successful, would work to the detriment of the really disadvantaged whom the radicals should, in fact, support. Dandekar surely was more consistent in his approach.

In the case of women Dandekar was keenly interested in organising discussion on the conditions of women in India and the probable measures to remedy the situation. The ISPE therefore convened at its Lonavala campus at one time a series of seminars on the subject in which even a number of rural women actively participated. The presentation of their experiences by some of the articulate women participants was eventually published in the form of a book in Marathi *Because I am a Woman*. Dandekar rightly pointed out that women, particularly rural women, suffered immensely because they had to spend a lot of their daily time bringing drinking water over long distances and hunting for fuel for cooking purpose. He expected society to consider these problems with a view to easing the burden on women. Though, many times, Dandekar seemed to make fun of some of the (what he considered as) extravagant statements of women activists he was in a crucial sense a feminist. It is interesting to note that one of his suggestions in the field of democratic decentralisation was that the village panchayat should have only women representatives.

All that precedes indicates that to describe Dandekar as an aggressive intellectual who used wit and sarcasm to win debates on issues of social importance is to do injustice to the essential humanism of the man. He was deeply interested in studying closely the country's social problems with a view to discovering how best they could be made more manageable, if not eliminated altogether. The focus of his attention was primarily the disadvantaged sections of the community The approach was basically constructive I may cite here an illustration of Dandekar's desire to solve a problem to the satisfaction of those who are at the receiving end. Once during his tenure as director of the GIPE a number of MA (Economics) students of the Pune University complained to the vice-chancellor that they failed because of unduly strict assessment of answer-books by some examiners. The vice-chancellor appointed a committee consisting of the dean of the relevant faculty and Dandekar to go into the complaint and report. Dandekar, however, persuaded the vice-chancellor to call an open session to be attended by interested teachers and students in economics in institutions affiliated to Pune University. The idea was that in this open session the answer-books of the complaining students in the different question papers in economics would be read out (without revealing the identities of the students), and students present would themselves be asked to state how many marks could reasonably be given to a given answer to a particular question. Some of us teachers from GIPE attended along with Dandekar; there were some teachers from colleges and a few students. Interestingly, some student activists also made it a point to attend. As the reading went on the students present (not necessarily all of them were the complaining ones) came to realise that many of the answers were totally irrelevant, quite a few of the answers, though not exactly irrelevant, were imprecise, and that generally the organisation of the material presented was far from satisfactory. As all this gradually became clear, student activists beat a hasty retreat, but the students stayed on, heard patiently and agreed that the assessment had not been at all unduly strict. This itself was education for many of those present.

Dandekar, in fact, was essentially an educator in the widest sense of the term. In the initial period the major activity of the ISPE at Lonavala was to train political and social workers, people's representatives in local bodies, government officials in different areas of work, all this with a view to improving the tone of decision-making at the grass root level. Dandekar spent a good amount of his time pondering over the problem of deterioration in the field of formal education, particularly, at the higher level. His analysis of the problem is to be found in his R S Dubhashi Memorial Lecture, 'Reform of Higher Education', delivered at the Pune University on January 19, 1991. As he saw it, the two aspects of the problem which needed to be considered were: (i) "how to make the teachers in the colleges and the universities more accountable for their duties, particularly towards their students"; (ii) "how to make the students more responsible for their studies". Whether one agrees with his formulation or not, here was a serious attempt to think out in details the probable lines on which, according to Dandekar, the system of higher education in the country could be gradually brought on the rails. He circulated among his friends and colleagues at the ISPE and outside a number of ideas for taking quality education to the needy, particularly in the rural areas. One part of this process would be to bring out pamphlets on various doctrines (socialism, liberalism, etc) in Marathi. He felt, however, that it was not advisable to get these written by Marathi authors, as a sufficient number of such authors well-versed in the subject and capable of writing in simple Marathi in a lucid manner may be wellnigh impossible to find. He therefore floated the idea of getting lucidly written material in English by mature scholars translated into Marathi. These translations properly touched up by linking the material to the Indian context could then be published to the immense benefit of readers in Marathi. This idea, however, foundered on the rock of impracticability as adequately competent translators familiar with the nuances of both the languages and with the discipline of social sciences are also likely to be a rather rare species. Recently he was working on a scheme of preparing by the ISPE of video cassettes on expository lectures on different topics in, say, economic theory by well known experts in the subject in India and making available these cassettes to colleges on a 'no profit, no loss' basis. In his view this facility would help improve understanding of the subject both by teachers and students in a college. In fact, a part of the proposal was that there should be a feedback from teachers and students to the ISPE on specific difficulties they encountered in understanding the material, so that continuous revisions could be made.

Dandekar was interested in many areas of knowledge other than the social sciences. He had prepared a scheme for verifying whether predictions of astrologers could be tested statistically. He had collected for the purpose a large number of horoscopes to work on as also information on such exercises made elsewhere. He was a connoisseur of sorts of Hindustani music; some time in early life he had written some plays as well. The thought that this many-sided personality, versatile, imaginative and dynamic has left us all for ever is a saddening one. But if we can emulate him even to a small extent in undertaking the task of educating society with the determination and fearlessness which he displayed we will have paid him a well deserved tribute.

Constructing the 'Local'

Decentralising Forest Management

Ajit Menon

While the concept of joint forest management is certainly a step forward from the centralised state-centred management systems, is it as participatory and decentralised as it has been claimed to be? What has been the experience of Tamil Nadu in implementing the concept?

THE latest Draft Forest Act (The Conservation of Forests and Natural Ecosystem Act) has over the last year once again brought to the fore debates with regard to principles of forest management. Since the late 1970s and the 'Arabari experiment', increasing emphasis has been placed on people's participation and joint forest management (JFM) strategies. The 1990 central government order directing state governments to encourage the involvement of village communities in the regeneration of degraded forest lands was in a sense an official acceptance of such strategies. The Draft Forest Act, to many, therefore is a blatant challenge to that directive as it not only has no mention of joint forest management but restricts discussion of people's participation to the chapter on village forests and that too with far-reaching powers to the state.*

Despite endorsing the critiques of the Draft Forest Act, our intent here is to refocus the discussion on JFM in the hope of prompting further debate. While JFM is undoubtedly a step forward from centralised state-centred management systems, is it as participatory and decentralised as many profess it to be? If not, should we not pay more attention to improving it rather than positing the future of forest management as a simple choice between the Draft Forest Act and JFM? In what follows, we attempt to re-examine some of the criticisms made of JFM which seem to have fallen on deaf ears with reference to the Tamil Nadu notification. This critique suggests that while JFM intends to decentralise decision-making to the village level, the decentralisation process itself is based on a 'strait-jacketed' notion of what the 'local' is and should be. As a result, instead of allowing for 'local' solutions, JFM is in danger of imposing these solutions from the outside.

A wide range of literature already exists on joint forest management. These have generally been of the case study variety examining the actual functioning of JFM. Consequently, criticism of JFM has been largely restricted to the 'particulars' as opposed to the 'generals'. These particulars have been of three kinds. First, criticisms have focused on the process of implementation itself. Wide divergencies seem to exist based on individual initiatives of forest officials and local leaders. Thus, in cases where local initiative is greater, the implementation of JFM has proceeded more smoothly. A second criticism is that the devolution of powers to forest protection committees (FPCs) has often been restricted to providing employment opportunities and a few usufructuary benefits as opposed to involving people closely in the planning process. It is suggested therefore that it is necessary for the forest department to actively help village communities develop their own micro-level plans. Third, in many cases, what has happened is that though JFM has meant to decentralise, the imposition of a definite structure in terms of a state order has restricted the flexibility of local involvement. (This has been reported in various issues of *Wasteland News*.)

However many of these problems stem from a conceptual problem with JFM itself. Chhatrapati Singh in one of the few far-reaching critiques of JFM made a number of relevant points. He pointed out that many of the usufructuary rights guaranteed under the notification already exist, most often in the form of customary rights which were 'legalised' at the time of the settlement. Therefore, by constituting village forest protection committees (VFPCs) and giving them special or overriding rights to particular forest areas, it is possible that others who do not fall within the domain of these FPCs are denied rights which might have existed previously. Moreover, it is possible that the rights given to FPCs conflict with rights which already exist amongst other local bodies such as community panchayats.

These shortcomings, as Singh rightly pointed out, is because the process of decentralisation in JFM itself has been packaged in an externally imposed framework. He says: "On the one hand the government talks of decentralisation and strengthening of rural institutions, such as the panchayats, and on the other the constant practice of setting up non-statutory, government-dependent committees in most areas of developmental (Chhatrapati Singh, 'JFM: Analysis of Forestry Notifications', *Wasteland News*, August-October 1991).

A careful look at the central government order will support this view. While the order calls for the involvement of village communities and voluntary agencies, this involvement is not free of 'supervision' from the forest department. In all state orders, forest officers are to play an important role in the constitution of these FPCs, in the functioning of them through range officers in the executive committee and in overseeing the functioning of the committee through divisional forest officers and conservators of forests. Moreover, the distribution of benefits between local communities and the forest department is determined by the latter (Government of India, Ministry of Environment and Forests, Order No 6-21/89-FP, June 1, 1990).

The Tamil Nadu government order on interface forestry (TN's version of JFM) dated October 21, 1993 is no exception to the rule. In terms of constituting the village forest council (as they are called in TN), "the forester in charge of the concerned Interface Forestry Unit Area as a convener will initiate the process of forming Village Forest Councile." (section 2). The forester in charge of the developmental activities will be the secretary of the executive committee. Furthermore, the divisional forest officer will have the authority to disband these councils. With regard to benefit-sharing, the forester/ranger/divisional forest officer in consultation with the executive committee will decide who are to be the beneficiaries and the quantity of the benefits per household (section 3). Furthermore certain items such as bamboo and small timber (classified as category B) will be extracted departmentally not locally and sandalwood remains exclusively the state's property (section 6). Finally, the divisional forest officer will monitor the functioning of these councils while the chief conservator of forests (social forestry) is expowered to modify any guidelines (section 7).

It seems therefore quite clear as Singh suggests that the content of decentralisation itself is limited. At one level, JFM seems to be giving more power to the local, but at the same time the state through the forest department assumes significant powers in terms of constituting, organising and monitoring FPCs. The proponents of JFM argue that it is a step in the right direction. And no doubt there is a noticeable attitudinal difference between those who function in the interface (social forestry) wing of the forest department in Tamil Nadu and those who belong in the territorial division. But that surely should not mean that JFM should not be scrutinised more carefully.

Singh's critique of JFM is essentially that decentralisation is embedded in centralised structures and therefore goes against the

spirit of panchayati raj. But his argument can be taken one step further if we look at how the 'local' itself is problematised. In JFM, the unit of functioning more often than not has become the revenue village or hamlet. Decentralisation or empowering the local involves giving certain rights to VFPCs who in exchange are involved in protecting the forests. Furthermore a defined area of 'forest' or 'jurisdiction' is given to these VFPCs in order to form a 'unit of management'. The question therefore should be as to whether this 'local' is a functioning whole or not, and if not, what the consequences of constructing it as such would be.

Constructing the 'Local'

Let me give an example. The Kolli Hills, where I am undertaking research at present, is an offshoot of the eastern ghats located in Namakkal and Rasipuram taluks of Salem district. It is primarily inhabited by Malayalee tribals (Malai hills) who are agriculturists There are substantial forest areas bordering the village settlements. It is important to note here that this area is not under interface forestry. Nonetheless, as more than 20,000 ha of reserved forests exist, mostly on the slopes of the hills but also on the plateau where the 14 villages are located, it is an area in which the concept of JFM is ripe for testing. If used as a testing ground, what would the implications of it be?

Traditionally, Malayalees of the Kolli hills had their own administrative system based on 'oor' panchayats. These panchayat bodies were part of an overall administrative system which governed the Kolli hills. They were locally constituted bodies autonomous from any other body outside the hills. Interface forestry seeks to create village forest protection councils. But in doing so, it is possible that the 'village' as an administrative category used by the forest department supersedes these locally constituted oor panchayats which might not always function within the same 'jurisdictional' limits. Though it might be necessary to have a locally-constituted body, that can best be decided by the local people. But by speaking specifically in terms of village committees in interface forestry, the final decision seems to rest with the forest department. Even if panchayats were to assume an important role as in West Bengal, these 'government' panchayats are something very different than the oor panchayats mentioned above. Moreover, in the Tamil Nadu case, these government panchayats have not had elections for many a year. Thus if forest protection committees are part of a package of decentralisation as they are meant to be, these committees should emerge locally. In many cases, traditions of collective action might already exist though perhaps not specifically with regard to forest management.

Let us briefly highlight a dangers in constructing a local from the outside. The assumption within JFM seems to be that areas of reserved forest can be given to villagers to protect and manage. It is assumed necessary to give VFPCs very clearly defined areas of jurisdiction. But it might be the case that the dynamics of the local economy results in local inhabitants getting produce from different forests. One example that comes to mind from the Kolli hills is that the administrative categories of the forest department have little meaning for local people. Not only do people enter different forest areas for obtaining different forest produce, but there is also no clear sense (based on my preliminary research) that particular hamlets have areas exlusively designed for themselves. Defining forest areas therefore is problematic given the fact that perceptions of what a forest itself is might vary. JFM in its present form is a management package. Giving a particular village or hamlet a defined forest area is simpler in terms of practicality. But it might not represent the local reality. It is also important to keep in mind that the Kolli hills is a biodiverse area. To what extent does JFM give communities substantial guarantee that their usufructuary rights will be granted in the wake of debates on intellectual property rights and potential legal changes with regard to use and ownership of resources? After all these committees are non-statutory and the villagers' rights simply that of usage.

Finally, in constructing the local, it is important also not to examine the forest independent of its larger whole. Though in many areas of the country it seems to be the case that usufructuary rights have changed people's relationship with the forest, assuming so might not be correct. Preliminary analysis of land use data in the Kolli hills seems to suggest that certain forest lands have become either cultivated lands or cultivable wastes. Under the directive of the Tamil Nadu order, the forest department could conclude that 'local' people are performing their operations (preservation) unsatisfactorily. But how are we from the outside to decide that preserving forests as opposed to granting patta rights to forest land is preferable? Would it not be better to see how people's relationship to the forest is linked to their dependence on agriculture and how preserving forests might be linked to security of land ownership. JFM does not seem to leave space for this.

No doubt JFM is better than what proceeded it. But the 'local' that is constituted within JFM is a local which has been constituted by the non-local. As a result, whether the local itself represents in any real way the immediate concerns of those who constitute it is unsure. Though methodologies such as participatory rural appraisal (PRA) are increasingly being used to highlight local concerns, one must remember that these too still do not change the rules of the game set forth by the state. It would be more useful if the local could first define itself and then a structure be mutually determined as to how to engage in JFM.

This is not to say that the non-local does not have a role to play. There are very few studies which actually examine whether the traditions and principles of local use are ecologically prudent. Moreover, one has to keep in mind that the local has significantly changed not only due to external pressures but also due to internal ones which all has implications as to how the local will act when it comes to forest management. Nonetheless, attempts to restrict the local by assuming that the state knows better which is what not only the Draft Forest Act does but also JFM to a great extent is not the solution. Though JFM has spread to large areas of reserved forests throughout the country, only time will tell if these externally constituted FPCs will sustain themselves. And even if they do, one must ask the question as to whether the local is being fairly represented as most environmentalists and concerned others have tended to assume.

Finally, though our focus has been on the external construction of the local and its impact with specific reference to decentralisation, another important concern which we have only briefly touched upon is whether there is a single local in the first place. Though many argue that tribal societies are still relatively homogeneous, at least in the Kolli Hills an initial look at village records seems to suggest otherwise though to what extent is unsure. In our mind, however, these internal contradictions and tensions within the local will have to play themselves out. At best, what forest management (in terms of JFM) can do is to try and represent as best as possible the composite local. That composite local might take shape in the form of village forest protection committees as is the case with JFM at present. But it may also be the case that in order to 'protect' forest areas, different configurations have to take shape which not only looks at forming forest protection committees and giving usufructury rights and employment opportunities, but also addresses more fundamental questions of security of land tenure and ownership rights. If externally constructed solutions are to be the answer, they at least have to be locally specific. Does JFM allow for such flexibility?

Note

* See Sharad Kulkarni (1994) 'Proposed Forest Act: An Assessment', *Economic and Political Weekly*, Vol 29, No 30, pp 1909-12 and Ramachandra Guha (1994), '*Forestry Debate and Draft Forest Act: Who Wins and Who Loses?*' *Economic and Political Weekly*, Vol 29, No 34, pp 2192-96.

Mobilising Direct Foreign Investment
Lessons from East Asia

V V Bhanoji Rao

Data from a recent ESCAP publication are instructive in regard to the sources of DFI, sectors attracting DFI and the factors determining DFI flows. It would appear from the available evidence that the government of India and the state governments have a long way to go in regard to raising the level of DFI inflows and fine-tuning the sectoral composition. The need is to put in place a set of appropriate policies.

I
Introduction

OVER the past three decades, there have been numerous studies aimed at describing the trends in DFI flows across countries and over time, ascertaining the causes behind variations in such flows and suggesting policy implications. A recent study belonging to the same category was put together by the UN Economic and Social Commission for Asia and Pacific [ESCAP 1995]. It has chapters covering Hong Kong, Singapore, Indonesia, Malaysia and Thailand. A short chapter on India too was included, along with an overview of all chapters.

The aim of this note is to assemble and present a couple of summary tabulations from the ESCAP study and based on them to draw inferences as to how the Indian strategy to attract relatively higher levels of DFI has to be formulated. There is no evaluation of the findings in the ESCAP volume. Instead, two of the main tabulations by each economy are consolidated and presented in summary form to obtain useful insights.

II
DFI Trends and Investor Views

The data available from the latest *World Investment Report* [UNCTAD 1994] indicate that in 1992, the following Asian countries received relatively high levels (above $ 1 billion of FDI (amounts indicated in parentheses): China ($ 11 2 billion), Singapore ($ 5.6 billion), Malaysia ($ 4.5 billion), Thailand ($ 2.1 billion), Hong Kong ($ 1.9 billion) and Indonesia ($ 1.8 billion). For the whole of the 1980s (actually 1981-91), average annual flows were as follows: Singapore ($ 2.5 billion), China ($ 2.1 billion), Malaysia ($ 1.4 billion), Hong Kong ($ 1.2 billion), Thailand ($ 850 million) and Indonesia ($ 514 million).

Singapore, more than any other economy, attracted rather high levels of DFI. Relative to population size, Singapore's DFI stands out even more glaringly. In 1992, for instance, per capita DFI was: $ 1,878 for Singapore, in contrast to $ 11 for China, $ 10 for Indonesia, and $ 36 for Thailand. Also, Singapore's per capita DFI was four times that of Hong Kong and eight times that of Malaysia. Even if India were to attract half of Indonesia's and China's per capita DFI, the annual flow could be around $ 4.5 billion. Since the post-1991 annual flows have continued to be less than or equal to about $ 1 billion, a concerted effort is needed so as to significantly raise the level of the flow.

Stepping up the DFI flow into India would imply that Japan has to invest relatively more. In general, Japan is not only the main source of DFI for the five East and South-east Asian (ESA) economies (Hong Kong, Singapore, Indonesia, Malaysia and Thailand), for four of them (excluding Singapore), Japan supplied a third or more of the total stock (Table 1). A fifth of the Singapore DFI stock came from Japan. In contrast, almost 40 per cent of 1991-94 DFI flows into India were from US with DFI from Japan accounting for only 9 per cent. Two more features also stand out. In the five ESA economies, the manufacturing sectors of DFI concentration are electronics/electricals and textiles and clothing, industries

TABLE 1: SOURCES OF FDI, SECTORS OF CONCENTRATION AND INVESTOR OPINIONS

Economy (Year)	Total Stock Source Country Share (Per Cent)		Manufacturing FDI: Sector Shares (Per Cent) and (Per Cent Exports to Sales)		Favourable (F)/ Unfavourable (UF) Factors Noted by Most Investors	
Hong Kong (1992)	Japan	33	Electronics	31(76)	(F)	infrastructure, banking and financial facilities
	US	27	Electricals	11(*)		
	China	11	Textiles, clothing	11(*)	(UF)	Labour cost, cost of office/factory space
Singapore (1991)+	Japan	20	Electronics	36(81)	(F)	Aggressive FDI promotion, tax incentives
	US	18	Chemicals	2(70)		
	UK	13	Petroleum	1(31)		
			Machinery	11(63)		
Indonesia (1992)+	Japan	33	Textiles, Leather	23		
	Hong Kong	13	Chemicals,			
	US	8	Pharmaceuticals	21		
			Basic Metals	18		n a.
			Metal Products	15		
Malaysia (1991)	Japan	35++	Electricals	77		
			Textiles, clothing	8		n.a.
			Oil and Coal Products	8		
Thailand (1993)	Japan	33	Electricals	33	(F)	market access and general economic characteristics
	US	17	Chemicals	14		
			Metallic and non-metallic products	10		
India (1990)			Chemicals	33(5)		
			Machinery	15		
			Electricals	13		
			Transport Equipment	12		n.a.
India (1991-94 approvals)	US	38	Metallurgical	19		
	UK	9	Oil Refineries	16		
	Japan	6	Chemicals	12		
			Food Processing	10		
			Electricals, Electronics	9		

Notes: (*) Not available, but likely to be high.
+ Sector shares of stock refer to 1989 in the case of Singapore and 1987 in the case of Indonesia. Export to sales percentage relates to 1992 in the case of Singapore.
++ Share in total domestic and foreign capital stock in manufacturing.
Source: Compiled from the various country chapters in ESCAP (1995).

that absorb relatively more human resources. In the case of DFI into India, the relatively heavy and capital-intensive industries have a larger share. Similarly, ESA economies' DFI sectors are also highly export-oriented, in contrast to the DFI into India. Thus, as far as India is concerned, the shying away of DFI into labour-intensive sectors is a major issue that calls for fine-tuning of DFI policies just as there is a need to address the issue of attracting DFI into export-oriented industries.

Investors' views from foreign affiliates or Japanese multinations are collected in a series of annual surveys and are reported in ESCAP (1995). Table 2 has a summary of principal responses, on a comparable basis for Hong Kong, Singapore, Indonesia and India for 1989-1993. If the data are accurate (this is hoped because of their extensive use in the ESCAP publication), they do explode some oft repeated myths and confirm some of the relatively well known hunches.

The recent popular literature on DFI is replete with (a) the importance of natural resources (especially in regard to destination countries like Indonesia) in attracting Japanese investments and (b) the strong Yen driving away industries from Japan to South-east Asia. The rather low importance attached to these two motivating factors is indicated in the 5 per cent or less responses scored by them.

In general, three factors emerge as the key motives for DFI inflows. They are selling to local markets, building international networks and reduce labour costs. Selling to Japan has hardly any significance as a motivating factor; the same is true of selling to third markets.

That Japanese outward DFI looks mostly for host country markets is brought out by the data on market shares. Even in Singapore and Hong Kong, the domestic market shares are above 50 per cent, while Indonesia and India have 64 to 65 per cent domestic shares. When it comes to export, Japan and third countries are emphasised, with sizeable Japanese shares. As for sources of material inputs, domestic economy figures prominently as a principal source in regard to DFI into India. Indonesia too shares this feature except that sourcing from Indonesia by the Japanese investors in that country is to a lesser extent than sourcing from India by the Japanese investors in India. Japan itself is the principal source of material inputs for the investors in Hong Kong and Singapore.

III
Towards Fine-tunning India's DFI Policy

The Indian domestic market share of 65 per cent in Table 2 indicates the fact that Japanese (and other) DFI is driven basically by the size of the Indian market. Just as the import substituting industrialisation strategy in the past failed to augment export orientation of the Indian economy, DFI too might simply replicate the same feature albeit to a lesser extent. There is a clear case for fine-tuning the incentives for DFI flows especially to raise their export orientation, while recognising the fact that a fair domestic market share (no more than 50 per cent?) is also an important incentive.

In the context of policy fine-tuning for increasing the export orientation of DFI, it is instructive to note the incentive for exporting services which is a relatively new formulation administered by the Economic Development Board of Singapore [ESCAP 1995:93]. To be eligible for the incentive, services must be undertaken with respect to overseas projects from Singapore base and the export level should be a minimum of 20 per cent of total revenue. The incentive is, 90 per cent of qualifying export income is exempt from income taxation for a period of five years.

Another area for fine-tuning of the Indian DFI policy arises from the fact that 'reducing labour cost' has not been indicated as an important motivating factor. This has to be reversed through a pro-active DFI policy. For instance, since the late 1960s, Singapore has been a pro-active DFI seeker. Ministers pay routine visits abroad seeking DFI even now! At the same time, very strong emphasis has been placed on maintaining Singapore's overall investment climate.

While a comparison of Singapore and India is neither fair nor tenable, a pro-active DFI policy on the part of India could help to attract inflows into relatively more labour-intensive sectors Elements of such a strategy could include suitable incentives to investors.

Policies aimed at attracting desirable and nationally beneficial DFI have to coexist alongside a certain normal or even lukewarm attitude towards DFI into least priority sectors. For instance, local builders have shown that they can put up excellent residential and non-residential buildings, notably in places like Bangalore. Is it necessary to seek/permit DFI (mostly via the so-called NRIs seeking quick capital gains) into the real estate sector? The issue needs careful examination.

Similarly, in regard to promotional seminars abroad, there is no need for frequent repeat performances in places where potential investors know enough about India. Costs of promotion have to be carefully evaluated in relation to the firm DFI commitments and actual investment inflows.

A final remark worth mentioning is that kickbacks and corruption combined with DFI will hurt the consumers in the short-run, economic reforms in the medium-term and the nation at all times. It is the duty of the central government to emphasise to all concerned that kickbacks will sooner or later become public knowledge and given the democratic traditions of India, any concerned citizen could be instrumental in reopening the cases of past corruption.

TABLE 2: MOTIVES FOR DFI FLOWS, MARKETS AND SOURCES OF MATERIAL INPUTS AS REVEALED BY FOREIGN AFFILIATES OR JAPANESE MULTINATIONALS

	Percentage of Responses in			
	Hong Kong	Singapore	Indonesia	India
Selected Motives*				
Secure natural resource supplies	1.1	2.6	5.3	5.1
Reduce labour costs	6.7	8.8	15.5	6.1
Build international networks	13.5	12.6	15.5	19.4
Sell to local market	33.2	33.9	26.2	32.7
Sell to third market	7.7	7.2	5.0	4.1
Sell to Japan	3.7	3.3	6.0	1.0
Finance, exchange rate considerations	2.8	2.1	1.3	1.0
Major Markets*				
Japan	20.8	16.6	18.5	20.0
Host country	53.9	51.5	63.9	65.0
Third countries	25.3	31.9	17.6	15.0
Total	100.0	100.0	100.0	100.0
Sources of Materials**				
Japan	44.2	42.7	33.3	34.6
Host country	34.6	38.7	49.1	57.7
Third countries	21.2	17.6	17.6	7.7
Total	100.0	100.0	100.0	100.0

Notes: * refers to 1993.
** refers to 1989.

Source: Toyo Keizai, reported in ESCAP (1995).

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Infrastructure Sector and Withdrawal of the State

P Purkayastha

In the large-scale reorganisation that is now being introduced in the power and telecom sectors, the overriding consideration is one of ensuring profits. Concern for consumers is not on the agenda. The electric supply industry is being restructured to make it commercially viable with guaranteed profits for the private investors. Similarly, the entire thrust in telecom is how to make private entry more attractive. What is necessary is not merely to expose the current reforms as pro-monopoly and pro-multinational, as they undoubtedly are, but to project the true agenda for reforms.

THE 'new' will always be far more evocative than the 'old', particularly as the old is visible as the present with all its ugly manifestations, warts and all, while the new has the unwrinkled visage of the future. The government's current policies clothed as they are in the garb of 'new' economic policies,'reforms' and 'liberalisation' have an instinctive appeal, never mind that the 'new' is only the failed past, refurbished and presented in the emperor's new clothes.

The remarkable resonance of the government of India's policy with the Fund/Bank prescriptions has been one of the striking features of the current economics of so-called 'reforms'. The major thrust of the Bank in the 1990s is the insistence that infrastructure services should be provided largely through the private sector. The new capital investments in power and telecom should be through private capital and the existing capital base in the public sector should be rapidly privatised. Further, the market should be the major instrument guiding infrastructure services, such services being looked at merely as commodities like any other, only being perhaps a little more important. And such policy suggestions carry with it the carrot and the stick loans only to those who are willing to undertake a time bound programme of privatisation through conditionalities. The Indian government has, in addition to the above, shown some differences with the World Bank – guaranteed returns on investments as one such 'innovation' – an unerring instinct for the worst of both worlds. While the consumers are to be exposed to monopoly exploitation without any protection, the private investor will have full protection against the vagaries of the market.

World Bank and Restructuring Infrastructure

The *World Development Report 1994* on infrastructure[1] (*WDR 94*) is by no means the articulation of a new found set of convictions In the power sector for instance, the Bank had already formulated its current policy in 1992[2] – loans only for those recipients agreeing to wholesale privatisation. The *WDR 94* therefore has only brought the World Bank out of the closet and allowed its earlier more closely held views on infrastructure to be subjected to a more detailed scrutiny. Earlier, such policies as the World Bank would have liked all countries to pursue, could only be worked through willing instruments such as the Chilean government of Pinochet[3] which automatically limited their public advocacy. The *WDR 94* therefore represents the Brave New World of the 1990s, an increasingly dependent underdeveloped world, finding difficulty in retaining even a modicum of dignity before the imperious Bank.

It is important to note one issue that *WDR 94* does raise forcefully. *WDR 94* argues that the poor performance of the existing stock of capital already invested in infrastructure is development foregone. And as the capital stock rises, such loss is a significant proportion of future development. Bank's analysis of why such a situation exists and its remedy is of course a theological one – privatisation will automatically solve such problems. The real issue that needs to be addressed is how the existing capital assets can be made to deliver maximally so that we do not have to capitalise to meet demand simply because of poor 'maintenance'. In the power sector today, we are unable to meet a peak demand of about 80,000 MW at the load end with an installed capacity of 80,000 MW. Obviously, increasing capacity without addressing such issues is to pump more into a leaking vessel.

In diagnosing the malady in infrastructure sector and suggesting remedial restructuring, the World Bank has worked out a set of concepts to provide the requisite theoretical underpinning. Undoubtedly, investments in infrastructure have to be more effective. The key, according to World Bank, is the introduction of competition in infrastructure and to liberate it from government monopoly. The World Bank argues for more innovative structures of delivery of infrastructure and making the system more responsive to the stake-holders. However, it ends by arguing that if the system is made responsive to costs and prices, it will automatically become more responsive. Therefore the argument that all infrastructural services should be run on commercial lines – strictly business to be run purely for profit. The argument for competition is, however, built very thinly in the *WDR 94* as competition is entirely artificial in infrastructure and has to be introduced through regulation rather than the market. Therefore, the admission by the Bank itself that competition and stake-holders' involvement could be considered indifferent to ownership. However, based on data available, of course only to the Bank, they conclude that only private sector can provide efficient infrastructure services.

It has been widely commented that World Bank's contention regarding the efficacy of private sector in infrastructure services is not supported any independent examination of the Bank's closely held data.[4] In the absence of such an independent examination, there is little validity of such claims. The Indian experience with private investors in infrastructure does not bear out the Bank's assertion. The Brazilian experience in the telecom sector before the formation of Telebras is also similar – after the total failure of private enterprises there, the Brazilian constitution of 1988 allowed only state enterprises to enter the telecom sector.[5] In order to buttress a weak factual position, the Bank propounded the concept of "contestable markets in infrastructure" against the generally held view of infrastructure as "national monopolies". Following this, the argument that the state should withdraw to a purely regulatory role and leave the actual running of infrastructure to private hands.

There are certain issues that such theories do not address. Is it possible to have a market for infrastructure in the same way that there is a market for other commodities? Given the nature of infrastructure, it is far more likely to grow as either a monopoly or at best an oligopoly. If such an 'oligopolistic

market' does exist, what will be the impact of a supply constrained delivery of infrastructure on the price of such infrastructure? And finally, if infrastructure is seen as an independent commercial activity, what will be the impact of a high cost infrastructure on the development process as a whole?

The creation of competition in infrastructure is the underlying theoretical premise of the World Bank's case for privatisation It believes that infrastructure can be unbundled and large sectors within infrastructure brought under a competitive regime. Obviously, it would be difficult to sell the idea of a private monopoly in place of a public monopoly. Politically, it would be difficult to argue on the benign nature of private monopolies – the memories of the people are not that short that they would have forgotten that private monopolies are even more callous. In the packaging of private ownership, it is imperative therefore that it be sold along with competition. This would allow peoples' alienation from large state monopolies to be channelled for private sector entry. Once this takes place, it is a matter of time before the entire infrastructure sector passes into private hands.

Withdrawal of State from Infrastructure and Its Impact

The nature of class forces that seek to privatise infrastructure – the forces behind the Fund-Bank axis – has been analysed recently.[6] Briefly put, it has been argued that there has been a growth of liquidity in the west due to a number of factors. This liquid capital seeks to appropriate cheaply assets created in the public domain – this is the thrust behind privatisation of infrastructure the world over. In the third world, the additional impetus comes from the nature of demand. In the 1990s, the growth of electric generating capacity in the third world has overtaken that of advanced countries.[7] Similarly, in telephone switches, with a coverage of more than one phone per family in the west, the demand there has virtually saturated. The manufacturers are therefore desperate to expand in the third world.

It is not necessary to repeat the above arguments. The examination here is focused on the implications of the Fund-Bank policies on the infrastructure – particularly power and telecom. The withdrawal of the state from infrastructural services has serious consequences for the entire economy and in redressing inequitable development, both in regional and sectoral terms. Earlier, the provision of power, telecom, transport, irrigation, etc, had been considered prerequisites for economic growth. Under conditions of large supply deficits, private sector investments in infrastructure do not lead to any competition but only to growth of monopolies and consequently high cost of services. The threat of withdrawal under conditions of shortages cause the state's regulatory role to buckle. The high cost of such services means that only a handful of people are able to avail of infrastructure facilities, widening even more the social disparities. Further, such investments tend to concentrate in areas that are relatively advanced, skewing the existing regional imbalances even further. With high cost of infrastructure, access to vital requirements for industrial and agricultural growth are further constrained, leading to increase of existing disparities and lower growth. Construction of 'safety nets' as advocated, are merely palliatives and no solution to such disparities. The high cost of infrastrucutre makes it difficult for third world economies to be competitive internationally.

The arguments advanced above are not new. It was with this perspective that the state was forced to intervene in infrastructure services. In India, the power companies were largely in private hands and had very little will or inclination to expand electric supply. It was in this context that the Indian state entered power development in a big way from the 1960s to enable industrial and agricultural growth. In Brazil, there were a large number of private companies that were active in the telecom sector. However, the abysmal quality of service forced the Brazilian state to intervene and create Telebras which finally took over the entire telecom services sector. In 1988, the Brazilian parliament passed its constitution, incorporating the provisions that only the state and state-run entities can offer telecom services.[8] The South Korean example is also very similar where the private sector in power generation had to be nationalised in the 1960s due to its repeated failures. The current Workd Bank solutions are therefore not a new perspective of infrastructure but the repetition of a strategy that had already failed earlier. The only new element is the proposal of unbundling infrastructure in each area and introducing competition.

The introduction of competition in infrastructure and privatisation will automatically ensure economic efficiencies hitherto lacking in the state-run public utilities – this is the core of the Fund-Bank argument. The degree of competition is therefore crucial to the argument and unbundling of infrastructure is a prerequisite to the introduction of competition. The utilities have generally been considered natural monopolies and competition has been historically absent in these sectors. The 1980s have seen a re-look at some of these fundamental premises and it is now being argued that competition is possible in these areas provided the state and regulatory authorities help in introducing competition. Anti-trust action in US and concepts like 'transmission access' have opened the way for more players in power generation,[9] telecom,[10] etc. In UK, ideological imperatives led to restructuring of the power and telecom sectors introducing a certain element of unbundling and competition. The restructuring globally of the 1990s owe their origins to these actions in US and UK. We examine below the current reforms that are taking place in the advanced countries in order to examine the validity of such concepts for India and the third world.

Utilities like power, telecom, etc, have clearly defined economies of scale. Further, the integration of a power grid makes it possible for smaller margins to be maintained in the system and a much greater security of the overall power system. Transmission and distribution networks have generally been a part of such vertically integrated utilities. The transmission and distribution networks require 'right of the way' that had to be legislated by the state. It is easy to show that it is prohibitively expensive to duplicate an existing distribution network. The transmission system has very large economies of scale and costs of incremental increases are much lower than putting up independent transmission lines. The ownership of the transmission and distribution networks led to the growth of monopolies, as the owners of the networks could freeze out any new power generator. Worldwide, the power systems were such vertically integrated monopolies. In US these monopolies were private while in most parts of the world they were state-run utilities.

The reforms in 1980s changed the above picture substantially.[11] Under the Thatcherite reforms in UK, the distribution systems, the power transmission system and the power generators were unbundled into separate independent organisations.[12] These organisations were then privatised. Any power generator could then get transmission access and supply to any distribution agency, or even to a large user. In US, the utilities were privately owned and were asked to provide transmission access to Independent Power Producers (IPPs) leaving their original ownership pattern and vertically integrated structure virtually intact. The introduction of limited competition in generation in US and UK came only after the possibilities of technical efficiency improvements in the system through integration had been exhausted. The method chosen in US was to force the utilities to buy power at avoided costs. In

UK, power quotations are given every day for the next day and the regional power distributing authorities choose the lowest bidders for their next day's sources.

The Bank prescriptions and the current drive towards transferring public utilities to private hands have UK as the role model, even though the market in UK has not developed any real competition. It is dominated by two major generators - National Power and PowerGen. The resulting duopoly has resulted in high price of power and huge profits to the electric supply industry.[13] As the transmission and distribution are in any case monopolies, the case for competition exists only for the generators. In US, the utilities set up separate companies as independent power producers. Under the PURPA legislation formulae of avoided costs, there were price advantages to newer generating entities if set up under the guise of independent power producers. The case for competition having benefited the consumer is not supported by facts in either UK or US. The anger of the people in UK over the monopoly prices and consequent huge profits made by the power companies is a clear indication of this. Nevertheless, it has now become an article of faith for the Bank-Fund school and their monetarist followers that competition inevitably lowers prices, even if it is not borne out by events.

However, while the consumer has not seen a lowering of power costs due to competition, the change of the ownership in the case of UK and examination of costs of new power generation in US as a fall-out of PURPA Act, did lead to scrapping of nuclear power plants for both US and UK. It became clear that the vertically integrated monopolies had been able to hide the high cost of nuclear power, particularly capital servicing and decommissioning costs. Though UK and US had a highly efficient electric supply industry based on technical parameters, they had significantly higher costs due to the uneconomic nuclear option they had both heavily relied on. As these costs were lumped with the rest of the system and not transparent, they could continue on this path for quite some time. The nuclear route was abandoned once the pricing of alternative sources of power became clear and the actual decommissioning costs were taken into account. In economic terms, though the productive efficiencies of the utilities were high, the allocative efficiencies were low. The allowing of limited competition in US and dismantling the existing structure in UK had therefore this unintended benefit. More so when it is realised that the arguments for privatisation and competition had been based on increase of productive and commercial efficiencies and not allocative efficiencies. In UK, before privatisation it was expected that the nuclear power portion of erstwhile CEGB would attract a large number of bidders. In reality, this proved the least attractive to the investors.[14]

Monopoly in telecom has again its origins in the economies of scale and 'right of the way' legislation created earlier. The telephone companies were vertically integrated monopolies, having long distance as well as local telephony. Apart from North America and a few isolated cases, the telecom sector was generally in government hands. In US, it was with AT and T, who were also switch manufacturers, introducing an extra element of monopoly. The equipment manufacturing, the long distance and local telephony were all with the same company. The technological changes introduced in the 1980s was to change this picture. It became possible to ride piggy-back on a telephone network to provide other services - E-mail, data services, etc. These are called value added services. Technologically, it also became possible to provide voice telephony through other routes - wireless, satellites, etc. The monopoly power of the telephone companies was perceived to be a threat, particularly as more and more economic activity hinged upon the new communication methods. Unbundling was the first step. Value added services were offered by others either through leased lines or through dial up facilities. Separation of long distance from the local services was the next step. In US and UK, limited competition has now been introduced in long distance telephony. However, apart from very limited competition in UK, no country has allowed parallel local operators through local land-based network. The economies of providing an extra connection in an existing network prohibit such a duplication, apart from the problem introducing another operator with its right of the way.

Competition in telecom service, particularly local voice telephony, is generally being introduced using alternative technologies. Thus wireless, either fixed or mobile (cellular), and the cable network can be used to provide competition to land-based networks. As the telcom sector is regulated, the current regulatory and legal battles are allowing cable operators to enter telephony and the telphone companies to enter cable TV using their existing networks. Here also, the Indian twist is to try and create a parallel land-based local network - a wasteful duplication of scarce capital resources that has not been attempted even in advanced countries with much higher revenues per line.

Unbundling Natural Monopolies and Rebalancing Costs

The key to unbundling natural monopolies and introducing competition is regulation. Unlike other areas, where one can argue that regulation is required to prevent monopolies, in infrastructural areas, competition can only be enforced through regulation. The introduction of Mercury as a competitor to British Telecom was a political decision of the Thatcher government. Mercury is a classic case of artificial competition. It was created by Margaret Thatcher's government by bringing together Cable and Wireless, British Petroleum and Barclays' Merchant Bank. It was a planned government initiative. And to make it succeed, British Telecom was forced to carry all the social subsidies while Mercury secured a segment of the most lucrative long distance traffic. Mercury's competitive edge was really the British government's intervention on its behalf - intervening in the market in order to prove that markets are best judges of performance. The US regulatory scenario is no different. If the regulator does not impose the terms for competition, the larger and more established operators would easily freeze out new entrants. Countries like New Zealand, who believed in their wide-eyed optimism in the beneficial effects of open competition, have learnt to their cost that without regulation there cannot be any effective competition either.[15]

Similarly, in the power sector, there is a need to match grid withdrawals with power generation. Co-operation is a necessity and the natural state for the electric supply industry and competition can only be introduced with regulation.[16] Thus the regulator must ensure that the power generator is able to get access to the electrical network of others at a reasonable cost. Again, competition has to be introduced artificially in the system.

An essential part of introducing such regulated competition is to price each sector of infrastructural sector of services and disallow cross subsidies. As competition can only be introduced in certain parts of the hitherto integrated infrastructural services, each such segment must be priced independently. To make for fair competition, each segment has to be commercially viable and using revenues from one area of activity for another area of operation is forbidden by the regulator. Therefore unbundling infrastructure goes hand-in-hand with removal of cross subsidies.

Cross subsidies are not only a part of state-run monopolies but provide the underpinning for all infrastructural services, whether private or state run. There is a sharp difference here between economic sense and commercial sense. If cross subsidies are withdrawn, rural electrification or rural telephony is not viable. Yet, providing these facilities to rural areas is not only a social obligation but makes hard economic sense. The

provision of cheap electricity and extension of the rural electrification programme had much to do with the food securtiy we have achieved today. Similarly, if the rural areas and semi-urban areas are connected by a good telecom network and provided with secure electricity supply, the resulting development would correct the gross regional disparities and the pressure on urban areas. However, none of these can be justified commercially from the stand point of the electric supply industry or the telecom sector but have to be imposed externally on the infrastructure provider for larger economic and social goals.

The second sets of cross subsidies pertain to provision of low access costs for infrastructure Commercially, the larger consumers should get a discount on electricity prices or on their telephone bills. However, generally, the infrastructure services are provided at low initial costs with higher costs for higher usage slabs. Thus telephone connections are provided at very low costs and the first few calls are charged at lower rates Similarly, the electricity connection is provided at low initial costs. A commercially viable outlook would make the access costs so high that these would be the privilege of only the elite. This deprivation of services would be a fetter on development as larger and larger sections would lose their ability to compete for development. And this would ultimately hamper the growth of demand in these infrastructural sectors.

Let us take the case of telecom services. Currently, local calls cost less while long distance calls cost more under a policy of cross subsidisation. This is not specific to India but is practised widely. AT & T did this in US[17] when it was a monopoly operator with the logic that a low telecom access is important in generating a higher traffic. A well-off son could call up retired parents and generate long distance traffic only if the parents had telcom access. Therfore cross subsidisation to provide cheap connectivity is not an altruistic measure to help the poor or the needy but merely a mechanism of generating more revenue. When almost all homes are covered, this method of cross subsidisation does not have much meaning and a change in tariff philosophy to reflect true cost is possible without affecting traffic volumes. However, with the extremely low telecom penetration that we have in India today, telephone access at true costs is bound to impinge upon the growth of traffic itself and possibly affect development. However, unbundling of local and trunk operations, as is being proposed under the new policy, will have to lead to a re-balancing of tariff — local tariffs will rise while long distance rates may go down. While cross subsidisation may be continued initially by giving the local operators a larger share of the long distance traffic originating within their network, there is little doubt that such subsidies will reduce over time leading to increase of local tariff. Mexico has seen a four-fold rise in the local tariff after such unbundling.[18]

The other disturbing element of the Fund-Bank policies is that one universal solution is being proposed for all infrastructural services for all countries irrespective of their stage development. Competition and privatisation for the underdeveloped countries on the pattern of UK is being advocated by the Fund-Bank agencies as a universal panacea. The advanced countries moved into selective competition in the electric supply industry and telecom after they had achieved the economies of scale and advantages of integration of their systems. It was only when the technical efficiencies of integration had been exhausted that the advanced countries looked towards competition in selected segments to improve economic performance. Here also, they have been careful to restrict duplication of resources, opening the sector out to competition either through alternative technical media or unbundling. Thus, in electricity supply, only generation has been opened for competition. In telecom, the major competitive avenue is to provide competition through either wireless or cable networks Such competition has come about when there is already a very high degree of coverage and also revenue per connection.

The underdeveloped countries are distinctly different in this regard. In India, we have yet to achieve 5 per cent of the telecom coverage achieved in advanced countries. The Indian grid is not only not integrated but even with this partial integration there is no grid discipline Without first achieving even such basic milestones, how valid is it to talk of competition? In South Korea, the private utilities had to be nationalised not due to any ideological compulsions but out of sheer inability to impose such discipline on them as required by the grid. To propose a dismantling of the state-run infrastructure at this stage of development would seem foolhardy. Yet, this is the solution that is being imposed on the state-run infrastructure sector.

Efficiency and Infrastructure

The most important reason for a lack of resistance to the dismantling of the state-run infrastructure has been the complete alienation of large state-run enterprises from the people.[19] This has led to the argument that state-run enterprises are inefficient compared to private ownership. Amongst people suffering from a completely insensitive bureaucracy, any solution that promises to get rid of the bureaucracy strikes a ready chord.

Undoubtedly, if efficiency is to be measured in terms of customer satisfaction, the state-run infrastructure services have not exactly covered themselves with glory. And if the policy of privatisation of national assets is to be reversed, measures will have to be devised which provide a better delivery of services. It may not take much time for the people to realise that a private monopoly has no reason to improve services either. This is the reason that while World Bank and other such agencies have held out UK as the model for privatisation, the British people have rejected privatisation as a solution to their problems of infrastructure. A number of sample polls have found that four-fifths to two-thirds of the people oppose the privatisation of public infrastructure in UK. However, this negative support for state-run infrastructure can turn to positive support provided infrastructure services can be made more responsive to people.

Efficiency in infrastructure has various dimensions. One can define efficiency in terms of producing the maximum physical output at lowest cost. Or one can define it as maximum output on a given capacity. One can also define it in terms of commercial efficiency — earning a maximum rate of return on investments None of these is entirely satisfactory and if used singly can be quite misleading. Unfortunately, commercial efficiency is held by the dominant orthodoxy of the World Bank variety as the only criteria for measuring efficiency, others presumably being merely derivative of this 'fundamental' efficiency.

An example will make the distinctions between various forms of efficiency clear. In the power sector, it is possible to produce power such that capacity utilisation is maximised. As we have generally a deficit in supply over demand, this is socially desirable even if it is not the most commercially sensible decision for the utilities. It is also possible to consider another measure of efficiency — producing power at minimum costs. Either way, the plants will be run most efficiently in terms of utilisation of existing resources. But in both cases they may still not be commercially efficient if the selling price is kept low. In such a scenario, producing power most economically will be less commercially efficient than producing less power at a higher cost with a high selling price. Considering that power supply is a monopoly as already discussed, commercial efficiency only means the ability to jack up prices rather than an efficient utilisation of resources. Obviously, commercial efficiency as the sole parameter produces systemic distortions without advancing either technological innovation or increased productivity.

In most countries, infrastructure services are monopolies in spite of the Bank's belief

that competition can be introduced through unbundling. The regulator sets the terms of competition and also fixes the prices. Apart from UK, the prices are generally maintained on a cost plus basis, therefore ensuring that these sectors are commercially 'efficient'. In UK, the regulator sets a five-year price cap adjusted for inflation. In order to encourage technological innovation, the price cap is not fully adjusted for inflation and the companies can keep the extra profit if they can reduce costs. The net results of the UK pricing have been huge profits that the utilities have made in the last few years, increasing greatly the popular discontent against privatisation measures.

The costs plus and sliding price caps have been the only two measures that are used to calibrate efficiency in real terms. More esoteric measures have also been worked out to identify improvements in functioning of organisations. Depending on the ideological choice of the authors, these indices can be made to speak for any set of convictions. Thus in the case of UK privatisation, British Telecom is shown to have made 'huge improvements' by these indices while British Gas and power utilities are shown to be on par with state-run services like Post and Railways.[21] A more reasoned approach may identify the cause of British Telecom's improvement to the tremendous pace of technological change in the telecom sector. This is particularly reinforced when it is realised that technological change in gas and power has been minimal. It would be interesting to compare the performance of British Telecom and government-run telecom services of other countries to see whether such improvements are due to reorganisation of British Telecom or due to more secular reasons. One would suspect that even the Indian telecom services would show similar improvements confirming that the growth of performance has been more due to technological changes rather than competition and privatisation.

The above is not to argue that efficiency is not a criterion in evaluating the performance of infrastructure but to point out the difficulty in finding one measure of efficiency. If we take the case of power, plant load factor (PLF) is assumed to be a good measure of the physical performance of the thermal power stations. However, the plant load factor depends on the load curve and, with a load factor of around 60-65 per cent, cannot be more than this in a power surplus system. Efficiency may be measured by plant availability but this ignores whether power is being produced economically or not. And for the consumer, the continuity of supply and its quality are as important as the amount being supplied. Thus in a system, the consumer may be supplied 95 per cent of his needs but face a number of interruptions. This may be considered worse than being given power equal to 90 per cent of his needs but without interruption except with advanced notice. The problem of finding a measure of efficiency is one of reducing a multi-valued parameter to one specific number. In the case of World Bank and others, it is commercial efficiency while the Indian government has tended to view the PLF as a sole criterion of efficiency. The consumers' view of efficiency is quite different and is concerned with how well his needs can be met by the system and at what costs. A solution that provides either high cost power or power cuts cannot be attractive to the consumer.

In the large-scale reorganisation that is now being introduced in the power and telecom sectors, the concern for the consumer is not even on the agenda. The electric supply industry is being restructured to make it commercially viable with guaranteed profits for the private investors. Similarly, the entire thrust in telecom is how to make private entry more attractive.[22] Obviously, the overriding consideration is one of ensuring profits, the consumer being a cipher. It is this mind-set and these interests that are setting the framework for the reforms in the infrastructure sector.

The task before us is not merely to expose the current reforms as pro-monopoly and pro-multinational as they undoubtedly are, but also project the true agenda for reforms. In such an agenda, the workers and the consumers have to come together to chart out the future. The existing rulers have surrendered their prerogative to formulate future paths, mired as they are in policies meant to bankrupt the nation. The government has started shouting from the rooftops of its inability to run the infrastructure sector. Instead of handing these services over to private and foreign capital, why does not the government agree instead that it is unfit to rule? At least history will then remember the present set of rulers more kindly than as carpetbaggers who helped dismember India.

Notes

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Import Liberalisation and Development of Indian Computer Industry

Richard Heeks

The Indian computer industry has come a long way since its total reliance on imports from a few multinationals in the 1960s. However, the current round of import liberalisation is producing an increasing number of features redolent of that earlier period. This article investigates the relationship between import liberalisation and development of industrial production, exports and technological capabilities.

It concludes that import liberalism cannot be regarded as the optimum strategy for any country wishing to develop local production capabilities, and that some measure of import protection has to be in place for this development to take place. However, the case is made for a reactive government policy which can apply varying degrees of protection or liberalisation as the circumstances of external change and industrial development demand. Therefore, both the timing and phasing of policy changes will be important. Technical change and other factors are shown to have mediated some outcomes and to have constrained policy choices.

I
Introduction

THIS article considers the impact of import liberalisation on India's computer industry. This industry is chosen because of its increasing importance to the Indian economy, because of the long history of both industry and related government policies, and because of the different types of policy it has been subject to during that history.

Broadly speaking, six historical phases can be delineated.

(i) *Multinational imports (1950s-1972).* The first computer was introduced into India in 1956 for use at the Indian Statistical Institute. Multinational corporations (MNCs) were allowed virtually free rein in the Indian computer market with the result that the market was supplied with outdated equipment that was all imported. Because India had no local base of computing skills, the Indian government had little choice but to agree to this situation.

(ii) *Public sector production (1972-1978).* As familiarity with the use and maintenance of computers grew and as skills developed in complementary areas of electronics, the government felt confident to alter policy and severely restrict imports in order to encourage indigenous production. As a result, IBM decided to pull out of India. Production-related capabilities including design and manufacture were built up within the country but these remained confined to one public sector firm (Electronics Corporation of India – ECIL).

(iii) *Private sector competition (1978-1983/84).* Import protection was maintained but industrial licensing was liberalised, with several private sector firms being granted licences for the manufacture and sale of small computers. ECIL's market share fell to 10 per cent by 1980, but overall demand was boosted by an increase in government and public sector purchasing.

(iv) *Liberalising supply, boosting demand (1983/84-1987).* Slight import liberalisation in 1983 was succeeded by the true emergence of India into the computer age through three events. Firstly, the arrival in India of IBM-compatible personal computers (PCs),[1] and secondly, the arrival of Rajiv Gandhi as prime minister, with his great interest in computers. Thirdly, the 1984 New Computer Policy, which signalled a substantial liberalisation of import policy on complete computers, computer kits and components (though policy was never completely liberal).

(v) *Reversing import liberalisation (1987-1990).* Most computer industry-related policy remained stable during this period. However import policy did change because of concerns about the impact of earlier liberalisations, some backlash from local firms adversely affected by liberalisation, and changes in the political economy of the state. As a result, there was a steady reversal of some earlier import liberalisations, so that policy at the end of this period was a compromise between the relative extremes of mid-1970s protectionism and mid-1980s liberalisation.

(vi) *Renewed liberalisation (1991-1995).* Following the crisis of 1991, computer industry policy was subject to a familiar set of liberalisations: raised foreign equity limits with automatic approval; Exim scrips and easier-to-obtain advance licences followed by partial rupee flotation and then convertibility; automatic approval for many types of technology transfer; removal of licences for all new, expanding and merging units; industrial registration largely removed; locational constraints removed; new companies exempted from the requirement for steadily increasing levels of local component use (the phased manufacturing programme); reduced control of companies covered under the Monopolies and Restricted Trade Practices (MRTP) Act, increasing use of unlicensed (Open General Licence – OGL) import; and reductions in import duty, import bureaucracy and excise duty.

Nevertheless, policy was not completely liberalised. Licences were required for import of some types of computer, particularly those under Rs 0.15m (US$ 5,000), and overall import tariffs were still quite high. Government/public sector purchasing also continued to form the major part of demand, with a number of very large investments from 1993-94. Hardware exports were also promoted through the initiation of the Electronics and Hardware Technology Park (EHTP) scheme.

This article will focus on the impacts associated with policy liberalisation in the period since liberalisation of computer industry licensing in 1978. Amongst other things, it will seek to ask whether the computer industry is in danger of going 'full circle' back to the state that prevailed in the 1960s.

Section II analyses the production and export performance of this industry over the past 15 or so years. Section III looks in detail at the different types of firms operating in the Indian computer industry and discusses their capabilities. Section IV draws detailed conclusions about the relationship between policy and industrial development.

Firstly, though, one needs to consider the indicators of industrial performance used to measure the impact of policy and other changes.

Measuring Industrial Performance

Many industrial development commentators rely on quantitative indicators, and two used here will be level of overall production and level of exports. However, it is always

useful to look behind such measures at more qualitative data. Lall (1987) identifies 'technological capability' as a crucial determinant of industrialisation, yet one which is ignored by many quantitatively-oriented researchers. Although this indicator does not lend itself to outright measurement, some kind of scale can be drawn up for the technological capability of producers, as shown in Table 1.

Following Lall (1987), one may define technological capability as the general ability to undertake the broad range of tasks outlined in the table, and technological development as growth in the capability as defined by movement up the categories and regardless of whether or not the final stage is attained.

These capabilities are actually embodied in the skills and experience of individual workers, often seen as the most critical resource for information technology (IT) industries [O'Connor 1985, Kumar 1988]. In this case, technological development will be the accumulation of increasingly skilled workers.

II
Quantitative Changes in Hardware Production

Table 2 shows the rapid growth of computer production in India over recent years. The strength of local production can also be measured relative to imports of computers. Table 3 shows the proportion of the Indian market taken by local producers as opposed to imports.

In the early 1980s, local producers serviced the major part of the local market and growth rates were moderate. In the mid 1980s, local production grew rapidly but imports grew even faster so that the large growth in demand was at first met largely by imports, which took the major share of the market in 1985. In 1987, there were falls in both imports and production growth as government investments and foreign exchange were diverted into higher priority areas because of the drought.

There were similar problems with government spending, foreign exchange and industrial growth in the 1990s. But, by the mid-1990s, thanks particularly to a rally in government IT investments, the local industry was still growing in volume terms and once again growing strongly in value terms. Given the rise in OGL imports, local production was slipping against overall imports but, compared with the mid-1980s it had re-asserted itself as the prime source of computers for Indian consumers, making up the majority of domestic consumption.

Indian computer industry growth has been dependent on a number of factors including industrial licensing, overall demand, access to inputs, marketing, prices, technological lag, technological standardisation, and attitudes towards computers in the private sector. Market share is determined by the relative attributes of price, technological lag, quality, accessibility and desirability of either imports or domestically-produced computers.

Import liberalisation has had a partial impact on some of these factors. To summarise this impact, while import liberalisation of kits, peripherals and components has favoured the growth in local computer production, any liberalisation of imports of complete computers has reduced the market share of local producers, as suggested by the figures above.

The rise and fall of market share corresponds to changes in import policy. The market share for local production dropped following liberalisation in the mid-1980s but rose from the late 1980s as import duties and the threshold for minimum configuration of imports were raised. With Indian firms unable to address a large market and so achieve large-scale economies, continuing tariff protection allowed them to compete with imports and achieve increasing import substitution until the liberalisations of the 1990s.

Of course, import policy has not been the only instrument of the Indian government to affect the industry. For example, government helped to engineer the strong growth in India's computer industry through its demand policies. Policies on foreign investment and collaboration have also been key, with most 'local' production in the 1990s involving multinationals.

In other ways too, a lot of computer production within India has not been as 'local' as it might appear. Figures from GoI (1987b), IDC (1987) and Shekhar (1988) suggest that the import content of Indian computers fell by more than 20 per cent between 1982 and 1984, but then rose by over 40 per cent between 1984 and 1987.

By this point, about 80 per cent of the cost (including duties) of components and materials for Indian computers was made up from direct imports. Much of the remaining 20 per cent of components were bought from Indian suppliers but themselves had a high import content. There was some recovery after 1987, with the component industry registering a much higher growth rate and with the overall import content falling to around 60 per cent in the early 1990s [Tandon et al 1991, Raman 1993], before rising again.

Some explanation for this rise and fall of imports can be found in government policy which, in 1984, helped fuel a large increase in demand for computers. Coupled with import liberalisation of complete computers, this led to a large proportion of that demand being met by imports. However, one type of computer, the microcomputer, remained protected, so that companies wishing to respond to demand had to produce them locally and they therefore sought components for these PCs. A number of factors led to the growth in local demand for components being met largely from imports.

Firstly, import liberalisation allowed relatively quick and cheap access to imported components.

There were also technical factors, particularly the emergence of the IBM-compatible PC as a copyable global standard, which Jaikumar and Krishna

TABLE 1: SCALE OF PRODUCER TECHNOLOGICAL CAPABILITY

(1) **Choice and use**
- Choosing the technology
- Setting the environment for use of the technology
- Using the technology

(2) **Adaptation without production**
- Product modification to meet local needs
- Minor product innovation to meet local needs

(3) **Basic production**
- Copying technology
- Assembling technology
- Full production using existing products and processes

(4) **Inward-looking skilled production**
- Product or process modification to meet local needs
- Product or process redesign to meet local needs
- Product or process innovation to meet local needs

(5) **Outward-looking skilled production**
- Product or process modification to meet regional/global needs
- Product or process redesign to meet regional/global needs
- Product or process innovation to meet regional/global needs

(6) **Global production competing through innovation**
- Major product or process innovation to meet global needs
- Transfer of technology to other users and producers

Source: Adapted from Narasimhan (1984), Lall (1987) and Schmitz and Hewitt (1991)

(1987) cite as "the single most important factor of change" affecting the Indian industry in the 1980s. Despite certain protective measures, IBM failed to secure exclusive rights to either the PC processor chip or the operating system software and so found that its computer was being reverse engineered by other companies which then produced microcomputers that were compatible with those of IBM but invariably cheaper. This helped the IBM-compatible PC to emerge as a stable and standard technology.

Secondly, this computer was technically relatively simple in the first place. As it became a stable standard, subsequent technical progress centred around making the same computer with fewer parts. This further simplicity enabled companies in South-East Asia to produce PC kits which could easily be assembled into a computer. Both the skill and capital barriers associated with hardware 'production' were thus greatly reduced. Standardisation of the operating system software also allowed hardware producers to avoid needing any software skills.

Thirdly, many Indian companies which wanted to move into PC production were trading companies. They had no background of technical or manufacturing skills and therefore kit assembly was all they were capable of. At least at first, they could not think of trying to integrate imported and local components.

Finally, and despite the increasing local content of computers up to 1984, the Indian component industry was in a rather poor state at that time. It was characterised by high costs, poor quality, outdated equipment, lack of skilled staff, and lack of research and development (R and D). All this left local component producers unable to respond adequately to the growth in demand.

With local computer producers turning to imports, this further weakened the growth opportunities for the local component industry. Only once liberalisations were reversed after 1987 did the local component industry show any signs of recovery, which the post-1991 renewed import liberalisation may well have cut short.

Given the past and likely future state of computer technology and component production, India cannot hope to be self-sufficient as regards computer components. Many components, including the central processor, require too high an investment, scale of production and risk for their production to be a viable aim for India.' Such components can only be imported and so, for these, import liberalisation is the best policy option.

The same cannot be said of other components such as memory chips and specialised processors, and sub-assemblies such as peripherals and computer kits which can be produced by the Indian component industry. In this case, there are alternatives to import liberalisation, but policy-making has always been caught in the conflict between component consumers (such as the computer industry) who favour imports and component producers who want to be protected while they build up their production capabilities.

Computer Exports

The level of computer exports from India is shown in Table 4. Computer exports from 1988 were much higher than previously, which could be taken as an indication of the growing strength of Indian computer production, since exports can be a sign of production efficiency and/or innovation. Exports can also provide the necessary economies of scale to allow globally competitive production.

In reality, though, most of India's computer exports have been basic PCs, which are assembled in India and have a very high import content. Interviews within hardware companies showed that these PCs have little local value added, make little positive contribution to India's balance of trade, and require little technical knowledge to produce. They rely on low labour costs rather than efficiency or innovation to gain a place in the export market.

The stability of basic PC technology has been important because only where technologies are relatively stable, and where product cycles are mature can developing countries hope to compete on cost alone [Cline 1987, Evans and Tigre 1989]. Where technical change is rapid, as it is for more powerful hardware (and, increasingly, for even basic PCs), reliance on low labour costs will not be enough.

The destination of India's computer exports provides further evidence that export performance is not a good guide to technological capability or even efficiency. The majority of such exports went to the USSR or other former eastern bloc countries under bilateral trading agreements, and were paid for in rupees. Since the Indian companies had to pay for the kits or components in foreign exchange, these exports caused India a substantial foreign exchange loss. The exports relied on this for their success – the eastern European countries bought the computers from India only because this avoided the necessity to spend hard currency for new technology. Therefore, Indian firms did not have to be efficient or price competitive to win such orders.

As the eastern European economies were drawn into the international capitalist economic order in the early 1990s and as the Indian government became increasingly unhappy about the loss of foreign exchange, such bilateral agreements were initially dropped and all payments had to be made in hard currency. As a result, computer exports, already hard hit by temporary import curbs in 1991, fell dramatically. However, Indo-Russian trade agreements were later revived so that, by 1995, a large proportion of exports were still made up of new or repeat orders from Russian customers.

There is another side to Indian computer exports – those which are basic technology but which compete on price, and those which are innovative. These only represent a small part of overall exports, and sales of both types have not grown as expected because of market barriers.

Scale of production is an important factor determining production costs and price. A

Table 2: Computer Production in India

Year	Number of Computers	Value (Rs m)	Value (US$m)	Growth Rate in US$ Terms (Per Cent)
1981	800	330	38	
1982	1200	430	45	18
1983	1300	700	69	53
1984	3400	830	72	4
1985	7200	1,400	115	60
1986	c 25,000	2,500	200	74
1987	c 40,000	3,200	250	25
1988/89	c 55,000	5,000	340	36
1989/90	c 78,000	7,000	420	17
1990/91	c 97,000	8,600	480	14
1991/92	c 1,10,000	9,700	395	-18
1992/93	c 1,30,000	11,700	380	-4
1993/94	c 1,60,000	15,900	505	33
1994/95 (est)	c 2,00,000			

Note The figures for 1981-87 are lower than published statistics because the latter included the value of peripherals produced, which made up 10-15 per cent of total hardware production. Figures exclude production for export but include some estimate of "grey market" production.

Source Interviews, Department of Electronics (DoE) annual reports (e g. GoI 1992, GoI 1993, GoI 1994), Shekhar (1988) and Dataquest surveys (e g. Dataquest 1992, Dataquest 1993, Dataquest 1994a and b).

globally competitive scale of production for basic PCs is around 50-1,00,000 computers per year [Cline 1987]. But, with a relatively small yet strongly competitive domestic market and with US and South-East Asian domination of PC export markets, Indian firms cannot sell in anything like such high volumes.

In 1993-94, the largest Indian producer by volume sold just over 20,000 micro-computers of various types, with no more than 8,000 of any given chip type [Dataquest 1994b]. This keeps prices high which, in turn, reinforces the difficulty of selling in high volumes. The difficulty of achieving the scale economies available to foreign producers is one reason underlying the continuing tariff protection on imports. In this situation, one danger of increasing innovative computer exports from India is that these may trigger foreign pressures on the Indian government to reduce computer import protection without opening up scale economies of production to the majority of local producers.

Indian companies face further problems in the export market because computer sales depend on more than just price or innovation. With reliability and long-term support being vital to successful use of computers, company 'name' and reputation count for a great deal. For proof of this, one need look no further than IBM's PC which dominated microcomputer sales during the 1980s despite there being plenty of competitors producing cheaper and/or more technically advanced microcomputers.

Potential Indian exporters stated that they also find themselves hampered by a lack of marketing channels and market information; a lack of finance sources plus the high cost of financing; a lack of skills sources, and a continuing overburden of bureaucratic procedures. The government has followed neo-liberal financial prescriptions by fully recompensing exporters for all import duties and by providing additional export incentives but this has not been enough to overcome the problems listed.

In addition, as automation becomes the norm for computer production, India's low labour costs become decreasingly important[4] and heavy initial investments are required in equipment (and in marketing) to break into the export market. Some of India's large IT firms had automated assembly lines in the 1990s but were finding software exports to be a more lucrative field and were therefore moving away from IT production and the opportunity for 'home-grown' exports. Overseas subsidiaries of HCL-HP (India's leading IT firm), for example, were focused principally on software rather than hardware export.

By 1995, nonetheless, Indian computer policy was changing away from its historical concern with import substitution alone, towards a greater acceptance of the importance of export markets. The Indian government was slowly refocusing its strategy to create more balance between exports and domestic-oriented production.

The export performance of a few Indian firms indicates that the export barriers are not insurmountable but they are great for most firms and they would appear to need to be addressed by a mixture of both liberalisation and intervention from government. As regards import liberalisation, the liberalisation of import procedures has helped exporters get access to necessary inputs more easily but, thanks to 'duty drawback' and similar provisions, they have been insulated from changes in import tariffs.

Liberal access to inputs allowed the Indian firm PCL to export American-designed motherboards to the US company Dell from 1993 as part of a $ 50m contract. This contract reflected an international skill division of labour based on availability of cheap, trained production labour in India. By contrast, the export of four Param supercomputers from the DoE's Centre for Development of Advanced Computing (CDAC) only occurred thanks to government investment and intervention, and was based on the presence of skilled designers in India.

The Param example shows that there are opportunities for export of specialist hardware from India based on local innovation. However given that the major Indian multinationals with the money and international clout to follow a South Korean *chaebol* model[5] are more interested in software exports, any large-scale hardware exports will have to follow the PCL-Dell model of international subcontracting. Given the barriers of scale economies, brand name, marketing channels, finance, skills and quality, a tie-up with a foreign IT multinational is the only way to begin large-scale exports and the MNC must be willing, as Dell was, to invest in India-based production equipment and training.[6]

The government has tried to encourage this model in its 1992 scheme for Electronics and Hardware Technology Parks which have all the usual export unit incentives like duty-free imports, complete foreign ownership and tax holidays. Given the limited importance of low labour costs (especially by comparison with competitor production sites in places like Mexico and Taiwan), the government has offered the other Indian carrot - access to the domestic market for those achieving more than 15 per cent value addition. Few multinationals had seemed attracted up to 1995, and it was a measure of the government's determination that EHTPs be seen to export that, rather incongruously, EHTP units were allowed from 1993 to meet their export obligations from software exports.

Summary and Conclusions

Drawing conclusions from the data presented above is not easy. Many different factors have played a role – both demand and supply policies, technical and global macro-economic factors. At the same time, there are hidden complexities behind the apparently simple facade of both import liberalisation policy and industrial performance statistics. A high level of exports, for example, is no indicator of an industry's capabilities, efficiency or even competitiveness.

What the data does suggest - to be expected when import liberalisation is introduced into an import-substituting industry – is that liberalisation of industrial

Table 3. Share of Indian Computer Market Held by Local Producers

Year	Proportion (Per Cent)
1981	68
1982	64
1983	79
1984	50
1985	47
1986	57
1987	81
1988/89	69
1989/90	86
1990/91	97
1991/92	95
1992/93	9[illegible]
1993/94	94

Note: 1990s figures understate the case for imports because of slowly rising use of unlicensed (OGL) importing.
Source: as for Table 2.

Table 4. Gross Indian Computer Export Earnings

Year	Exports (US$m)
1981	0.2
1982	0.2
1983	
1984	0.8
1985	2.0
1986	1.6
1987	2.2
1988	11.4
1989/90	31.1
1990/91	18.4
1991/92	22.9
1992/93	10.0
1993/94	4.8

Note: These figures exclude export of peripherals - often included in 'hardware' exports – and electronics-related exports from the Santa Cruz Electronics Export Processing Zone (Seepz) in Bombay, most of which were peripherals but some of which were computers.
Source: IDC (1988), Dataquest surveys and estimates by DoE officials.

inputs helps the industry to grow but liberalisation of directly competing goods does not. At least partly as a consequence of import liberalisation, the great majority of the US$ 4bn spent on computers since the Indian government's 1984 computerisation thrust has left the country – either directly or to foreign component suppliers.

Companies have complained about the harm done to them by competition from liberalised imports and the government itself recognised this, with a 1987 discussion paper [GoI 1987a] arguing for greater protection which "may show reduced growth rates, since a lot of unhealthy growth will have to be pruned to allow slower, but healthier and more sound progress". As a result, some of the earlier import liberalisations were partly reversed at that time, though kit assembly still continued.

India cannot hope to be self-sufficient in new technology. Production of some technologies is beyond its means and there is a recognition of this in the differentiated import policy, which allows such imports lower rates of protection than items which can be produced in India. For the latter, there are scale economy arguments to justify import protection, as well as arguments about building capabilities which will be discussed below. Yet the indications by 1995 were that existing high (relative to international levels) import tariffs will not long survive the tide of liberalisation, whatever consequent impacts and arguments the government might recognise. Added to this, of course, an increasing amount of supposedly local production was actually of foreign brands.

Naturally, government policy stretches beyond import controls and duties. Policies to increase demand and to liberalise industrial licensing and capacity controls have helped to increase local production [Heeks 1995]. Exports have been assisted by financial incentives, though they need more than this to reduce the bureaucratic burden on exporters and to address supply-side constraints. In the 1990s, there was some recognition of this within government policy. Nevertheless, Indian computer exporters face some formidable external barriers and constraints, particularly as their major export market has recently shrunk drastically.

III
Qualitative Changes in Hardware Production

In the previous section, the relationship between import liberalisation and overt measures of industrial development was assessed. Although this relationship was better understood through qualitative data, little mention was made of a crucial qualitative factor - technological capability. In this section, the development of the Indian computer industry's technological capability and its links with government policy will be assessed.

By the mid-1990s, three principal types of Indian computer producer were identifiable, as described below.

(1) Assemblers

These are companies which import the component parts of a computer, assemble them in India and then sell the unit under their own name.

In terms of company numbers, such firms made up by far the majority of the Indian computer industry in the mid-1990s but they were mainly restricted to making bottom-of-the-range PCs. They typically had a very low scale of production, assembling only a handful of PCs per month and often working in the "grey market" (using smuggled parts, pirated software and unregistered sales). However, because there were several hundred such firms and because some larger firms were also assemblers, they supplied a substantial proportion of the domestic PC market (and most of India's computer exports in the late 1980s and 1990s).

Almost all of these firms have come into existence since the 1984 computer policy and they owe their existence to two principal factors. Firstly, the technical features and developments associated with the IBM PC, which were described above.

> Since the products are in the standardised form with no great technological challenges, it is easier for many to set up shop [Bhagnari and Polavarapu 1989].

Related to technical standards and simplicity, the low cost of kits or components and the ability to hand-assemble these computers has further reduced production entry barriers.

Secondly, Indian assemblers owe their existence to the liberalisation of import legislation which allowed such kits or component parts to be imported relatively easily and cheaply. However they also owe their existence to the continued protection which has prevented open import of complete PCs. Above the Rs 0.15m (US$ 5,000) threshold (where open import is allowed) assemblers with anything like a local manufacturing facility had great difficulty competing, especially after the 1994-95 budget which only provided a very small import duty differential between computer parts and finished computers. Given high local interest rates, taxes, and infrastructural costs and low scales of production, this differential was often insufficient for local production to make economic sense.

Because of these problems and because of the scale economies in microcomputer production, assembly companies have to cut costs wherever possible in order to compete. Most hand-assemble the computers using low-paid, low-skilled workers and so avoid high production costs. They rely on sales to their local area to avoid high marketing costs and they do no research and development work. They often work in the grey market to avoid tariffs and taxes.

However, it would be wrong to see assemblers as devoid of technological capability. In fact, there is quite a range of capabilities within this group. At worst, the computer will be imported as a semi-knocked-down kit from Singapore, assembled in less than half an hour using a screwdriver, and then sold. Most of the companies are of this type. At best, the various components (processor, monitor, disk drives, keyboard, casings) will be sourced from different suppliers, possibly including some local ones. Assembly then consists of component insertion, flow soldering and limited functional testing.

In either case, the capabilities are greater than those of trading companies and it is possible that assembly can form the base on which companies build up to higher capability levels.

(2) Design Innovators

Assembly companies do not have a design capability, whereas this group of companies does, and they use this to undertake a range of product innovations. They also manufacture their own computers.

Most design innovation companies are long-established.[7] In the late 1970s and early 1980s, there was a lot of import and assembly work but the Indian computer companies which dominated the microcomputer and minicomputer markets – including HCL, Delhi Cloth Mills Data Processing (DCM DP), Operations Research Group (ORG) and Wipro Information Technology (WITL) – were undertaking design innovation production. That is to say, they designed the overall component layout for their computers' circuit boards and peripherals, then bought in components

Table 5: Type of Active Indian Computer Collaborations – Cumulative Totals

Collaboration Type	1985	1988	1991
Agency	7	9	
Technical	2	18	
Joint venture		8	

Note: Numbers indicate active collaborations in non-specialist computers, and fall if collaborations lapse or cease. Numbers do not tally with those for total collaborations because the nature of some collaborations was unknown.

Source: Interviews.

such as processors from foreign or local sources, put them together to make the computer, and then tested it. Locally produced operating systems, systems and applications software were then added to create a complete system [Interviews, Grieco 1982, Subramanian 1992].

However, in the mid-1980s, all this changed.

> As a result of these policies, computer production in India has become largely an assembly operation, often from kits and is heavily dependent upon imported components and know-how [GoI 1987b].

In the market for basic PCs, design innovators found themselves unable to compete with kit assemblers. They were forced to become kit assemblers themselves, often relying on foreign collaborations, as the General Manager of one of the largest producers, DCM DP, described:

> We didn't have the necessary lead time to develop our own machines. It was a case of collaborate, or lose our market share in this crucial sector. I swung the Tandy deal for the company, but I still feel very sad at its necessity. We had the brains and the infrastructure to design and develop an Indian computer [Pawar 1987]

As well as the lack of development time, fierce competition in this market forced cost cutting. Production and research investments made in 1983 and 1984 were largely lost, profits were reduced and, as Subramanian (1992) states, "The new policy virtually killed local R and D.

A number of capable firms lost their design capabilities. Those which kept them could only afford to invest in R and D in areas of lower competition. R and D staff were therefore moved to work on more powerful computers based on the Intel 80286 and 386 and Motorola chips that came out around this time. Such computers were technically more complex than basic PCs, thus affording temporary protection from kit assemblers. At that time, there were few Indian computer companies with foreign collaborations producing powerful PCs, and the continued and subsequently rising level of import protection ensured the design innovators of sufficient profitability to justify their heavy R and D investments.

Design innovators also benefited from their existing base of capabilities, which allowed them to be accepted as "beta-test" centres for new Intel and Motorola chips, enabling them to work on designs before the new chips were sold on the open market. Import liberalisation had a slight role in improving their access to these chips.

The companies were assisted by a government committee decision. In 1985, the Rangarajan committee issued its recommendations for automation of Indian banks. On advice from the public sector IT firm, CMC, this included the recommendation that the computers to be used be based on the Unix rather than MS-DOS operating system software. Unix is more powerful than MS-DOS and needs a more powerful non-IBM-compatible computer to run it – such as those based on Motorola or Intel 80286 chips. This decision paved the way for a large potential market for Unix-based hardware, further encouraged R and D investment, and so helped to form the base for the hardware innovations of the late 1980s and early 1990s, many of which were Unix-based machines.[8]

Two to three years after the import liberalisation decision, some (but not all) design innovators were therefore able to start reasserting their skills in the market. HCL, WITL and DCM DP were all producing computers "conceived, designed and developed entirely by their R and D" [Jaikumar and Hutnik 1988] and based on the latest Intel and Motorola chips. Their design capabilities ranged from case design to board chassis design to chipset evaluation and printed circuit board design to Application Specific Integrated Circuit (ASIC) design. Each company had well over a hundred R and D staff, and they spent about US$ 10m each annually on R and D, typically working simultaneously on ten or more new designs for main circuit boards, secondary boards and peripherals [Interviews, Hutnik 1988].

All three companies produced machines before any other company in the world. They produced the world's first Intel 486-based computer; multiprocessing board superminicomputer; Reduced Instruction Set Chip (RISC)-based multiprocessing minicomputer; and Motorola-based multiprocessing Unix minicomputer. They also began exporting such machines or their designs, even to the US market.

R and D staff also work on operating systems software. Prior to 1984, most Indian computer companies wrote their own operating systems software but, with the arrival of IBM-compatible PCs and the generic operating system MS-DOS, such indigenous development was no longer required However, design innovators kept writing their own operating systems in areas of relatively low global competition, such as multi-user or multiprocessor operating systems.

The decision to push Unix as an operating system also affected this work because most of the companies obtained Unix source code which they could then modify. All of them made minor modifications to allow Unix to run on the computers they designed and HCL and WITL made some fairly major changes to produce Unix-based compilers for other programming languages, Unix utilities with higher performance than the originals, and multiprocessor versions of Unix. The Department of Electronics helped in this by co-ordinating and funding Unix import substitution work.

Finally, these companies also had a strong manufacturing capability in their large computer manufacturing plants and tended to incorporate a much higher proportion of local components into their computers than other firms, thus aiding the expansion of the local component industry.[9]

So, a number of smaller companies with design and production capability in the early 1980s did not fare well. After 1984, they found themselves unable to compete or invest effectively against imports. They shifted to assembly-type production and to agency collaborations, and moved design staff into simpler jobs, into marketing or lost them to companies with substantial R and D teams. As a result, these companies slipped well down the "league table" of producers.

On the other hand, a number of firms which built up skills during the early 1980s were able to maintain those skills during the 'dormant' period of the mid-1980s and then reassert them during the late 1980s and early 1990s. Such a process helped these companies maintain their dominant position in the Indian market. HCL and WITL are the clearest examples, constantly among the top three or four largest sellers from the late 1970s/early 1980s and, respectively, the largest and second largest IT companies in India in the early 1990s. Similarly in 1991-92, other old-established innovators – Zenith and Minicomp – still appeared in the top eight microcomputer makers [Dataquest 1992].

However, after this date, design innovation skills began to ebb away with the growth in demand for, and availability of, foreign brands. DCM DP, for example, performed strongly until the end of the 1980s but was then badly affected by internal wranglings

TABLE 6: SUMMARY OF INDIAN COMPUTER PRODUCTION IN 1995

Computer Type	Position in 1995
Microcomputers	Competition between kit assemblers and design innovators; increasing penetration of foreign collaborators
Minicomputers and workstations	Competition between foreign collaborations and design innovators; imports rising
Mainframes	Domination by foreign collaborations and imports

and, after the liberalisations of 1991, began to move out of innovation and manufacture into trading. It changed its name to DCM Data Systems and its R and D unit was converted into a Technical Services unit providing consultancy work. Zenith's R and D department was likewise transformed into a marketing and technical support division. Minicomp – without a foreign brand tie-up – became just a small assembly firm.

After the tie-up with Hewlett-Packard, staff in HCL's R and D division were transferred to work on HP research projects and WITL was similarly trying to hire out its R and D facilities to multinationals. Some R and D capability remained – as evidenced by the production of the HCL Meteor and WITL Synergy hardware range – but was coming under pressure from competing products produced by multinationals with whom the Indian firms now had a tie up (HP and Sun or Acer respectively).

Interviewees saw a shift from 'fundamental R and D' to 'value added R and D'; the latter meaning systems integration for specific customers or, at best, some hardware and software customisation. By 1995, even the manufacturing capabilities of these firms were under threat for higher-end machines given the lack of import duty differentials between parts and finished computers. Harindranath (1995) therefore draws the pessimistic conclusion:

> Liberalisation, and the accompanying globalisation, has done away with any incentive for investing in R and D or manufacturing. The R and D investments that some Indian firms used to make have become irrelevant, unviable and even unnecessary with liberalisation since 1991, and the consequent easy access to state-of-the-art technology.

R and D strength only remained in still protected areas. For example, thanks partly to the US government's earlier block on export of a Cray supercomputer, at least four Indian parallel processing supercomputers had been designed and built by the mid-1990s: ECIL's Anupam system; C-DAC's Param (in collaboration with Tata Unisys); the National Aeronautical Laboratory's Flosolver (in collaboration with WITL); and the Centre for Development of Telecommunications' Chipps-16.

(3) Collaborators

These are Indian computer companies which import much of the technology for the computers they produce. They import it from a foreign hardware firm with which they are in collaboration. Collaborations can be agency operations or technical collaborations or joint equity ventures which manufacture computers in India.

The nature of the local company's activity varies from being agents for complete computers imported with a government licence, to assembly of knocked-down kits, to hardware systems integration in which they bring together imported circuit boards and monitors with locally-produced disk drives and operating software.

The number of such computer collaborations has risen sharply, from 12 in 1985 to 29 in 1988, 31 in 1991 and 65 in 1995. The nature of foreign involvement has also changed, as shown in Table 5.

There has been a change over time from domination by agency work in the early 1980s, to domination by collaborations involving production in India in the mid-late 1980s, to re-domination by agencies in the 1990s, with a steady increase in joint ventures.

What has led to the overall increase in collaborations? Although the 1984 hardware policy brought no explicit changes to foreign collaboration policy, such collaborations were made procedurally easier to undertake. However, this does not explain the increase.

Indian companies seek out such collaborations as an alternative to investing in R and D, as a way to access the most recent technologies, and because some feel that foreign technology must be better than that which is produced locally. In a competitive market (seen in the heavy demand of 1985 and the cutbacks of 1991) those with few R and D-related resources or inclinations are tempted to take this route or, like DCM DP in the quote above, they may feel forced to do so. This feeling is strengthened by the preference Indian consumers have shown for imported rather than indigenous technology, over and above considerations of cost or performance.

The technology involved is a variable in this. For example, the technical complexity of mainframe design and production and the proprietary nature of mainframe processors, circuit board designs and operating systems has meant that entry into most mainframe production is currently not a viable strategy, and India has had to rely on foreign collaborations.

Foreign suppliers have been pushing such collaborations as the hardware market in India has grown. They tie up with Indian companies to ensure that their products are well marketed and supported. They push for production in India to take advantage of low production costs; to avoid import licences and duties on complete computers; and to achieve greater control over the decision making of their Indian collaborators.

Import liberalisation of components and peripherals will have encouraged the growth in local production, though so too has continued import protection of complete computer systems. Foreign companies come to manufacture in India partly in order to avoid this import barrier. With the barriers reduced in the 1990s, most collaborations scrapped or reduced their in-India manufacture or shelved plans for any future investment, and agency links expanded rapidly.[6]

Given the background of many collaborating companies in trading or assembly, it is not surprising that their technological capabilities were generally lower than those of design innovators. As a generalisation, one can say that many collaborating firms lie between assemblers and design innovators on a scale of technological capability.

Capabilities in agency operations were largely restricted to software services, while R and D in other types of collaboration was more limited than that of the design innovators. From the research surveys, it appeared that there were fewer R and D workers in collaborating companies and that they were oriented more towards local sourcing of components, and towards the development of applications software and other adaptations to local conditions rather than towards design innovations. The work of one such company in the late 1980s was typical:

> We are not involved in any basic developmental work in the strict sense of the word. Rather we would like to look at a product and see what enhancements we can offer, by way of system software, operating systems, ruggedisation, etc [Jaikumar and Hutnik 1988].

These collaborating companies therefore rely on the R and D carried out in developed countries and embodied in imported technology more than on their own efforts.

Table 7 Models within the Indian Computer Industry

Period	Dominant Model for Trade	Dominant Model for Consumption/Production	Dominant Model for Ownership
1960s	Imports	Consumption	Multinationals
1970s	Import substitution	Production	Public sector
1979-83	Import substitution	Production and consumption	Private sector
1984-87	Imports	Consumption	Private sector
1987-91	Imports and import substitution and some exports	Consumption and production	Private sector and multinationals
1990s	Imports and some exports	Consumption and some production	Multinationals and private sector

Because of the opportunity costs of this form of production within a technologically capable industry and the competition with more capable local firms, collaboration has therefore tended to reduce the extent of local design and research and development work. The Indian firm PSI's R and D capabilities were reduced to just a handful of systems integration staff when it was taken over by the French computer company Bull and, as noted above, HCL's capabilities have been redirected after the HP tie-up. The major expansion of agency operations in the 1990s only served to strengthen this overall reduction in capabilities.

Summary and Conclusions

There is no sharp division between the categories described here but more of a continuum of capabilities from assemblers through collaborators to design innovators. The different activities can also be found within the same firm. WITL, for example, designs and produces its own microcomputers, builds workstations in India through a technical collaboration with Sun Microsystems, and is the agent for imported Convex minisupercomputers.

There is also movement between the categories. Some of the firms which developed as design innovators in the early 1980s began life assembling imported goods, sometimes through collaboration with a foreign supplier. Conversely, some firms which were designing and building their own computers in the early 1980s or early 1990s later relied entirely on imports and collaborations. However, none of the assemblers or foreign collaborators that began in the wake of the 1984 liberalisations had shown itself capable of any substantial design or innovation work up to 1995

The historical trends within the industry can be seen more clearly in terms of computer types. Assembly has always been confined to microcomputers and seems likely to stay that way. It was slowly widening from basic PCs to more powerful machines before contracting again in the mid-1990s. Design innovators built up their capabilities on microprocessor-based systems. As microprocessors have become increasingly powerful, they have been able to form the basis for minicomputers and even "superminicomputers" as well as microcomputers. The capabilities of these companies have therefore been migrating up the computer system spectrum in line with technical changes.

Throughout the 1960s, 1970s and early 1980s, collaborations remained largely confined to the realms of mainframe computers. However, since that time, they have migrated down the computer system spectrum. At the end of the 1980s, there were only one or two major micro-computer production collaborations as part of a larger collaboration agreement but several minicomputer and workstation collaborations including many of the major world producers such as DEC, Unisys, Hewlett-Packard, Bull and Olivetti. By 1995, microcomputer collaborations were more numerous and had also begun to include major players, not the least of which were Compaq and IBM. By 1995, the computer market in India could therefore be summarised as indicated in Table 6.

In 1990, one could have taken a positive view of the Indian hardware industry. At that time, some Indian companies, including the two market dominators, had a wealth of capabilities. They designed their own hardware, importing only those components, such as processors, which could only be produced by the largest multinational corporations They had produced leading-edge designs and exported their computers to developed country markets. They had substantial manufacturing capabilities but it was in design – of both hardware and operating systems software – that they excelled Thanks to this and to export barriers, they had been more successful at exporting designs than computers.

Computer and kit import liberalisation in the mid-1980s had been potentially very damaging, but these companies were able to divert skills and resources into more protected areas, aided by government policies on imports and foreign collaborations They benefited from liberalisation of component imports but also from government demand policies, particularly the Rangarajan committee report.

A critical problem for computer industries in developing countries has been the question of how to move beyond just producing IBM-compatible computers [Evans and Tigre 1989]. The Indian hardware industry had been able to do this, thanks to the Rangarajan decision that can be regarded as either very fortunate or very far-sighted given that Unix was not very widely used in 1984 but subsequently grew rapidly in the workstation and minicomputer market, with a global market around worth US$ 20bn in 1991 [Schofield 1991], as well as strong growth within India itself.

In 1990, most of the other Indian companies had some technological capabilities, ranging from simple technology choice and assembly to systems integration and adaptation. Had open import of complete computer systems been permitted, these would have been unlikely to have developed, or to have developed to such an extent, and they provided a base which could potentially grow into higher capabilities.

By 1995, however, the picture was different and was not so positive. The vast majority of companies were hand-assembling imported kits, often for the grey market, while companies which relied on foreign technology collaborations were experiencing rapid growth, leaving only a handful of genuine indigenous producers in certain narrowing market sectors.

The computer industry is highly R and D-intensive, with US companies spending an average 8 per cent of revenue on R and D [Subramanian 1992]. By comparison, Indian computer companies spent, on average, 1 per cent of revenue on R and D and most small companies spent nothing. As made clear above, import liberalisation has played an important role in this.

> Overall the import of technology into India has very often been a substitute rather than an input to Indian R and D [Swaminathan 1988]

Hardware import liberalisation has led to "hundreds of assembly operations with little to show in the way of indigenisation of know-how or components" [Bagchi 1990], and has assisted the growth of foreign collaborations.

The flood of imports and foreign collaborations following the 1984 policy change drowned out local capabilities which had been nurtured during times of greater protection against imports. Once the floodwaters of import liberalisation began to recede after 1987 some firms had lost their capabilities but in the strongest of the pre-liberalisation companies those local capabilities had re-emerged.

However, by 1995, the signposts to the future did not bode particularly well for these firms. HCL and WITL – those paragons of design innovation – seemed in danger of losing their capabilities or at least subsuming them to the requirements of multinationals. Manufacturing within India of many computer types had suffered a severe blow, removing another source of capabilities.

What were once independent local hardware firms therefore faced four routes forward: (i) tie-up with a multinational; (ii) try to find a protected niche market; (iii) move into systems integration; and (iv) move into another area such as maintenance, training or software. Concern about hardware capabilities had slipped well down the agenda for discussion and firms were re-focusing on software as more and more became agents for the multinationals.

IV
Overall Conclusions

Has the Computer Industry Gone 'Full Circle'?

There are, indeed, signs that – largely thanks to liberalisation – the computer industry is swinging full circle back to the days of the 1960s. Foreign tie-ups, foreign brand names and access to the latest imported technology are once again the

order of the day. WITL's recent link-up with Apple and Acer, and ECIL's link-up with IBM via Tata Information Systems (TISL) mean that only two major Indian hardware firms in 1995 had no foreign microcomputer collaboration – Zenith and Minicomp. Both were experiencing negative growth. Consumption, not production, is again the focus, and most so-called Indian 'computer' companies actually just produce software for integration with imported hardware.

IBM's return in its joint equity venture, TISL, has only served to reinforce the "full circle" image. TISL's original intention was to undertake kit assembly (rather than manufacture) in India, but even that limited idea of production was shelved and the company expressed an interest in moving back into maintenance – a major bone of contention in the 1970s. Just to drive the cyclical message home, in 1992 Prime Chemfert Industries signed up with a German company to sell that time-honoured stalwart to the Indian market - refurbished second-hand IBM mainframes.

Of course, there are differences to the earlier period. In those days, there was no production of any kind within India. Now, at least, there is significant production and some exports in an industry that employs many thousands of people. Software, especially software exports, plays a far more important role within the industry. Thanks to the creation of local capabilities during import protection, at least some of the MNC tie-ups are closer to partnerships than dependent relationships.

Nevertheless, the current situation is very similar to that of earlier years, as summarised in Table 7, and increasing liberalisation brings increasing similarities.

Overall, the Indian computer industry seems in danger of having travelled a very long way to get not very far.[11] Both government and industry are in danger of losing their nerve in the face of the perceived momentum of consumption and liberalisation, running the risk that carefully-nurtured capabilities will be destroyed and that India's hardware industry may become a thing of the past.

Role of Technology

Policy is not the only factor affecting industrial development. The nature of the technology and of technical change has clearly been an important element in the development of India's hardware industry. Falling real prices of components and computers, the arrival of the microprocessor and the simplicity of the PC standard have all assisted the growth of production in India and the entry of small firms.

The speed and cost of technical innovation have also affected production. Where technology has been relatively stable, Indian firms have found it easier to enter and even be price competitive internationally. Where technology has been fast changing and innovation costly, fear of obsolescence has discouraged investment. In some cases, only the most capable and innovative firms have been able to compete and even they have not achieved any fundamental innovations. In the case of most types of mainframes and most processors, Indian firms cannot hope to compete at all because of the huge R and D costs involved.

Local production decisions have also been partly determined by the proprietary or generic nature of technologies. Generic operating systems have stifled major software innovations but have enhanced minor innovation, opened up wider markets for hardware design innovators, and helped small firms become hardware producers. Proprietary operating systems and processors, where well protected legally, have 'locked out' all except those that are willing to enter into collaboration with the supplier.

All this means that the Indian IT industry, like that of all nations, cannot hope to achieve technological independence. It must import some computing and component technologies even if it can produce others locally. Technology import policy and foreign collaboration policy should therefore be differentiated according to the type of technology.

Impact of Non-Import Policies

Though import policy is a key part of government efforts to build an indigenous industry, complementary policies also matter.

Controls on foreign firms and imports need to be supported by promotional measures to encourage local adaptation of imports and local research and development. By the same token, government intervention to promote the development of local capabilities is never more needed than during periods of import liberalisation [Bhagavan 1995, Chaudhuri 1995].

The coupling of government demand policies with some level of computer import protection has been central to the growth of production within India, offering additional demand, demonstrator effects to the private sector and learning opportunities for some Indian IT companies.

Policy on hardware export has done relatively little to address export barriers. For many years, there was a legacy of India's negative experiences with computing multinationals in the 1960s and 1970s, making policy more concerned with import protection than with other aspects such as export promotion. The need for government action to help redress the balance between domestic- and export-oriented production was only recognised in the early 1990s.

As well as the policies, the phasing of such policies may also be important. For example, many writers[12] feel that a period of strong domestic competition needs to come before any import liberalisation. This was the case in Indian hardware policy with the major relaxations in industrial licensing preceding import liberalisation by several years.

> The experience of the Indian computer industry demonstrates that a protection against foreign competition has to be accompanied by a high level of domestic competition [Brunner 1991].

This combination has been beneficial, with the competition encouraged by licensing liberalisation in the late 1970s coupled with some protection leading to consumption benefits and the build-up of computer-related technological capabilities which have been so important to India's hardware industry during subsequent years.[13]

Impact of Import Protection

One of the catch-phrases used by interviewees in favour of liberal imports was "let us not re-invent the wheel". They argued that it was wasteful to try to develop technologies locally when such technologies could more quickly and cheaply be imported. This outlook takes only a static view of the situation and it also neglects India's experience in the 1960s, when the lack of local production capabilities left the country dependent on imports of outdated equipment from multinationals.

The protection from imports offered between 1972 and the early 1980s allowed Indian firms to re-invent a few 'wheels' by reverse engineering foreign products. As a result there was a build-up of indigenous production and indigenous technological capabilities, particularly design capability.

> The consequences of a policy of protecting not just production, but also 'know-why' is that India has developed a capability to both manufacture and design a wide range of industrial products [Weiss 1988].

Local firms therefore gathered strength during this sheltered period and it is this, more than anything else, which provided the base for the impressive growth and design innovation seen in a few large firms. Protection, and the consequent increase in technological capabilities, also helped to reduce technological dependence on the multinationals and to compensate for Indian firms' difficulties in achieving scale economies through exports.

> For most developing countries, a certain amount of protection would appear to be necessary to counterbalance the enormous technological and cost advantages enjoyed by the computer industries of the advanced industrialised countries [O'Connor 1985].

There seems little doubt that government intervention to protect industries helps indigenous technological capabilities to grow, and that technological capabilities in a new industry will not grow without some protection.

In the 1980s and 1990s, it was only where protected from imports (and the foreign collaborations that bring them) that Indian companies were able to develop hardware development design skills. If, instead, India had continued to rely on foreign imports – as it was increasingly doing in the 1990s – it is hard to see how local production capabilities could have been built up.[14]

An alternative to protection is the use of subsidies to local producers which, it is argued, creates less economic distortions than protection [Helleiner 1992]. But where, as in India's case, government financial resources are too limited, protection remains a second-best option.

Impact of Import Liberalisation

There are signs that Indian producers were becoming more efficient and were building more up-to-date, competitively priced products during the early part of the 1980s. Had policies remained the same, it is possible that the producers would have carried on competing and improving behind the barriers of import protection.

However, the computers produced at that time were more costly and less up-to-date technically than world standards. The combined arrival of the IBM PC and of Rajiv Gandhi as prime minister shifted the focus from the benefits of protection for local production to the costs of protection for local consumption. The dominant concern came to be that import protection was allowing the Indian industry to be insulated from global technological progress and efficiency levels. Imports of both components and computers were duly liberalised.

Introducing import liberalisation into this import-substituting industry allowed the massive increase in demand to be met largely by direct imports, by import and assembly of computer kits, by foreign collaborations, and by a large outflow of foreign exchange. All of these had a role to play in the suppression of local research and development and of local technological capabilities, and the signs were that the same thing will be repeated in the latter half of the 1990s.

What local production and capabilities there were during the earlier period remained partly through continuing protection. Only those firms with technological capabilities that pre-dated the major import liberalisations still had those capabilities in the late 1980s and early 1990s, though protection also encouraged some level of capabilities in assembly and collaborating firms that might not otherwise have arisen.

As already discussed, import liberalisation did help to bring some benefits to consumers; and it may have had a positive effect on those firms with pre-existing capabilities which survived the mid-1980s. The director of one such company stated that there had been benefits in import liberalisation in that his company and others like it "are now more alert to competition, to advances in technology, etc".[15]

Cline (1987) and Weiss (1988) review evidence of successful policy strategies from both India and China and conclude that while initial protection is needed to build capabilities, "there are limits to this process, and that beyond some point an infusion of foreign technology and imports will be required to strengthen and complement domestic resources" [Weiss 1988].

This therefore suggests the possible utility of some kind of phasing of import policy, with import liberalisation following import protection.[16] However, two points are worth making. First, it is widely seen that import liberalisation in the mid-1980s went too far, with subsequent policy reversals showing that "the Government is tacitly accepting its mistake in opening the import-window rather too wide" [Datt 1987]. There are similar concerns about the liberalisations and potential liberalisations of the 1990s.

Second, any benefits to design innovators were more from liberalisation of component imports, which they could use to upgrade their systems, rather than kit and complete systems imports, which merely provided direct competition. Any impetus from such competition and from technology upgradation gains must be set against the skills loss in those firms which gave up design innovation in the mid-1980s and against the impact of component liberalisation on the component industry. Although this research did not include a detailed qualitative survey of the Indian component industry, it seems certain that component-related capabilities were suppressed by imports [see, for example, Mody 1985 and Chaudhuri 1995].

Overall, then, one can take no simple, polarised view of either foreign collaboration or import liberalisation. Many Indian companies have sought and welcomed collaborations. Collaborations may also form the basis for some build-up of technological capabilities but they have more often been associated with a loss or stifling of such capabilities.

Similarly, import liberalisation has produced a form of growth but also a type of dependence, with improvements in consumption-related factors being matched by growing dependence on foreign sources of technology and innovation, and a lack of local capabilities:

> More liberal policies have assisted the growth in consumption, but have not really helped develop the technology *per se* [Subramanian 1992].

Fortunately, in earlier times, the Indian government has never permitted complete import liberalisation, always retained some protection, and reversed liberalisations once their negative implications became clearer. By 1995, however, this no longer appeared true, and the dangers of existing and future liberalisations were considerable.[17]

Importance of Government Policy

> In the case of the United States, Brazil and South Korea, government action has been instrumental in supplying an impetus for the domestic industry to move beyond an historic status quo. We have found a similar situation in India [Brunner 1991].

Despite the other factors described above, policy has been an important determinant of the changes in hardware production within India. During the 1970s and 1980s, even when liberalising, the government retained strong control over imports and other activities and even in 1995, it remained a powerful influence.

In the past, it has also retained the ability to react and to change policy when necessary. This article has shown that throughout the history of the hardware industry, reactions and changes in government policy have been the dominant factors delineating the changing phases and nature of the industry.

During the 1970s, government hardware policy was successfully modified to address the two principal problems relating to computers – firstly, the complete dependence on multinational firms and, later, the dependence on a single, poorly performing public sector company. The main mechanism used was the alteration of controls over industrial entry, capacity and foreign collaboration.

During the 1980s, government policy was successfully modified to address the problems it then identified – firstly, the low levels of use of the costly, out-of-date equipment produced locally and, later, a re-emerging danger of import dependence and loss of technological capability. The main mechanisms used were demand stimulation and alteration of import controls. During the early 1990s, import policy again changed to address the overriding problem of foreign exchange availability.

Of course, no government is perfect. It is arguable that the Indian government 'overdid' the industrial protection of the mid-1970s, the import liberalisation of the mid-1980s, and – most of all – the liberalisations of the 1990s. Nevertheless, until the 1990s, it successfully responded to the problems created and modified policy in order to help solve them. Partly thanks

to this, by 1995 there were around 9,00,000 computers installed in India compared to only 1,000 in 1980. Yet, at the same time, the Indian hardware industry had grown strongly, with hardware revenues exceeding US$ 500m in 1993-94, including those of a few companies which were still designing and building computers at the forefront of hardware technology.

Thus, over and above any particular findings about protection or liberalisation, it is the government's ability to change and apply various appropriate policy measures that can be held at least partly accountable for the positive developments in Indian computer use and production. What is not clear is whether, in 1995, the government still retained flexibility and choice over policy or whether certain liberalising policy trajectories had to a large extent been taken out of its control.

Timing and Type of Policy

> Government intervention is apt to be essential but what form that intervention takes is critically important [O'Connor 1985].

Import liberalisation can help to bring benefits to some consumers and some consumption-related developments, but can be harmful to some producers and production-related developments. Import protection has arguably more virtues but, while some form of protection may always have a positive developmental impact, continuous high levels of protection are likely to lead to inefficiency and to a greater concern with local sourcing and adaptation than with innovation and use of up-to-date technology.

Therefore, there can be no sweeping prescriptions about the form of government policy. Both liberalisation and protectionism may have a place, but timing is critical.

As regards computers, the Indian government started by allowing imports; then closed them off to help build local capabilities, opened them again to allow technology to be updated, and then closed them off again to preserve local capabilities. It seems certain that neither continuous rigid import protection nor continuous import liberalism would have been appropriate strategies to produce the growth of, but also balance between, production and use.

This is not to argue that the open-close cycle is necessarily the recipe for success in other industries or countries (though it might be). Instead, policy choice at any given time should be determined by the present state of industrial capabilities, relations with foreign companies, changes in technology, changes in the global macro-economy, and the balance of government concern between local consumption and production. Governments therefore succeed by continually monitoring industrial and external circumstances: by avoiding dogmatic ideologies; by being selective in their policy choices; and by a mixture of some planning and some reaction to the circumstances they find.

Notes

[The findings reported here derive from ongoing research work into the development of Asian IT industries. This has included several periods of fieldwork in India and, unless otherwise indicated, figures and opinions presented here are drawn from fieldwork interviews and surveys.]

1 There are three main categories of computer listed here in decreasing size/power order: mainframe, minicomputer, microcomputer/PC. Although still useful, this categorisation has been breaking down for some time. Some Indian-built 'supercomputers', for example, are based on microcomputer processors, yet are more powerful in certain ways than many mainframes.

2 Hardware will be taken as being synonymous with 'computer' and not to include other goods such as peripherals (disk drives, monitors, keyboards) and components (printed circuit boards, microprocessors); though the latter will be referred to.

3 Mody (1985) and Mahalingam (1989) point out that most developed countries, except for the US and Japan, have found it very hard or impossible to sustain a microprocessor design and manufacture capability. For example, whereas Intel's first microprocessor, the 4004, cost US$ 60,000 to develop in 1970, its 486 chip cost US$ 500m in the late 1980s (PCW 1990).

4 Labour costs in 1993-94 were estimated to be somewhere between 6 per cent and 15 per cent of total IT production costs in India [Interviews Kapur 1993, Harindranath 1995].

5 The South Korean government helped the formation of a number of large conglomerates, *chaebol*, with the resources to create international brand names.

6 By 1995, there were a number of successful Indian IT firms following this model - PCL, Silicon Valley Technologies and members of the Tandon group (Advance Technology Devices, Tancom Electronics, Ultra Tek Devices). They had tapped into the booming market in hardware outsourcing created by the intense competition between the PC-producing multinationals, but were therefore exporting computer parts and sub-assemblies rather than actual computers.

7 Most of the companies started microcomputer or minicomputer production in the years 1978-82 though start year in itself can be misleading because all the companies began by hiring staff who already had skills from previous work in other computer or related firms.

8 As in Brazil, this government decision also paved the way for the development of specialist skills in computerised banking systems.

9 There are likely to have been other externalities thanks to the build up of local technological capabilities, with spin-offs from the development of a pool of skilled workers and from hardware innovations. It was found from interviews, for example, that design innovators provide more local employment per computer sold than assembly companies.

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10 Given that this was affecting local assemblers, local design innovators and other sectors as well, some commentators (*EPW* 1994) were starting to talk about the 'deindustrialisation' of India

11 The recent description of policy changes after 1991 as "a 180 degree U-turn" (Vittal 1994) is thus apt As anyone can demonstrate, doing a U-turn will bring you back to where you started

12 Such as Ghosh (1987), Patel (1987), Lucas (1988), Foley (1989), Jain and Sanotra (1993) and *EPW* (1994)

13 Though, of course, too high a level of competition may stifle capabilities and innovation.

14 To provide a concrete example, in the early 1990s, the author conducted a survey of the Malaysian computer industry The Malaysian government has maintained an open import policy Although other factors, particularly market size, have an impact, the lack of protection was at least partly responsible for the Malaysian computer industry's heavy reliance on the import of complete computer systems A few companies were assembling imported kits but none had any design capability in either hardware or systems software

15 Chaudhuri (1995), too, reports a stimulating effect of imported technology on R and D in electronics firms, though that this effect is only 'limited'

16 A strategy recommended by many writers, including Evans and Alizadeh (1984) Kaplinsky (1984), Schmitz (1984), Fransman (1986), Cline (1987), Bagchi (1990) and Helleiner (1992). Those who believe that protection must have a designated end-point disagree over the protection period, though those closer to neo-liberalism argue for a much shorter time-span than others

17 For example, an intention to reduce the minimum unlicensed import cost of computers to Rs 30,000 (US$1000), "which could blow most totally Indian operations out of the water" [Bhimal 1993]

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Designing Policy Initiatives in Emerging Economic Environment

Case of Indian Computer Hardware Industry

Rajnish Karki
Ahmad Cameron

Since the mid-1980s there has been a perceptible shift in the role of the government from 'doer-controller' to 'facilitator-intervenor' vis-a-vis the industry. The experience of the computer hardware industry in which the government role has always been of 'facilitator-intervenor' can hold important lessons for policy initiatives in the future.

Introduction

POLICY announcements made by governments are declarations as well as directions which it shall be taking to achieve national objectives. These policies bring to the forefront new opportunities and remove certain constraints keeping in view the overall development of the nation. In November 1984, the New Computer Policy (NCP) was announced by the government of India. Enterprises which took the lead in implementing this policy were largely from the private sector. As a result, the experience of the computer hardware industry can act as a good example to analyse the interactions between public policy and the activities of the corporate sector within the ambit of the economic liberalisation underway at present.

Six variables have been identified which capture the computer hardware industry scenario. These variables along with the policy initiatives are considered to form one system. Systems analysis approach has been applied to analyse the interactions between various subsystems. Keeping the NCP as the point of reference, the case of computer hardware industry from 1984-1990 has been analysed to draw con-clusions. This has led to the identification of certain pointers for designing govern-ment initiatives in the currently changing Indian economic scene with its ultimate objective of globalisation.

Systems Approach

Social, economic, political and technological sectors of countries are extremely complex in characteristics. Each one comprises a number of subsystems interacting with one another within the entire whole. All these subsystems constitute to make larger and complex super-systems. Certain sectors have a direct link with global developments, e g, economic, technological, etc Understanding the dynamics of such sectors becomes even more difficult. Thus policy designers and formulators have to understand the dynamics of the given sector within a complex mosaic of the nation. In recent years, systems analysis has been successfully applied to policy analysis and design [Srivastava 1979].

The systems analysis approach involves definition of objectives; identification of subsystems, including their characteristics, boundaries and interrelationships; and analysis of the system so as to explore alternative ways to achieve the objectives. This approach helps policy framers to understand the inter-dependencies among the subsystems so as to plan a set of actions-interventions (policy) which eases the restrictive factors, strengthens the supportive factors, or add some new sub-systems or interdependencies. On close examination of the data on Indian Computer Hardware Industry (ICHI), subsystems which capture the whole gamut of computer industry need to be outlined. The following subsystems and their characteristics can be identified for analysing the 1984-1990 period:

(1) New Computer Policy (NCP) of November, 1984. The provisions of the policy which have direct influence on the evolution of computer industry.

(2) Computer Technology: Domestic technology developments are closely linked with the developments taking place around the world. Foremost is the development of computer architecture, which in turn is based on the developments in integrated circuits (IC) technology. The developments include the launch of new products, import substitution, newer applications of computers, e g, engineering analysis and manufacturing, integration of computers and communications technology. This subsystem also include developments in software.

(3) Human Resource: Changes in the number and proficiency of computers users in the country. This subsystem captures availability of consumers of output of the computer industry.

(4) Extent and type of computer usage: This subsystem captures expansion of demand for computers, both in terms of new users and new applications. It also includes specific initiatives, government or otherwise, which facilitated expansion.

(5) Indian computer hardware industry: This subsystem consists number of enterprises active in the industry, market shares and sector (public or private), technology competencies, and marketing reach

(6) Indian economy: This subsystem captures overall economy and industrial growth which have a direct impact on the evolution of computer industry.

These six subsystems are considered to be constituents of Indian computer hardware industry (see the figure) In the next section each subsystem is described in detail for the period 1984-90. The focus is on describing the changes, while trying to analyse the changes in terms of inter-dependencies on other subsystems. The key here is that policy initiative is considered as just one subsystem.

Indian Computer Hardware, 1984-1990

The era of computers and computerisation began in India in 1955 At ISI Calcutta a Russian computer was installed in that year. The second system that came up was IBM 1400 at Standard ESSO – a multinational company. Next to follow were Hindustan Aeronautics and TIFR, Bombay. The period between 1955-77 saw the dominance of IBM as it controlled 70 per cent of the Indian market. This phase saw IBM bringing in those punched-card systems which had become obsolete in the developed countries. IBM concentrated on the research and academic institutions of India who were on a look out for computing facilities. It provided extensive maintenance support.

IBM dominated the Indian market till 1971, when it ran into an argument over providing computer systems and services in India. This event became a turning point in the evolution of computer industry in India. A committee under the chairmanship of M G K Menon was established. Its recommendations gave rise to the establishment of Electronics Commission in 1971, Computer Maintenance Corporation (CMC) and Semi-Conductor Complex (SCL) in 1976. Organisations such

as Electronics Corporation of India (ECIL) established in 1967, got a boost during this period and entered computer hardware industry. Simultaneously, Central Electronics active in related activities was brought under department of science and technology in 1974. By 1977 the government had realised the importance of information technology. Government had taken crucial initiatives which finally paved the way for the eventual growth of computer industry in India (Public Enterprise Survey 1988-1989).

There was one major landmark during this period, which was though not directly related to computer industry, had a lot of bearing on its growth eventually. This was the promulgation of Foreign Exchange Regulation Act of 1974 (FERA). By virtue of it, foreign companies operating in India were allowed to hold only 40 per cent equity. This became a catalyst in the process of exit of IBM from India in 1977, when it refused to dilute its equity. IBM which had earlier leased its machines to various Indian organisations, transferred its systems to them for a final payment

The exit of IBM created a major vacuum in the field of systems maintenance which was plugged in by CMC. On the other hand, ECIL started the production of 12-bit systems and subsequently progressed to produce 16- and 32-bit mainframes comparable to French IRIS 55 Systems. Private sector made its entry into the computer market through calculators. Private sector companies such as DCM, Televista, Omron, HCL, and even ECIL launched desk-top and pocket size calculators In 1978, HCL and DCM launched microcomputers for standardised business applications like payrolls. By 1983, several private sector enterprises had launched more powerful microcomputers for a variety of applications, while Wipro and HCL had launched minicomputers also.

The government announced the New Electronics Policy in 1983, and reduced customs and excise duty on electronics industry By 1983 private sector enterprises dominated the computer hardware industry, and there was reasonable amount of competition. Several companies like HCL and Wipro had developed their proprietary hardware and operating systems.

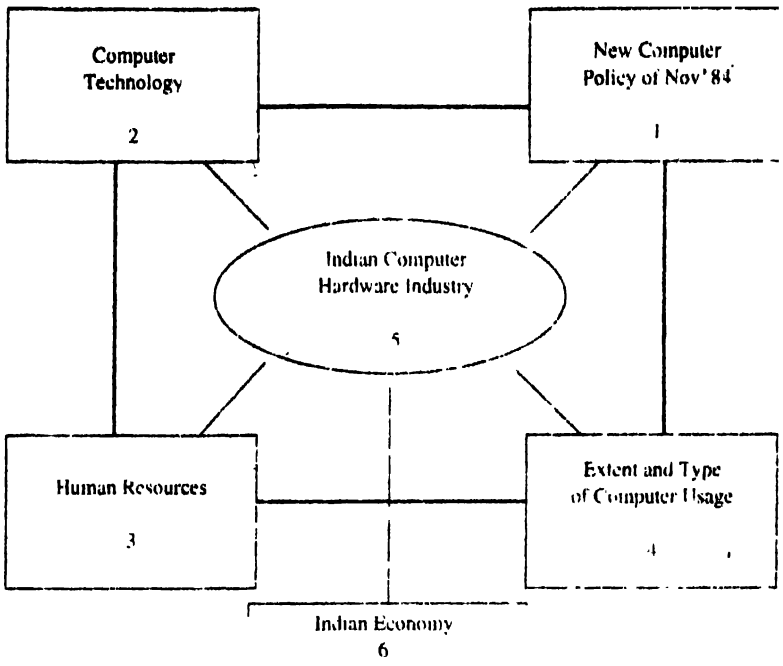
Subsystem 1 – New Computer Policy 1984: Some of the salient features of the New Computer Policy (NCP) announced in November 84, soon after Rajiv Gandhi assumed power were:

(a) Regulation of all clearances through inter-ministerial standing committee (IMSC).

(b) Reduction in import duty on peripherals.

(c) Liberalisation on the import of computers.

FIGURE: SYSTEM DIAGRAM OF ICHI FOR THE PERIOD 1984-90



(d) Granting permission to foreign equity participation.

(e) Recognising software as a separate industry and formation of a software development agency for the overall growth of this industry

(f) Allowing import of computers by government institutions as well as R and D organisations.

One immediate result of this policy was the reduction in prices of the systems by as much as 25 per cent, as enterprises passed on the duty reductions to customers to gain an edge over competitors.

Subsystem 2 – Computer Technology: During the period technology development was one of the fastest in computer industry Significant developments were – emergence of personal computers as powerful office tool, networking of computers of different manufacturers and processing capacities and workstations for CAD/CAM applications. The technology trend was towards standardisation (from proprietary). IIT Kanpur developed Graphics Indian Script Terminal (GIST) card for using computers in regional languages. The pace of technology was so fast that computers based on a new technology were introduced every three years and product life cycles were less than a year. Barring the US, all the countries acquired the technologies through licensing, collaboration, or by inviting US multinationals. Even in the US the technologies were developed by a large number of severely competitive enterprises. It was impossible for any country to develop the entire range of computer technologies on its own and also keep pace with the developments. There was no single source of all the technologies and the technology was complex, it was imperative for the government to facilitate the access to the technology. NCP provided for freer access to the needed technology and faster clearances. NCP made it possible for Indian

TABLE 1 GROWTH OF INDIAN COMPUTER HARDWARE INDUSTRY, 1983-91

Year	Industry Turnover (Rs in Crore)	Per Cent Growth
1983-84	125	
1984-85	138	10.4
1985-86	234	69.6
1986-87	347	48.3
1987-88	510	47.0
1988-89	674	32.2
1989-90	900	33.5
1990-91	1094	21.6

Source: Bhatnagar, 1991.

TABLE 2 SALES OF LEADING COMPUTER HARDWARE COMPANIES

(Rs Crore)

Year	HCL	Wipro	Sterling
1983-84	20	8	Nil
1984-85	23	15	Nil
1985-86	44	25	2
1986-87	60	35	17
1987-88	115	50	35
1988-89	180	85	51
1989-90	215	115	56

Source: Bhatnagar, 1991

enterprises to launch computer products of nearly all types after making some adaptations (some enterprises acquired capabilities), and more importantly almost at the time of their worldwide introduction

Subsystem 3 – Human Resource: Shortages of technical/skilled manpower was felt in the industry specially after 1987. This was primarily due to the rapid growth in the requirements of the industry as a result of its expansion catalysed by the provisions of NCP. At university and engineering college levels, a number of new courses such as Masters of Computer Applications, Diploma in Computer Applications, BTech/BE in computers, etc, were introduced. In private sector, computer training centres were started by enterprises such as NIIT, ICE, ICS, etc. Government also started ambitious CLASS project in over 10,000 schools. Further, there was a qualitative shift in the composition of manpower – from earlier pure science (mathematics, statistics, physics, etc) graduates to engineers, MCAs, DCAs and MBAs

Subsystem 4 – Extent and Usage of Computers: Initially when computers entered India, they were primarily used by the scientific organisations for their research and development activities. Slowly the computers started finding their utility in the area of electronic data processing (EDP) in organisations which required handling of huge data, e.g. NSSO, Census, and payrolls in large business enterprises. However, with the entry of PCs in post-1984 period, there was a definite broadening of the scope of computers in an area which till then had not been explored in India – more and more organisations started using computers for wordprocessing activities. This soon graduated into desk top publishing area by 1989-90 on a regular commercial basis. Then came the use of computers in the area of inventory management, on-line transaction processing, etc, which found utility in a number of private/public sector organisations.

This phase also saw a boost given to the process of computerisation by organisations and institutions belonging to the government. National Informatics Centre (NIC) had played a pivotal role during the processing and analysing of Asiad 82 results. During this exercise it had also demonstrated the establishment of a wide area network (WAN) within Delhi using its Cyber 170/730 mainframe system. This period saw the announcement of building up of NICNET (NIC network) through INTELSAT/INSAT satellite up to the district level. Through this project plans were launched for major computerisation drive at the central/state/district level government offices. With NICNET attaining its target of reaching district level by the end of 1989, the problem of working in regional language became a major issue – which was solved by academia of IIT Kanpur. The initiation of computerisation of land records at Morena (MP) and Kanpur (UP) gave another fillip to the process of computerisation in particular and the computer industry at large.

Amongst other major initiatives were the announcement of the launching of computerised railway reservation system; mooting of INDONET, computerisation of passport offices and last but not the least, organisations such as Indian Airlines, ONGC, SAIL, etc, launching schemes of computerising their operations.

NCP acted as a catalyst towards widespread (e.g. CAD, CAM, MIS, project management, etc) application of computers even in organisations which were conventional in their operations (such as engineering construction and manufacturing units). This was due to the availability of a large number of software packages and hardware configurations, along with the approach of computer companies to adopt aggressive marketing techniques. A direct consequence of NCP was to facilitate institutions, laboratories, and large government organisations to import computers. This became easier and faster through the inter ministerial standing committee. One of the biggest outcomes was the establishment of NICNET through NEC-1000 super computers and ND-500 superminis between 1986-89, which facilitated intensive and extensive use of computers in the country.

Subsystem 5 – Indian Computer Hardware Industry. Within India interesting developments started taking place. Items banned on the import list such as dot matrix printers, floppy drives, power supplies, monitors, keyboards, etc, became freely available and some domestic production also started. In spite of this industrial units in private sector were found wanting an issue of a reliable R and D base of their own. They were more eager to develop/produce microprocessor based supermicros and PC-compatibles. Even for doing this they preferred collaborations with prominent foreign manufacturers. In the public sector ECIL tied up with Control Data Corporation (CDC) of the US to produce mainframes and Norsk Data (ND) of Norway for superminis. SCL started producing LSI chips. ET and T was identified to produce low cost high quality electronics products.

There was significant increase in the size of the computer hardware industry, with annual growth rates about 50 per cent during the period (Table 1). In 1984-85 top ten companies accounted for 90 per cent of the industry's turnover. This reduced to about 60 per cent by 1990-91 [Bhatnagar 1991]. There were changes every year with enterprises entering and dropping out from the list of 10 largest enterprises. The competition became increasingly severe due to the entry of a large number of enterprises and overpowering thrust on growth by incumbents. This occurred due to the entry of a large number of enterprises, who could import technology in the form of SKD/CKD kits, as a result of NCP's provisions. Increased competition amongst the players culminated in severe price cuts during late 1985 and late 1988. The price cuts further fuelled rapid expansion of the industry.

Subsystem 6 – Indian Economy: The computer hardware industry grew at a much faster rate in comparison to the overall industrial growth rate of about 8 per cent during 1984-1990 (*Economic Survey 1991-1992*). Globally the computer hardware industry was growing during this period at

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the rate of 12-15 per cent [Chopra 1993]. This 'disproportionate' high rate of growth of ICHI was possible due to the strong thrust by the government for computerisation, reduction in cost of computers, and easier availability of hardware options and software solutions as a consequence of NCP. Plan outlay for the department of electronics had been increased about 2 3 times compared to sixth plan outlay In contrast, for steel, petrochemicals, fertilisers, and agriculture the outlay had increased by 37.69, 7 81, 1.6 and 48 8 per cent respectively (*Handbook of Industrial Statistics 1989*) This establishes the concern of the government to give greater impetus to the electronics sector at large, of which ICHI was one component

The new computer policy of November 1984 thus had a significant impact on the evolution of ICHI [Karki and Cameron 1993]. The impact of NCP was essentially in two ways. First, it made possible for ICHI to be latched with the global computer industry by allowing free access to technology and components. Second, it induced and attracted a large number of enterprises in the ICHI fold which led to competition resulting in easier availability of computer solutions at lower costs

Conclusions

India embarked on a wide-ranging initiative to liberalise its economy by reducing controls on entry and operation of enterprises, hesitantly in mid-1980s and quite vigorously since 1991 The initiatives since 1991 are also aimed at globalising Indian economy - removing non-tariff barriers and reducing tariff barriers on import for most of the technologies and products, and freer entry of multinationals. There is a perceptible shift in the role of government from 'doer-controller' to 'facilitator-intervenor' of the industry. Due to change in premise about the role of the government *vis-a-vis* industry, type, magnitude, implementing approach, timing of public policy initiatives is altered Therefore experience of computer hardware industry in which government role was of 'facilitator-intervenor', can hold important lessons in policy initiatives in the future.

The key objective of industry-related policies of the government in liberalised-globalised economic environment is to help develop globally competitive industries. Roots of globally competitive industries are at multiple levels – enterprise, industry, infrastructure, health of social sector, i e, education [Porter 1991]. Government policy would need to help improve these 'roots' for the evolution of globally competitive industries. Being globally competitive is the key objective, as in the emerging world scenario it would be difficult for any industry in any country to "hide behind tariff or non-tariff walls for long".

Some of the key lessons which emerge from system analysis of ICHI, for policy initiatives of the government are.

'Align' policy initiative with corporate strategies and competencies: The New Computer Policy released the potential of private sector enterprises by allowing freer access to technology and components not available in India. Computer technology is complex and very fast developing, so that no single company or nation in the world (barring the US to some extent, but there too, no single enterprise) has been able to keep pace with the technology alone. Government policies before 1984 hindered computer developments and expansion, by insisting on indigenous development. Indian enterprises despite some valiant efforts of ECIL and HCL could never expect to keep pace with world with indigenous developments. It was prohibitively expensive if not impossible Instead Indian private sector enterprises had competencies in supporting the latest technology and products, in developing customised user applications, and in reaching large and small customers throughout the country. NCP was successful as it removed the restrictions and allowed Indian companies to use their competencies to the fullest.

Facilitate domestic competition: NCP allowed freer entry of enterprises into ICHI, and many enterprises could enter as capital requirements were small and skilled managerial resources were available. ICHI had become highly competitive by late 1980s. This led to several advantages: due to tough competition the enterprises increased reach to smaller towns and to smaller customers, bringing about wider availability of computer, while trying to beat competitors enterprises started a race to introduce the latest computers, so that the technology gap rapidly reduced to almost zero by 1990; due to competition the prices in real terms started reducing in real terms, so that by 1990 the difference in price of computers in India and abroad was very small

'Align' with global industrial developments: NCP allowed for alignment of computer technology in India with the world. Technology developments have their own logic depending on invention, availability of markets, etc Global integration is the premise of national economies in future. Long-term benefits to the nation of a government initiative would be significantly dependent on its impact to bring about Indian industry to global levels – in technological sophistication and efficiency.

Consistency with other government policies NCP in some ways had some inconsistencies – with the thrust on indigenous technology, development of technology and industrial policies. But due to extraordinary focus on computerisation led by prime minister Rajiv Gandhi, apparently NCP overrode provisions of other policies. Fortunately the inconsistencies of government policies did not have adverse effect on computer hardware industry. But it can have a crippling effect on some government initiatives.

Focus government efforts on infrastructure creation: As evident from systems analysis evolution of ICHI was strongly aided by the government thrust on computer usage by the departments, investments in INDONET and NIC, spread of computer literacy and establishment of computer training institutions. Such investments could be made only by the government, and which led to development of specialised skills in the country These skills, which are the principal factors of knowledge-based industries, would stand in good stead for future evolution of computer industry in India.

Promote specialised and sustained investments: This has been the weakness of NCP. Computer industry enterprises in general spent little on research and development during 1984-1990 period. Some of the investments which could have been made on creating facilities and skills for internalisation/adaptation of core and peripheral technologies get into the forefront of technology development for some components or processes, faster development of indigenous sources for parts (done on fewer components and for very slowly). Some like Wipro Infotech which made such investments reaped rich rewards, and many others like Pertech Computers Limited realised the need by 1990. But creation of specialised skills by promoting investments by enforcement or incentives should be an important component of policy initiatives, to reap advantages of globalisation after achieving it.

[The views expressed here are those of the authors and not of the organisations to which they belong]

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Foreign Collaborations and Industrial R and D in Developing Countries

Case of Indian Automobile Ancillary Industry

P K Chugan

An investigation of the factors related to foreign technology vis-a vis their role in determining the firm s development, adaptation and absorption (DAA) capabilities reveals that while the number of foreign collaboration agreements (FCA) and foreign equity do influence DAA capabilities, the impact is limited; for, other technology transfer related factors restrict the firm's freedom to operate in a manner it deems fit. A comparative analysis of FCA and non-FCA units indicates that in spite of weaker R and D base, the non-FCA units spend more on R and D in relative terms and develop/adapt larger numbers of products than the former

MOST studies in the past have concentrated on an examination of the nature of government research and its utilisation in developing countries. Experience has shown that the extent of government R and D utilised by industry is very small [Desai 1980; Alam 1984], and it is becoming increasingly clear that for any significant improvement in the technological capabilities of Indian firms, R and D will need to be mainly done within the firm [Alam 1988a,148].

The R and D thrust of industrial units in developing countries, however, basically lies with their abilities/capabilities to develop and adapt the product/process and absorb the technology obtained from elsewhere in the shortest possible time[1]. There are, however, a number of factors such as size of a firm, its R and D facilities, its inward or outward looking orientation, its experience through learning by doing, its access to foreign technology and the interest or active involvement of its foreign partners in its R and D activities *vis-a-vis* its access to collaborator's R and D departments, its level of average wages/salaries, its profitability through R and D activities, the nature or technical aspects of the products manufactured, its knowledge about the R and D infrastructure/facilities available outside its own premises, the restrictions and their effectiveness as stipulated in FCAs with respect to modifications/improvements in product design, use of raw materials, machinery and equipment and further transfer of technology, etc, which determines the firm's capabilities, in this regard. The significance of these factors and their impact on development, adaptation and absorption (DAA) capabilities, however, differ from firm to firm because they relate to the specified firms and are firm specific. An earlier regression analysis (OLS) based on the data of 75 units manufacturing automotive components suggest that the size, age, number of foreign collaborations, foreign equity, highly-paid employees, net profit/loss and the manufacturing of critical components etc, influence the firm's DAA capabilities/efforts positively. Size and age variables, however, may not have desired impact on DAA capabilities of small units, because their coefficients though positive, statistically are insignificant. But these co-efficients are significant for the large units and therefore, are expected to influence their DAA capacities positively. Export performance though has a positive impact on the DAA capabilities of small units, the negative significant relation for large units as well as the industry as a whole reveals that the export orientation has rather reduced their capacities[2].

As the purpose of this study is to investigate the factors related to foreign technology *vis-a-vis* their role in determining the firm's DAA capabilities, we restrict our analysis to those factors which are linked with the technology import/transfer. These factors may be categorised as 'common factors', viz, the factors that are relevant for both units in the foreign collaboration agreement (FCA) and without foreign collaboration agreement (non-FCA) and the 'technology transfer related factors' which relate to the FCA units only. While the common factors provide a comparative picture with respect to different factors in the group of FCA and non-FCA units, the technology-specific factors directly highlight the role of foreign technology-related factors in determining the DAA capabilities of FCA units. We start our analysis with the 'common factors' which will be followed by 'technology-specific factors'.

Common Factors

As mentioned above these factors are common for FCA and non-FCA units, and are, therefore, a good source of information for the inter-firm comparisons in respect of variables such as R and D expenditure, no of samples developed/adapted, the awareness of R and D related institutional infrastructure and its activities including manpower, the designation/position of R and D chief, the ratio of imported equipment/machinery to indigenous equipment/machinery in R and D, etc. Analysis of these variables, for the FCA and non-FCA units is being attempted in the following paras.

R and D Expenditure

The data on R and D expenditure for both the groups of units are shown in Table 1.

We may notice from the above data that FCA units, in absolute terms spend more on R and D activities than the non-FCA units. The largest expenditure amongst the units of study has been found Rs 170 lakh in FCA group and Rs 80 lakh in non FCA group. The average absolute expenditure has been Rs 32 lakh and Rs 15 lakh by FCA and non-FCA groups respectively. The lowest spending in FCA units is Rs 0.50 lakhs and that for non-FCA units is Rs 5,000. The R and D spending in relative terms, e g, as a ratio of sales turnover, however, has been found higher in non-FCA units than the FCA units both in small as well as in medium/large units. The average spending on R and D (per cent to sales) is nearly 1 per cent (0.96) in non-FCA units as against 0.73 per cent of FCA units.

It, thus, appears that the FCA units have more resources at their disposal for R and D, in absolute terms, but their spending is less as a ratio of sales turn over than those of non-FCA units. We, however cannot rely on the R and D spending alone, because these data do not capture the other form of technological activities such as production engineering, learning by doing, quality control, troubleshooting, miscellaneous marginal/incremental efforts, etc, of small units.[3] Moreover, these figures are expected to be inflated as they are shown in the accounts for obtaining tax exemption benefits offered by the government.

Product Development/Adaptation

We may observe from the Table 2, that the credit of developing/adapting the maximum number of samples goes to non-FCA units. In the given period, these units developed/adapted 306 samples, i e, on an average six samples per unit. The largest number of samples developed/adapted by any single unit in this group is 25 and the lowest is nil. The FCA units on the other hand developed 132 samples, i e, on an average four samples by a unit with a maximum 20 and minimum two samples.

The inter-firm comparison with respect to product development/adaptation work of FCA and non-FCA units indicates the better performance of the latter group This, however, cannot be taken as conclusion, because the number of samples developed/adapted alone do not reflect the actual DAA performance as they do not highlight the quality and the value of work performed. A small unit may have developed a number of small and simple or non critical samples more frequently and quickly while the other unit may require a longer period and more resources for developing only one or a few difficult or critical samples.

R and D Facilities/Infrastructure

The data on in-house R and D facilities such as an independent R and D section, average number of personnel, position of the chief and the availability of indigenous or imported equipment are given in Table 3.

R and D Sections

Almost each unit in FCA group has a formal R and D section or atleast an independent quality control department In the non-FCA group, however, only 37 units, i e, 72.55 per cent had an independent R and D. For both the groups, almost every unit has a quality control department/inspection section/product performance centre, etc, as a part of their R and D sections which are under the supervision of the R and D chief.

R and D Personnel

The number of R and D personnel in absolute terms as well as a ratio to total employees has been found higher in FCA units than the non-FCA units. In FCA units, on an average, there are 29 R and D employees as against only 14 employees in non-FCA units. Similarly more than three persons over 100 workers are employed in FCA units than those of more than one in non-FCA units. One of the main reasons of low ratio in non-FCA units is because of their small size, they depend upon others for their R and D requirements so as to meet their adhoc nature of development/adaptation work.

Status of R and D Chief

As per Gumaste (1988:82) the status of R and D chief in corporate hierarchy of a unit has an impact on the quality of R and D work done. If a fairly high status is accorded to him, his ego is satisfied and this has an impact on R and D work. Also when R and D chief has a reasonably high status, the communication between him and his unit and the No 1 of the concern, and interface with the rest of the departments in the concern improves vastly. Since optimum flow of management information has an important bearing on the health and growth of the firm, good communication between the chief of R and D and the heads of different departments would greatly affect the financial fortunes of the firm, particularly in the long run. On the other hand, if R and D is considered to be of mere decorative or cosmetic value (mostly to gain a number of fiscal and other concessions) to the unit, the R and D chief would be obviously a low ranking man. It follows that if a unit wants to take up R and D with seriousness and wants to contribute to the unit's growth, then it will accord a fairly senior position to the R and D chief.

The status for R and D chiefs in the FCA units were better than in the non-FCA units. Over 21 per cent units in this group accorded second position to the R and D chief and over 30 per cent the third position These percentages for non-FCA units stood at about 10 per cent and 21 per cent respectively. In the units where R and D chief occupied second positions, they report directly to the head of the units generally the chairman or managing director. There are, however, at least one or two more positions (channels) to be reported, where R and D chief occupied 'the position' at third or fourth level

The status of R and D chiefs in the units under study have been found almost at the same levels as in the findings of Gumaste (1988:82) and do not differ even with those observed in developed countries. In Gumaste's words, the status of R and D persons in advanced countries such as the US and the UK is much the same as in India. Waliff (1979) and Gunz (1980) speaking on the status of R and D persons in the US and the UK bemoan the same 'low status' and 'second-class-citizenship' in those countries as well. The position of R and D chief, however, reveals a firm's responsiveness, awareness and its attitude towards the technological dynamism and the position of R and D chiefs in our study is found better in FCA units than those of non-FCA units. We, therefore, expect these units to exhibit a comparatively rich technological dynamism leading to quick development adaptation and absorption work

Availability of Imported R and D Equipment

Arguments are advanced for use of the imported equipment for their better quality and accuracy etc. These equipment, in general, are preferred to indigenous equipment available in developing countries.[1] The ratios of foreign made machinery and equipment to the indigenous machinery and equipment, therefore, have been worked out for both the FCA and non-FCA units, as given in Table 3.

All units of the study have at least some proportion of indigenous machinery/equipment. The ratio of imported indigenous equipment and machinery, however, has been found higher in FCA units than the non-FCA units. In FCA group, nearly 9 per cent units have 80 per cent imported equipment as against no unit in the non-FCA group. On the other hand, there are over 37 per cent units in non-FCA group that reported 100 per cent indigenous equipment as against no unit in FCA group. Between these two ranges, the 50:50 ratio of foreign equipment to indigenous equipment has been reported by 15 per cent and 6 per cent units in FCA and non-FCA groups respectively. In FCA group 13 units of over 39 per cent, have foreign equipment more than 50 per cent as against only four units, i e, 7.84 per cent of non-FCA group. The comparative observations, thus clearly highlight that the FCA units having higher proportions of imported R and D equipment than the non-FCA units and therefore appears to be more quality/accuracy conscious of their DAA work.

TABLE 1. R AND D EXPENDITURE IN FCA AND NON-FCA UNITS

Rs Lakh

R and D Expenditure	FCA Units	Non-FCA Units
Maximum	170.00	80.00
Minimum	0.50	0.05
Average	32.00	15.00
Percentage of Sales	0.73	0.96
Percentage of Sales in small units	0.75	0.84
Percentage of Sales in large/medium sized units	0.71	0.99

TABLE 2: PRODUCT DEVELOPMENT/ADAPTATION BY FCA AND NON-FCA UNITS

Nos

Samples Developed/ Adapted	FCA Units	Non-FCA Units
Maximum	20	25
Minimum	2	-
Average	4	6
Average (small units)	2	4
Average (medium/large units)	4	3

Awareness of Institutional R and D Support

Besides, a firm's own R and D efforts and the available in-house R and D infrastructure including manpower and equipment, its knowledge/awareness about the institutional R and D facilities in a particular region and country is equally important. The services provided by the various R and D institutions are not firm specific, but generally, are available to all the units on the uniform terms and conditions, payment etc, and it is the unit in question that has to avail their services as per its knowledge/awareness about them. We, therefore, attempted by putting even the very direct question to the representatives interviewed about their awareness of such R and D institutional set-ups at national, state and district level. The relevant data on this field of information are shown in the Table 4.

It is evident from the Table that about 82 per cent units in FCA group are fully aware and remaining 18 per cent are partly aware of the R and D institutions relevant to their product range. In the non FCA group the corresponding percentages are 70.59 and 29.41 respectively. The awareness at the state or district level is even more in both the groups, but here again the FCA units are more aware than the non-FCA units. The utilisation of their services, however, has not been reported widely. Particularly in FCA group only 33.33 per cent units reported to have utilised their services at least once or twice. The limited utilisation of their services by FCA units is attributed mainly to delayed and unsatisfactory results. Moreover, these units preferred, in general, to make use of their own in-house R and D sources even by acquiring the additional/new equipment either from abroad or locally if available. The representatives informed that the in-house R and D suits them more as their R and D activities are primarily directed towards the adaptation, absorption and development related jobs which can be carried out more speedily and fruitfully in their own premises.

Small, non-FCA units, which in general have weaker R and D base, however, have been utilising the services of institutional set ups more frequently. Some SSI units even do not have their own well developed tool rooms and for their tooling needs very often go for these services. Therefore the need for setting up the well organised commercial tool rooms for manufacturing various types of dies, moulds, jigs and fixtures, etc, has been justified by the industry representatives in a private sector so as to get better and quick results.

While commenting on the services of institutions (Table 4), over 54 per cent units in FCA group and 40 per cent units in non-FCA group described them as not satisfactory. Two FCA units, i e over 18 per cent called them good for some specific needs only and for the remaining three FCA u[illegible] per cent these were just satisfactory. In non-FCA units, 60 per cent units described these services either satisfactory (36.67 per cent) or good (16.66 per cent) or very good (6.67 per cent). It is thus evident from the data as analysed in Table 4 that the non-FCA units have availed the services of R and D institutions more fruitfully though there is a considerable scope to improve their services. They need to be strengthened further. Moreover, there is a great need to set up sophisticated commercial tool rooms in private sector.

Thus, the above analysis of common factors related to R and D base and efforts with respect to FCA and non-FCA units highlights that the R and D expenditure in absolute terms, R and D base in terms of independent R and D/quality control departments; average manpower both in absolute terms as well as a percentage of total employees; status of R and D chiefs, ratio of foreign equipment to indigenous equipment for R and D purpose, general awareness of R and D institutions, etc, is higher/better in FCA units than those of non-FCA units. On the other hand non-FCA units incur more R and D expenditure in relative terms, i e, as a percentage of their total sales, generally use higher proportions of indigenous equipment in R and D and utilise more services of R and D institutions/organisations. In spite of having a comparatively weaker R and D base; non FCA units on an average develop/adapt more product (in numbers) than the FCA units.

Since, the quality of R and D work done is not reflected by the above analysis, any firm comment on the comparative performance of FCA and non-FCA units may be misleading until further analysis with respect to qualitative *vis-a-vis* quantitative data is carried out. We now attempt to analyse the variables which are related to FCA units.

Foreign Technology Specific Factors

Leaving aside the non-FCA units, we now analyse the factors that are directly related to foreign technology and affect the FCA unit's R and D performance and behaviour. These factors may be grouped as quantifiable factors and qualitative factors. To begin with, we analyse the quantifiable factors.

Quantifiable Factors

(i) *Number of Foreign Collaboration Agreements (FCAs).* It is a proxy to the extent of knowledge imported and represents in general, the assimilation and diversification capacities of the units of the study.

(ii) *Foreign Equity Participation (FE).* This variable represents the equity participation or share of the technology supplier and the active involvement of technology supplier in day to day operation of the plant as well as its future growth either directly or indirectly affecting firm's R and D behaviour and absorption capacities. It influences the willingness of technology supplier to undertake adaptation to the local needs through its own or its affiliate's technological capacities, managerial skills, R and D resources, etc, and be instrumental in promoting DAA of local enterprise. Caves (1982: 196) writes that just as R and D promotes foreign investment it is possible that foreign investment promotes R and D.

These two factors have been used as the explanatory variables and their statistical relationship with R and D expenditure has been tested statistically. We hypothesise the following relations, here first

Table 3 In-House R and D Facilities in FCA and Non FCA Units

R and D Facilities		FCA Units	Non-FCA Units
a Indpendent R and D Section	Nos	33	37
b Average No of R and D personnels	Nos	29	14
c Ratio of R and D personnels and total employees	Per Cent	3.17	1.67
d Stauts of R and D chief, i e, his rank in hierarchy			
	Ranks	Nos/Per cent	
	Ist	–	–
	IInd	7 (21.21)	5 (9.80)
	IIIrd	10 (30.30)	11(21.56)
	IVth or below	16 (48.48)	35(68.63)
e Ratio of Foreign Equipment (FE) to Indigenous Equipment (IE)			
(i)	All FE	nil	nil
(ii)	80 FE and 20 IE	3 (9.09)	nil
(iii)	60 FE and 40 IE	5 (15.15)	1 (1.96)
(iv)	50 FE and 50 IE	5 (15.15)	3 (5.88)
(v)	40 FE and 60 IE	10 (30.30)	8 (15.69)
(vi)	20 FE and 80 IE	10 (30.30)	20 (39.22)
(vii)	All IE	nil	19 (37.25)

Hypothesis

(i) *Number of Foreign Collaboration Agreements (FCAs)*: We expect its positive relationship with R and D because:

- the foreign collaboration and technology transfer in general, is a source of various inputs that determines the R and D behaviour of a local firm. The greater the number of licences the firm attracted the more it is diversified and with the greater degree of experience gained through assimilating and adapting the number of technologies, able to develop and adapt new/improved products more quickly and efficiently.
- the experience gained through many technologies enables it to bargain better terms for R and D in the subsequent transfers of technology thereby increasing the absorption capacity of that firm. In other words, increased mastery resulted from the use of previously established technologies contributes to firm's capacity for undertaking higher R and D activities. Alam (1988:25-26) writes that in the Indian context there is some indication that with increase in the experience and technological competence of the Indian firms over time the incidence and extent of adoption of imported technology has increased. Firms who went for their first collaboration in the late 1950s and the early 1960s were reportedly not competent to modify the imported technology. However, in their collaborations in the later years (especially since the 1970s) they were able to introduce important adaptations.

There are, however, some arguments in the literature against the above hypothesis and the relationship may also be found either negative or insignificant. For illustration the greater exposure to the number of technologies may not necessarily lead to the greater technological mastery and benefit the R and D of an enterprise. Much depends upon the terms and conditions and the actual application of the restrictive practices.[6] Subrahmanian's (1972) and Mann's (1982) studies report the clauses in FCAs restricting the technology importers to modify/improve the original design or specifications.

Solo (1966) distinguished three levels with regard to local adaptation. The imported equipment and process designed and applied in the context of developed country's environment require on the spot adjustment to suit the local conditions. This is the first level of adaptation. An equipment and technique embodies a corpus of knowledge. The mastery of that knowledge and its use in designing new mechanism and technique must appropriate to solve the local problem is the second level of adaptation. The third level of adaptation is the basic research to produce further knowledge and mastery of problem solving and information producing apparatus. It means adaptation of advanced technology's very mechanisms for adaptation and further advance. Kumar (1985) writes that the practice of restrictive clauses prevents local adaptation of the first and second levels and retards assimilation of imported know-how. Moreover, the reluctance of technology suppliers to impart the needed and necessary inputs, assistance and technical know-why aspects for the efficient adaptation and assimilation has been a determinental factor, which dilutes our hypothesis. The available evidence[7] indicates that the technology suppliers have shown little interest in building up the efficient R and Ds of their counterparts for an effective and speedy absorption.

Further the technology suppliers have strong preferences for locating such facilities at home or in other developed countries and for concentrating on the kinds of product and process appropriate to their own needs rather than to developing countries [Deo 1986: 52]. The evidence [Gelrmidis 1977, UN 1973, OECD 1981] indicates that MNCs generally locate their research work in their home countries, less in other developed capitalist world and almost nothing in the under developed countries. As per Kumar (1991: 383), other things being the same firms following non-price rivalry (MNEs) are expected to spend more on R and D activity. While this may be true of global operations of MNEs compared to purely national firms, it may not be the case with individual MNE affiliates and their local counterparts. This is because MNEs tend to concentrate most of their R and D activity near their headquarters, given its strategic importance for their global operations.

(ii) *Foreign Equity (FE)*: We expect positive relationship between foreign equity and R and D because

- Foreign collaborators are expected to involve themselves more if their profitability from the project is linked on a long-term basis. Balasubramanyam (1973.25) writes that it is conceivable that the technical involvement of the foreign firm is relatively higher when they have a stake in the profitability of the operations. If the intentions of foreign firms were to reinvest their profits and increase their holdings in the local firms, their concern about the success of the venture would be greater.
- The rich managerial skill, a comparatively larger size, ability of bearing higher risks, sophisticated equipment and latest and updated technological base with the collaborator's support is expected to induce the firms to undertake more adaptations to the local conditions. Lall (1983: 381-383) finds the positive effect of foreign equity on R and D and writes that the foreign management may be more responsive to technical opportunities than local and concludes that the foreign ownership promotes R and D. Caves (1982.196) also writes that just as R and D promotes foreign investment it is possible that the foreign investment promotes R and D.

Likewise the number of FCAs, there are also reasons which may either invalidate or dilute our hypothesis of foreign equity participation because some of the available evidence[8] suggests that the foreign controlled firms were less concerned about the adaptation and absorption than their local counterparts. In Kumar's words (1989:4) there may be several compelling reasons for a local firm to undertake R and D. For instance unlike MNEs a local firm does not enjoy the continuous access to laboratories of the parent firm abroad. The local firm which obtains technology from abroad on licensing basis may be forced to undertake

TABLE 4 AWARENESS OF INSTITUTIONAL R AND D SUPPORT

Institutional R and D Support	FCA Units		Non-FCA Units	
	Nos	(Per Cent)	Nos	(Per Cent)
1 General Awareness of R and D Institutions	-		-	
(a) National level				
Fully aware	27	(81.81)	36	(70.59)
Partly aware	6	(18.18)	15	(29.41)
(b) State/district level				
Fully aware	30	(90.91)	40	(78.43)
Partly aware	3	(9.09)	11	(21.57)
2 Utilisation of R and D services provided by such institutions				
(a) Yes	11	(33.33)	30	(58.83)
(b) No	22	(66.67)	21	(41.17)
3 Comment on their services, if availed				
(a) Excellent	-	-		
(b) Very good	-	-	2	(6.67)
(c) Good	2	(18.18)	5	(16.66)
(d) Satisfactory	3	(27.27)	11	(36.67)
(e) Not satisfactory	6	(54.54)	12	(40.00)

R and D to absorb, adapt and modernise the technology. The fixed life span (usually five to seven years) of FTCs and restrictions placed by the Indian government on their renewals may make the licensees anxious to absorb the technology during the life of collaboration agreement. Hence, the local firm could exhibit a tendency to spend a greater proportion of their income on R and D than their foreign affiliated counterparts. Foreign affiliates or controlled firms however, are not dependent upon their parent companies for the inflow of latest development and their R and D activity generally confines only to minor product modifications, raw material substitution, etc.

The evidences gathered by Kumar (1985) indicate that the contribution of technology imports to the local technological capability building has been rather limited. The limiting factors have been the reluctance on the part of the foreign technology suppliers to part with the capabilities required for efficient adaptation and absorption, by restricting the ability of the technology importers to make independent technology choices, blocking the way of horizontal diffusion and assimilation and absorption of the imported technologies, by neglecting the R and D activity and sometimes even by actively hindering the innovative activity of local firm. Of the modes of technology imports, foreign direct investment (FDI) seems to be a less efficient way of import of local technological capability building because foreign ownership and control perpetuates the dependence of the local enterprise on foreign sources and discourages the autonomous technological capability building. Kumar (1987:231) found the FDI negatively associated with R and D intensity.

In spite of some evidence contradicting our hypothesis in respect of number of FCAs as well as for foreign equity participation, as cited above, we expect our hypothesis to come up as expected, because an earlier regression analysis on determinants of technological development, based on the data collected for the present study (with 75 observations of 26 FCA and 49 non-FCA units) has given the expected results [for details see Chugan 1991a; 1993a]. The statistical exercise which follows is confined to the above two variables only, with the larger observations of a size of 33 FCA units.

$$\dot{Y} = f(FCAs, FE)$$

where, Y = Formal R and D expenditure deflated by sales

FCA = Number of FCAs

FE = Foreign Equity participation

$$Y = -1.013 + 0.521\ FCA \quad (1.819) \quad + 0.139\ FE \quad (1.699)$$

$$N = 33\ R^2 = 0.20,\ \bar{R}^2 = 0.15,\ F = 3.38$$

The coefficients for both the explanatory variables are positive and significant (at 5 per cent) but value of $R^2/\bar{R}^2$ is considerably low. The value of F is significant at 5 per cent level. This means not more than 15-20 per cent variations in R and D are as a result of foreign technology. The remaining 80-85 per cent variations are caused by the other factors which determine a firm's R and D capabilities. The statistical exercise thus reveals positive but rather very weak impact of foreign technology on the firm's R and D building capacities.

Qualitative Factors

The information on qualitative factors has been obtained and analysed in respect of six questions as shown in Table 5.

Access to Collaborators' R and D Facilities

The first qualitative factor affecting a firm's DAA capabilities could be related to its access to R and D sections/departments of its foreign (parent) counterparts. As per Mann (1982:96), technology suppliers, so far, have been so conscious of the paramount need for maintaining secrecy that they did not easily impart the necessary training to the Indian personnel. They conducted themselves in a very cautious manner and denied facilities to their Indian counterparts to become familiar with the intricate machinery they operated. Normally, this policy of their was implied in their collaboration agreements. While analysing the contents of FCAs with West Germany, France, Italy, Denmark and Japan, Desai (1988:423) states that technicians visit to India were not embodied in half of the agreements, and Indian technicians visit to technology suppliers were similarly included in only half of the agreements. Access to laboratories and design offices was not provided for in half the agreements [also see Desai 1988a:23]. In FCAs group 18 units of the present study, i.e. 54.55 per cent FCA units said to have seen the R and D departments of their collaborators and some of their engineers

TABLE 5: QUALITATIVE FACTORS AFFECTING THE R AND D CAPABILITIES

Factors		Responses	
		No of Units	Percentages
(i)	Access to collaborator's R and D departments/section/activity		
	Yes	18	54.55
	No	15	45.45
	Total	33	100.00
(ii)	If answer to (i) above is yes, then opinion about domestic R and D institutions, as compared to their collaborator's		
	(a) Fully comparable	-	-
	(b) Partly substitute	11	33.33
	(c) No substitute	5	15.15
	(d) Other comments	2	6.06
	Total	18	54.54
(iii)	Collaborator's assistance in developing/adapting new items		
	Yes	24	72.73
	No	9	27.27
	Total	33	100.00
(iv)	Nature of assistance for (iii) above*		
	(a) Samples	20	28.00
	(b) Designs/drawings	24	34.78
	(c) Testing in collaborator's R and D sections	15	21.74
	(d) Any other	10	14.49
	Total	69	100.00
(v)	Restrictions on modification/improvement in product design, etc		
	Yes	5	15.15
	No	28	85.85
	Total	33	100.00
(vi)	If answer to (v) above is yes, then type of restrictions		
	(a) Products to be manufactured strictly in accordance with the blueprints/designs supplied by collaborators and no change is permitted	-	
	(b) Modification is permitted with the prior permission of the collaborator	3	9.09
	(c) Modification is permitted after expiry of agreement	-	
	(d) Modification is permitted subject to some other conditions laid down in the agreement	2	6.06
	Total	5	15.15

* More than one type of assistance received by the 24 units who were assisted by their collaborators

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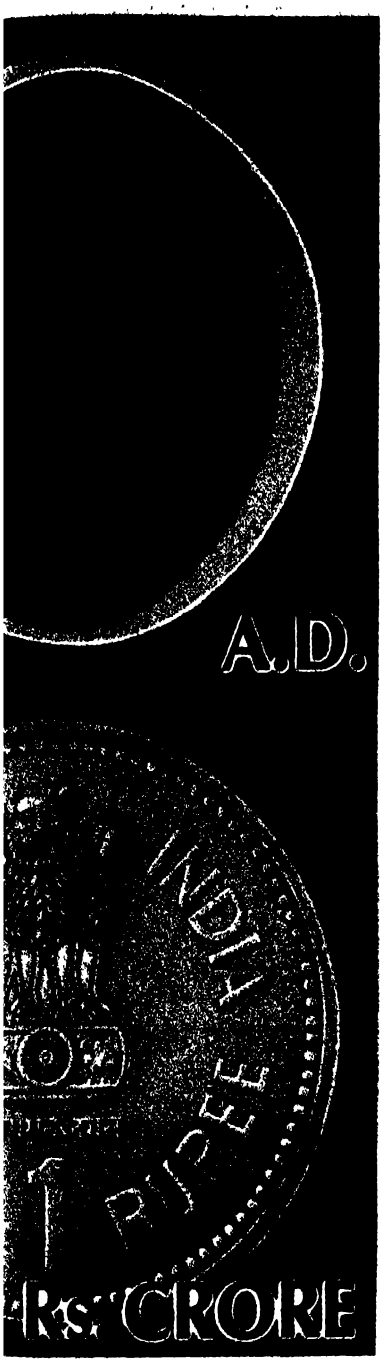
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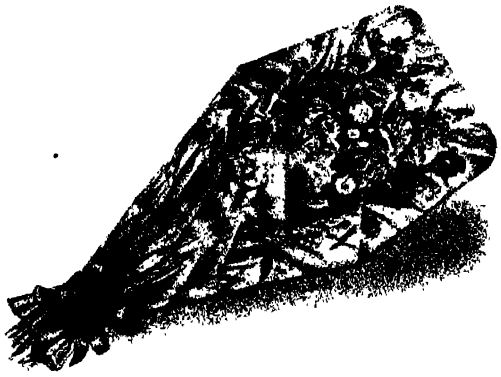
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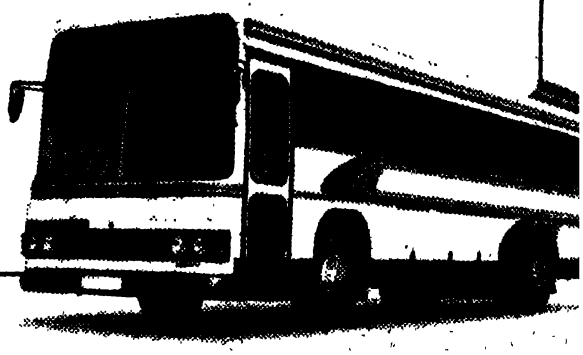
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nd got training there. Their visits/trainings, however, have been generally for short durations. Moreover, the engineers/technicians were not given the necessary exposure of their R and D mechanism. They were rather explained about the use of equipment supplied, etc., and were not allowed to do any experiments or handle the key aspects of technology.

When asked about the opinion of Indian (local) in-house R and D sections, 11 representatives (33.33 per cent) considered them as partly substitute, five representatives (15.15 per cent) called them not at all comparable because of the limited and obsolete equipment. Two representatives (6.06 per cent) considered their own in-house R and D just sufficient or manageable for the current development/adaptive jobs and desired to be equipped with latest equipment so as to get the more quick and accurate results.

Development Adaptation and Absorption: Restrictions

Product/process development work in FCA units is also affected by the technology suppliers through regulatory clauses. Subrahmanian (1972) mentioned that a substantial proportion of the collaboration studied incorporated a clause restricting the freedom of the borrowing company to change the original designs and specifications. These restrictions, according to Kumar (1985) and Subrahmanian (1972) have far-reaching implications from the national viewpoint Kumar (1985) states, it is an important part of the social cost of foreign technology, because very often process/product specifications supplied under foreign collaboration may not suit to the local conditions in terms of local availability of material, etc. and hence adaptation becomes necessary. Further, during the process of adaptation a more effective assimilation of technology may take place. Restrictions on changes in original specifications may make substitution of imported raw materials by local ones difficult, leading to continued dependence on import." Hence, the tendency on the part of technology suppliers to restrict the adaptation is an important social cost of technology import.

In the absence of freedom to change design, the Indian venture is constrained to follow the material specifications and standards of foreign collaborators. This hinders the progress in standardisation and variety reduction movement in the Indian industry on which depends a major part of industrial productivity and efficiency [Subrahmanian 1972:151]. These clauses of restricting the design/specification changes also have a motivation of pushing the maximum import of raw materials, equipment, machinery, services of their engineers, etc. in the local markets. Referring to these clauses, Subrahmanian (1972:151) states that it is the same motive which makes the collaborator compel the Indian venture to incorporate changes in specifications as being desired by the foreign collaborator, their desirability to Indian conditions disregarding. The restrictions therefore, impose a built-in condition to import material, spares and components from foreign collaborators, with the result that the domestic manufacture is made highly import dependent and import substitution is thus made less efficient. Moreover, in the words of Balasubramanyam (1973:82) when the Indian firm is constrained by the agreement to buy the equipment and the materials from the knowledge-supplying firm it is possible for the supplying firm to charge monopolistic prices.[10]

In the present study of 33 FCA units, the five units, i e. 15.5 per cent admitted to having the direct restrictions in FCAs that prohibited modifications/improvements in the product design. Amongst these five units, three units, i e, 9.09 per cent said that for any change in product design the prior permission of collaborator is necessary and in the remaining two units, i e, 6.06 per cent, one said that a separate agreement is to be signed for changes in design and the collaborator's permission is necessary. The other said, if the product is for export, the collaborator's permission is essential. In spite of restrictive clauses, a few units admitted that to improve the productivity, efficiency, smooth running of plant *vis-a-vis* the changing requirements of the local market the product modifications have been made by their own engineers/technicians who are capable of doing the same without any expensive foreign assistance.[11]

Product Development/Adaptation: Assistance

As the various restrictive clauses in the FCAs retard the process of assimilation of imported know-how and limit the scope and pace of product as well as the process development and adaptation, the industry representatives were asked about the assistance they received from their collaborators for developing/adapting new items.

Out of 33, 24 units or 72.33 per cent admitted that they had received some assistance from their collaborators for developing or adapting new components. The nature of the assistance (Table 5) was either getting the samples or drawings/designs or both; testing in the collaborator's R and D section by their own engineers, etc. These 24 units, in all, received 69 services from their collaborators. The maximum number 24 or 34.78 per cent goes for getting designs/drawings followed by 20 (28.99 per cent) for getting the samples and 15 (21.74 per cent) for getting the samples tested in collaborator's R and D sections. The other assistance i e, 14.49 per cent included guidance of foreign experts, supply of specified tools or dies for developing (copying) the components, etc.

Tied-up Purchases: Restrictions

One of the motives of technology suppliers in prohibiting the change/improvement in original design by the technology importer is to push the maximum amount of raw materials, equipment, machinery, etc. to the local market and for this purpose the various clauses in respect of supply of machinery, equipment, raw materials, etc, are included in FCAs. The analysis of such restrictive clauses as revealed in the units of this study is shown in Table 6.

As is evident from Table 6, the 23 units or 69 69 per cent admitted of having direct restriction in their FCAs. The remaining 10 units also had some kind of understanding with their collaborators for import of either equipment, machinery, spares or materials to be used in production process. The representatives were of the opinion that as

TABLE 6 RESTRICTIONS ON SUPPLY OF RAW MATERIALS, MACHINERY, EQUIPMENT, SPARE, ETC., IN FCAS

Restrictions		Responses	
		Nos	Percentages
Restrictions on supply of raw materials, machinery equipment, etc			
(a)	Yes	23	69.69
(b)	No	10	30.30
	Total	33	100.00
Type of restrictions			
(i)	Raw materials/machinery, etc, is to be imported only from the collaborator		24.24
(ii)	Raw materials/machinery, etc, is to be imported only from the subsidiaries of collaborator or any other source as directed by him		18.18
(iii)	After the terms of agreement, import of raw material/machinery is permitted from any other sources		6.06
(iv)	Import of raw materials/machinery is permitted with prior permission of collaborator		15.15
(v)	Import of raw materials/machinery is permitted subject to some other conditions laid down in agreements	2	6.06
	Total	23	69.69

the specific machinery and material was necessary for a particular production process, at least in the beginning they had to import it either directly from the collaborators or as per their advised sources. This situation is almost the same as Balasubramanyam (1973:76) reports that because of exacting specifications the foreign technology dictates and the lag in establishing local sources of supply that can meet these demands, import of equipment and components is inevitable at least in the initial stages of a technology transplant. Further, purchases of equipment from the knowledge exporting firm may be pre-requisite for gaining the technology information and knowledge it possesses. The followup services, the manufacturer's manuals and technical assistance that go with the machinery may be vital pieces of technical knowledge.

Amongst the 70 per cent units of our study with such type of restrictions over 24 per cent had the clauses for importing the machinery/equipment and materials from their collaborators. Another 18 per cent units had clauses for importing such materials/equipment from their subsidiaries or from their specified sources. The 6 per cent units were bound to import their requirement from the collaborators during the duration of agreement, but were free to import from any source thereafter. 15 per cent units said that, after their initial requirement, they needed the collaborator's permission for importing from other sources and the 6 per cent reported that the imports from other sources were permitted by collaborators if not more than a specified amount is imported and if prices from the other alternatives are considerably lower. These matters are generally discussed with the collaborators and only then the imports are made so as to keep the relations healthy.

Diffusion of Transferred Technology: Restrictions

The clauses restricting further transfer of technology generally included for ensuring the secrecy of know-how indeed affect the industrial development and retards the healthy growth of R and D in the host country. As horizontal transfer is prohibited, by these clauses, the similar technology is imported by many individual firms from different sources. Mann (1982:25) writes that horizontal transfer of technology within the country is inhibited, so much so that even the National Research and Development Corporation (NRDC) has not been able to do much in this direction [NRDC 1977-78:59]. As a result, there is a multiplicity of collaboration agreements. Every new entrant in a particular field of production is obliged to seek foreign collaboration afresh in his bid to compete with those who are already operating under collaboration agreement. The new entrant is obliged to accept stricter conditions – a fact which means a higher cost of production.

In our country, there is considerable evidence showing that the technology suppliers, through these clauses have restricted the horizontal diffusion. Subrahmanian (1972:144-49) reports 84 out of 130 or about 64.6 per cent FCAs with such clauses by virtue of which the Indian ventures are to keep in secrecy all technical information and not to transfer, assign or sub-license the right to know-how to any third party. While commenting on the implications of these secrecy clauses Subrahmanian (1972:148) states that as the Indian venture cannot transfer, assign or sub-license the know-how to a third party. It means that the imported know-how gets blocked with the importer and cannot be diffused to a third party even at a price. The consequence is that new entrants into the industry cannot avail of the know-how already available within the country and that every new entrant is thus made to seek for separate fresh collaboration agreement entailing duplicate payment in foreign exchange for importing the same or similar know-how. It thus accentuates the phenomenon of collaboration multiplicity with all its deleterious effect on the economy.

The RBI Survey (1974:74) reports about 70 per cent collaboration agreements signed by private companies with such clauses that prohibited horizontal transfer of technology. Kumar (1985) states that the high incidence of such restrictive clauses is in spite of the government's insistence that the importer should be free to sub-license the technology. The evidence of multiple collaborations signed for same products as reported in IIPIC (1969) and Subrahmanian (1972) is a reflection of the lack of diffusion of technology imported by one firm. The technology transfer in such conditions remains a closely guarded secret and hence can at best be termed as a private transfer and not a national transfer thus leading to multiple imports. Citing the example of quartz watches Kumar (1985) further writes that even public sector companies importing a technology find it difficult to sub-license it to another public sector concern. Therefore, the diffusion of imported technologies is made difficult, sometimes even ill by the restrictions imposed by the technology suppliers.

The analysis of 33 FCA units of present study (Table 7) too reveals the presence of such restrictive clauses of either one type or of another, by almost every unit. It means that the horizontal transfer has been, almost completely, restricted or prohibited. The conditional transfers, however, have been permitted which in reality are not considered favourably by the technology importers themselves as they are not keen on sharing/transferring their know-how to others, so as to reap the long-term advantages of foreign technology to the maximum extent possible.

It may be observed from Table 7 that as many as 30 units, i.e. 91 per cent admitted of having a clause of one type or of other restricting the horizontal diffusion of the imported technology.

Amongst these 30 units, 24.24 per cent admitted of having a clause in their FCAs on not transferring the technology to any third party during the period of collaboration and even after the expiry of FCA duration, they are to take the permission of their collaborators. Another 36.36 per cent units said that only conditional transfers are possible, which means the collaborator's permission, duration of agreement, payment to collaborators, only part of the know-how such as machinery or equipment with the approval of collaborators, etc. are to be considered and depending upon the merits and the benefits to the collaborators such transfers in a limited way could be possible. The evidence[12] and the enquiries of the present study, however, reveal that in practice/reality rarely were there cases where such transfers took place.

Conclusion

The above investigation of factors related to FCA units thus reveals that though both the foreign equity and number of foreign collaboration agreements have some positive impact on the firm's DAA capabilities the impact is rather weak and limited. The limited impact could be attributed partly to the other technology transfer related factors restricting the

Table 7: Clauses on Horizontal Diffusion of Technology

Clause	Responses	
	Nos	Percentages
Restrictions on horizontal transfer of technology		
(a) Yes	30	90.90
(b) No	3	9.10
Total	33	100.00
Type of Restriction/Clauses		
(i) Total restrictions	8	24.24
(ii) Technical information can be transferred/disclosed with the prior permission of the collaborator	12	36.36
(iii) Technical information can be transferred/disclosed subject to some other conditions laid down in the agreement	10	30.30
Total	30	90.90

firm's freedom to operate in a manner it deems fit by the clauses in their FCAs such as we have discussed above, viz. restrictions on modifications/improvements in product design, restrictions of tied-up purchases, restrictions on horizontal diffusion of technology, etc. and partly to the limited/restricted assistance provided by their collaborators for the desired level of R and D work and technology absorption. Moreover, the other factors such as the size of units, the number of highly paid employees, profitability of the venture, nature of items being manufactured, level of wages and salaries, experience of concerned units in related production line, etc, are also some factors which could determine the technological capabilities of an enterprise and therefore, are equally important determinants besides the foreign technology.

The comparative analysis of FCA and non-FCA units, however, indicates that in spite of weaker R and D base, the non-FCA units in relative terms spend on R and D and develop/adapt larger number of products than the FCA units.

As the non-FCA units in the present study are mostly small in size and if we ignore the role of foreign technology for the moment, we find small units perform better in R and D. The only distinction one can make is not between the FCA and non-FCA units but between the large and small units and the situation appears to be similar to that described by Kathuria (1989:M-115). Accordingly the point in favour of small firms is that the sequential character of modern R and D makes it possible for them to play a major role in technological innovations.

Notes

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1 For the details of development, adaptation and absorption and R and D thurst in developing countries see Chugan (1991).

2 For details, see Chugan (1991a, p 62 and 1993a).

3 As per Kathuria (1983:9) R and D figures measure only formal R and D and do not reflect research participation rates. . In case of small firms particularly in the early stages of innovative process, when commitments of large sums of money are not required for moulding the research efforts towards product introduction, small firms contribute more to the technical advance of society than is reflected in R and D statistics. The results of ILO surveys [Bhalla 1989:M2-7] in India, Bangladesh, Rawanda, Mali and Ecuador designed to explore the innovation potential and technological requirements of small production units often operating outside the organised or 'formal' economy shows that small enterprises have a potential to do innovations which can be exploited in an appropriate policy enivronment.

4 This is not an assumption which could be expected to come true always, but rather a general and strong feeling of industry, especially of those who have been making use of imported equipment more often.

5 For various reasons, historically, there have been poor linkages between national research institutions/laboratories and industrial units and repetitive emphasis has been put to strengthen them [Kane 1969, Desai 1979/1980, Bagchi 1982, Mann 1982; Bhattacharya 1988]. As these links have largely been limited to occasionally accepting industry-sponsored research to make their research more fruitful. First, they could work in more closer liaison with public sector enterprises as was recommended by the Working Group on Organisation of R and D within Public Sector and Relationship with the National Laboratories [Bagchi 1982] and secondly these laboratories are made to survive progressively more on sponsored research from industry [Kumar 1987a:481-82].

6 For the type of restrictions in this regard, see Mann (1982), Subrahmanian (1972) and RBI Survey Reports.

7 For the survey of literature, see Kumar (1985). As per Kumar (1991:390), a latest study on the subject, the expenditures on R and D activities of the Indian affiliates of MNEs are not significantly different from those of their local counterparts. Lieten's study (1987:236) reveals that the MNCs have a low propensity to undertake transfer of R and D, which actually is the type of R and D that upgrades the local level of technology.

8 See Pillai (1979), UNCTAD (1983), Gordon and Fowler (1983), Fairchild and Sosin (1986), Ragachand (1981), RBI (1974), Kumar (1987). For survey of literature see Kumar (1985 and 1987).

9 Evidence on high incidence of renewals of FCAs is an indication of failure of the technology importers to adapt and assimilate the imported technology and as a result, the perpetual dependence on foreign collaborators through renewals has been a continued phenomenon. See Subrahmanian (1972 and 1984) and DGTD studies summarised in Pillai (1979).

10 An examination of the nature of excessive import and transfer pricing has also been attempted by the author with respect to Indian automotive ancillary industry. For details, see Chugan (1993).

11 This is in consonance with the personal enquiries of an earlier study which revealed that the Indian engineers are now doing modifications under the guise of 'debottlenecking' and in the name of improving the productivity and efficiency of the plant. For details, see Mann (1982) Chapter VII "working of Technology Transfer Agreements".

12 Such type of industrial linkages, i e, the technology transfers through large-scale or modern units to smaller units, irrespective of these units having foreign technology, in general, have been found at very low level in Indian industries. For illustration, see Papola and Mathur (1983) for metal engineering industries in Kanpur and Bhattacharya (1988) for units operating in Howrah.

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Promoting Excellence in Research and Teaching

Liberalisation and Performance of Cement Industry

V Bhanu

In the context of the ongoing discussions of whether liberalisation and the relaxing of licensing and other controls will significantly contribute to improvements in industrial growth and performance or not, this article examines the cement industry during the various phases of control and decontrol, empirically evaluating its performance.

THE 1980s and 1990s have witnessed extensive changes in the industrial policy of the Indian government and the first steps towards liberalisation were taken by relaxing licensing and various other controls. While the advocates of liberalisation believe that this will result in significant improvements in industrial growth and performance, critics argue that the total withdrawal of the involvement of the state will have a negative effect on the nature of future growth and will marginalise the poor and other weaker sections of society. However, these arguments are not based on empirical facts, and there are no studies which examine the impact of liberalisation on the growth and performance of industries. This study attempts to bridge the gap by empirically evaluating the performance of the cement industry during various phases of control and decontrol.

I

The cement industry had been under a regime of price and distribution control, since the second world war. After the war, the controls were continued in one form or another till the industry was partially decontrolled in 1982, and totally decontrolled in 1989.

The price of cement was first controlled in 1942, when Free on Rail (FOR) destination price was fixed on a 'cost plus' basis. During the period from 1946 to 1952, the cost of production of ACC was used as the basis for fixing the cement price. In the subsequent period the retention price was fixed and revised on the recommendations of the Tariff Commissions. Price and distribution controls were continued till January 1966 when the controls were lifted, but reimposed in January 1968. The system of differential prices continued till April 1969. From April 1969 to August 1974, the industry was under a single price regime.[1] The control was total and every tonne of cement produced was deemed to have been acquired by the government at a statutorily notified price and thereafter distributed on the basis of release orders or permits issued by the concerned authorities.[2] Production and additions to capacity were controlled through licences which were required for new units as well as for expansions in the existing units. In 1982 with the declaration of partial decontrol, controls on price and distribution as well as the licensing of new cement units were relaxed. Cement production was classified into 67.7 per cent levy and 33.3 per cent non-levy output on capacity. The cement firms were free to sell the non-levy portion of their output in the open market at the price determined by the supply and demand conditions, while the levy portion was governed by the administered price, fixed by the government from time to time. Since February 1989, both price and distribution controls in the cement industry have been fully relaxed.

The industry registered significant growth, especially during the Sixth and Seventh Plans. The initial installed capacity which was around 3.3 million tonnes at the beginning of the First Five-Year Plan had increased to 29 million tonnes by the beginning of Sixth Plan and doubled during 1982 to 1989 to reach around 60 million tonnes, so that a substantial part of the additions to capacity took place in the 1980s (Table 1).

Though significant additions to capacity had been made, the rate of growth in capacity could not be sustained in the later part of 1980s and early 1990s and there was stagnation, both in the additions to capacity and production. This was related to the relatively low level of capacity utilisation in the cement industry which during this period was seldom above 75 per cent (Table 1).

Capacity utilisation is taken in this study to be the most important factor which explains the deceleration in investment in the cement industry after the mid-1980s, though it is not claimed that this is the only yardstick for measuring the performance of an industry. Profitability and value added are also important variables for evaluating industrial performance. Capacity utilisation depends on various factors, both supply and demand side factors, which will ensure the smooth functioning of production. The supply side factors, include availability of raw material, power, transportation, etc, which are sufficiently important for higher utilisation of capacity in the cement industry. Hence, this study argues that a liberal policy regarding new and additions to investment will have a limited effect, if corresponding investments in infrastructure such as coal and power are not forthcoming. In other words, both supply and demand factors, besides policy change, influence the performance of an industry and any shortage in the supply side factors can hamper higher utilisation of capacity.

II

Concept of Capacity

Basic to the study of capacity utilisation, is the need to adopt methods to measure capacity and capacity utilisation. Though several methods[3] are in use, this study has adopted Klein's definition [Klein 1960] of capacity and the Wharton method to measure capacity and capacity utilisation. Capacity utilisation is computed for a sample of 46 plants/26 firms for a period of 20 years, from 1969 to 1988 and the causes for underutilisation in the sample firms is examined for the years 1982 to 1987.

Klein who pioneered empirical studies on capacity utilisation, defined capacity as the maximum sustainable level of output an industry can attain within a very short time, when not constrained by the demand for the product and the industry is operating its existing stock of capital at its customary level of intensity.

Wharton Index: The Wharton Index [Sastry 1981] is based on time series of output. The monthly indices of output are first seasonally adjusted and then aggregated into quarterly indices in order to identify full capacity which is considered as capacity output. Capacity output between the peaks is estimated by joining successive peaks by a straight line and hence it is called the Trend Through Peaks Method. For the period preceding the first peak and that succeeding the last, capacity is estimated by extrapolation of the trend line. Capacity utilisation is obtained as a ratio of index of actual production to capacity output index.

This approach treats the peak achieved in the recent past as the capacity output. But this comes very close to defining capacity as equal to current output, which is adjusted for cyclical and secular variations in

utilisation. One merit of this method is that it uses only production data but not dubious capacity data [Krishna 1972].

The shortcomings of this method are Firstly, it is argued that peaks which are identified may not truly reflect capacity output of an industry This may be the case particularly in the cement industry which was characterised by supply constraints and rigidities due to government controls and regulations which would mean that capacity is underestimated Secondly, the method pre-supposes that capacity expansion takes place in a smooth and gradual manner, which may not be true The straight line segment also implies a uniform rate of investment between peaks for a given marginal capital output ratio, which goes against the standard acceleration principle

Methodology and Data Source

A sample of 46 plants/26 firms[1] accounting for 91 42 per cent of total capacity and 92 4 per cent of total production of cement industry has been selected For estimating capacity output, indices of monthly output have first been constructed for each of the sample plant In the computation of indices, January is the base month for all the plants in the sample, though the base year[2] may vary. The monthly output indices are then seasonally adjusted by taking 12 monthly moving average for each of the plants and aggregated into quarterly series The quarterly aggregates are further averaged These quarterly indices are graphed to identify peaks The peaks are linearly connected for ascertaining capacity output. Utilisation of capacity is analysed at the aggregate level and separately for public and private sectors

Capacity utilisation is the percentage of quarterly index of output to capacity output Capacity output is the optimum output attained in normal working conditions In the graph, capacity output is the connecting peaks or if the data do not lend themselves to step by step peak, it is the peak output at different points of time Besides, subsequent peaks do not necessarily mean higher output with the same installed capacity. They may necessarily indicate additions to capacity of the firms and hence higher output. Further, utilisation would often be 100 per cent, since quarterly index of output is treated as capacity output in a number of cases

Capacity utilisation in the cement industry is computed for the sample firms for the period 1969 to 1988 This has been compared with rate of utilisation, i e, percentage of annual output to installed capacity. This exercise is undertaken in order to identify the trend and explain the variations if any We have also analysed the causes for underutilisation. The empirical analysis is substantially based on *Cement Data Book* for a number of years, a publication of Development Commissioner of Cement

III
Aggregate and Disaggregate Analysis

The cement industry is generally not considered a seasonal industry However, in an analysis of seasonality by computing ratio to trend, a consistent pattern was evident of higher output in the months of December January and March, a lower output in April and June and no clear picture during the rest of the months

Average Capacity Utilisation at Industry Level

Table 2 presents average utilisation of capacity in the cement industry for the period 1969 to 1988 and indices of output in the sample firms for the same period is graphically presented

It is observed that peak output for the sample group at 108 5 was reached in third quarter of 1972 (see graph) The second peak was at 127.5 in the first quarter of 1978, and a new peak at 164 7 in the first quarter of 1987 However, in a substantially expanding industry like the cement industry during the decontrol period, the limitation of the Wharton method emerges very clearly, as a new peak may not be reached if production starts stagnating. A comparison of peak output index with the other indicating of performance such as profitability shows that the year of peak output is not matched with high profitability It would seem that the lower profitability, despite peak production, was due to the low retention price (fixed at Rs 100 per tonne) payable to cement producers during 1969 to 1973. However, the profitability in 1978-79 at 7 8 per cent (though lower than 10.2 per cent in 1977-78) is comparable with the index of peak output in 1978

Though utilisation fluctuated between 87 5 per cent and 100 per cent, Table 2 shows that it was higher in the 1970s as compared to the rate of utilisation in the 1980s (utilisation was low particularly in 1974 and in 1980). Similar are the findings when utilisation is taken as a ratio of annual production to installed capacity for the entire industry for the period 1969 to 1988. Several reasons may be offered for the lower utilisation in the 1980s. First, a number of new firms with one million tonne capacity commenced production in

Table 2: Average Capacity Utilisation (Sample Firms and Total Industry)

(Per cent)

Period	Utilisation in Sample Firms	Utilisation in Total Industry*
1969 78	97 03	80 5
1979-88	92 18	71 6

* Utilisation is rate of total output to total installed capacity

Source Bhanu op cit Table 2 1

Table 1: Growth of Capacity and Production of Cement Industry 1970-89

Year	Number of Plants***	Installed Capacity (Million Tonnes)	Growth in Capacity (Per Cent)	Production (Million Tonnes)	Growth in Production (Per Cent)	Utilisation (Per Cent)
1970	50	17 38		13 97		80 38
1971	50	19 41	11 7	14 98	7 2	77 17
1972	51	19.76	1 8	15 79	5 4	79 91
1973	51	19 76	0 0	15 00	-5.0	75 91
1974	52	19 88	0 6	14 34	-4 4	72.13
1975	54	21 13	6 3	16 35	14 4	77 37
1976	55	21 46	1 6	18 71	14 4	87.18
1977	55	21 67	0 1	19 17	2.5	88 46
1978	56	22 16	2 3	19 62	2 3	88 54
1979	57	23.54	6 2	18 34	-6 5	77 91
1980	59	25 65	9 0	17 89	-2 5	69 75
1981	62	29 22	13 9	20 87	16.7	71.42
1982	64	31 73	8 6	22 64	8.5	71 35
1983	69	36 20	14 1	25 70	13 5	70 99
1984	73	40 02	10.6	29.67	15 4	74 41
1985	75	43 12	7 7	32 07	8.1	74.37
1986	80	49 72*	13 2	33 64*	4 7	67 66
1987	87	54 00*	7 9	36 98*	9 0	68.48
1988	88	54 93*	1 7	40 72*	9.2	74.41
1989	94	60 00**	8 4	43 50*	6.4	72.50

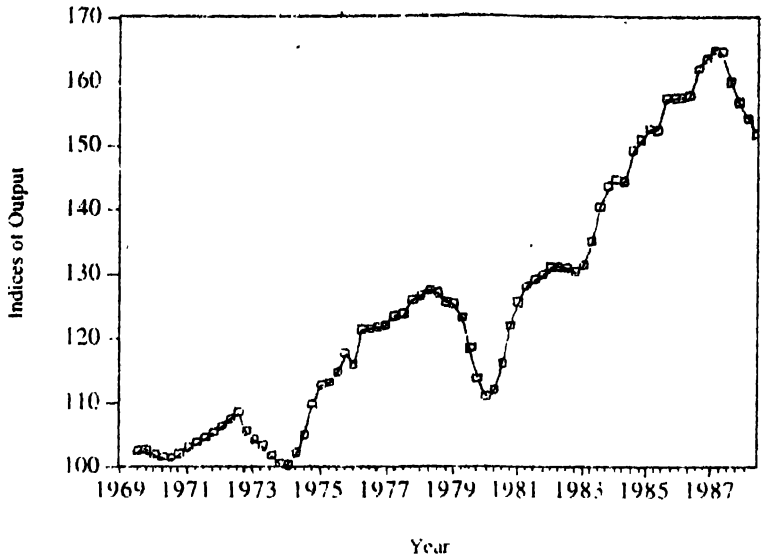
Notes * *Cement Statistics 1988*, Cement Manufacturers' Association, p 14

** *Economic Survey 1990*, Table 3 9, p 46.

*** Cement Production and Despatches (of a number of years) the numbers are approximations.

Source (The capacity reported as at the end of the year) BICP Report (1987) *Studies on the Structure of Industrial Economy, Volume III, Cement Industry* New Delhi, Table 1 4, p 6.

GRAPH: GROWTH OF OUTPUT IN SAMPLE FIRMS, 1969-1988



the 1980s. Many of these firms experienced teething problems due to the size of the kiln and the balancing equipment installed. Secondly, the obsolescence and ageing of plants requiring modernisation affected the total output in some firms. Thirdly, powercuts/tripping in the states affected the production of cement industry to a sizeable extent. Thus, the paradox is largely explained by both the internal and external factors.

The causes for underutilisation of capacity in the cement industry is analysed based on the study of the Bureau of Industrial Costs and Prices.[6] The Bureau grouped the factors into internal factors, external factors and miscellaneous factors. Internal factors include shortage of raw material, mechanical troubles, teething trouble and labour unrest. Shortage of coal, powercuts/trippings, shortage of wagons and non availability of workable orders are covered under the external factors.

While in the 1970s, shortage of coal and powercuts accounted mainly for underutilisation, in the 1980s, shortage of power alone accounted for significant percentage of loss in the utilisation of capacity.

PRIVATE VS PUBLIC SECTOR

The industry is primarily owned by the private sector, which accounted for 87 per cent of total cement production at the end of 1988. Of the 13 per cent share of public sector, the Cement Corporation of India accounted for 5.7 per cent and companies owned by the state governments for the remaining 7.3 per cent. This study seeks to explain the exceptional performance of the central undertaking, i.e. Cement Corporation of India as well as the differences in the contributory factors causing underutilisation of capacity among public and private sector cement plants.

In order to study the trends in capacity utilisation in the sectors the sample of 46 plants has been divided into public (7) and private sector (39) plants. The seven public sector units, have been further classified into public sector units (including CCI), accounting for 1.85 million tonnes of capacity and CCI (4 lakh tonnes) only. Similarly, the private sector units (39 cement plants) have been classified into ACC (16 plants) with a total capacity of 6.92 million tonnes and others (23 plants) with a share of 10.41 million tonnes, excluding ACC.

A comparison of the average utilisation of capacity in the two sectors (Table 3) showed a higher utilisation in the private sector as compared to the public sector units. Utilisation in ACC was above 90 per cent in both the periods and it was higher than all the other plants (public and private sector). A higher utilisation in the 1980s is observed even in the CCI plants. However, it can be inferred that a significant portion of total output of cement industry is contributed by the private sector plants and an appropriate climate must be created for a higher utilisation and increased output.

Table 4 presents the causes for under-utilisation (based on ratio of production to installed capacity) in public and private sector cement units. The percentage of idle capacity in the public sector as a whole was higher during 1982-87, as compared to the performance of only CCI for the same period. It will be observed from Table 4 that there is a significant difference in the factors contributing to underutilisation in the two sectors. In the public sector plants mechanical problems have significantly contributed to the underutilisation whereas power cuts have been the main contributory factor in the private sector plants. Since the post-decontrol period has witnessed significant additions to capacity and production in the private sector, the empirical findings suggest that the supply side constrain has to be removed to achieve higher capacity utilisation.

Though several factors have contributed to underutilisation of capacity in the cement industry, factors like shortage of coal, power cuts and mechanical problems have been the most significant. Mechanical problems are internal and need to be sorted out at the firm level, but the other two external factors can be rectified only with a change in the policy of the government.

IV

This section further brings out the importance of these factors by examining the relationship between capacity utilisation (Wharton method) and coal supply in the 11 firms[7] (out of the sample of 26 firms), for the period 1982 to 1987. The firms are located in seven different states which will give a picture of inter-state variations in coal availability and utilisation. It is further postulated that availability of coal and utilisation are positively correlated, and the quarterly supply of coal as per allotment would increase utilisation significantly. The coal ratio has been obtained by dividing the quarterly supply (actuals) of coal by the quarterly quota of coal (in tonnes), for each of the 11 firms.

Simple correlation has been computed between the two variables. The emphasis is on positive results rather than the degree of relationship. Next, the sample firms have been classified into three categories, viz. low, moderate and high utilisation and the corresponding ranges are - less than 70 per cent, 70 per cent to 88 per cent, 88 per cent and above. The coefficient of correlation is positive in nine firm and

TABLE 3: AVERAGE CAPACITY UTILISATION IN SECTORS (SAMPLE FIRMS ONLY)

Period	Public Sector		Private Sector	
	CCI (2)	Public Sector	ACC (16)	Others (23)
1969-78	94.4	97.4	95.5	94.7
1979-88	92.8	95.7	96.4	96.0

Source: Bhanu, op cit, Table 2.3.

TABLE 4 SHARE OF FACTORS AFFECTING UTILISATION IN THE SECTORS (PUBLIC AND PRIVATE)
(Sample Units Only)

(Per cent)

	1982				1983				1984				1985				1986				1987			
	Public Sector Incl CCI	CCI	ACC	Other Private Sector Plants	Public Sector Incl CCI	CCI	ACC	Other Private Sector Plants	Public Sector Incl CCI	CCI	ACC	Other Private Sector Plants	Public Sector Incl CCI	CCI	ACC	Other Private Sector Plants	Public Sector Incl CCI	CCI	ACC	Other Private Sector Plants	Public Sector Incl CCI	CCI	ACC	Other Private Sector Plants
Mechanical trouble	14.47	–	2.08	8.27	12.93	0.40	2.76	6.56	14.22	1.09	2.24	5.7.3	23.38	0.90	2.22	4.89	23.44	3.30	3.60	6.90	14.85	10.17	6.22	(5.70)
Shortage of coal	–	–	–	0.14	3.26	2.36	1.58	–	1.06		0.04	0.01	–	–	0.29	0.24	0.29	–	0.18	0.17	0.21	–	0.2	(0.12)
Powercut	4.38	–	9.45	13.22	10.12	–	6.73	14.69	6.44	5.56	7.85	6.49	11.08	4.84	6.00	5.85	11.30	7.09	2.99	5.88	15.18	3.28	5.51	(9.79)
Shortage of wagons	0.11	–	0.59	0.04	–	–		0.09	0.19	0.48	0.33	1.38	0.72	1.80	2.03	1.56	0.46	1.81	1.21	0.88	–	–	0.09	(0.78)
Shortage of raw material		–	3.00	0.14	–	–	0.77	0.33	0.19	–	1.45	0.11	–	–	1.08	–	–	–	1.04	–	–	–	0.84	–
Labour unrest	–	–	–	0.05	2.80	–	0.12	0.69	0.86	–	–	0.23	–	–	0.09	1.32	0.04	–	0.51	1.44	–	–	3.32	(0.69)
Natural causes	–	–	–	–	–	–			–	–	0.02	0.01	–	–	0.02	–	–	–	0.1	–	–	–	–	–
Teething trouble	–	–	–	–	–	–	7.15	–	–	–	2.06	0.25	–	–	0.26	0.16	0.42	–	0.03	–	–	–	0.02	–
Miscellaneous	0.38	–	0.52	0.64	0.76	–	0.68	0.47	3.17	0.97	0.59	2.23	4.17	0.56	2.77	2.27	4.57	0.99	3.03	3.88	14.48	0.17	1.68	(6.05)
Per cent of unutilised capacity	19.35	Nil	15.64	22.60	29.87	2.76	19.79	22.83	26.13	8.10	14.58	16.44	39.35	8.10	14.70	16.30	40.52	13.19	12.70	19.15	44.72	13.62	17.89	(23.13)
Production (in lakh tonnes)	17.34	5.82	62.47	100.53	85.05	5.64	65.15	88.50	16.51	5.33	71.83	116.67	14.58	5.33	71.73	120.35	14.30	5.00	74.28	121.90	13.29	5.01	70.89	117.44
Capacity (in lakh tonnes)	21.50	5.80	74.05	129.89	21.16	5.80	81.22	114.68	22.35	5.80	84.09	139.63	24.04	5.80	84.09	143.78	24.04	5.80	85.09	150.78	24.04	5.80	86.33	152.78
Per cent of utilisation	80.65	100.34	84.36	77.40	70.13	97.24	80.21	77.17	73.87	91.90	85.42	83.56	60.65	91.90	85.30	83.70	59.48	86.21	87.30	80.85	55.28	86.38	82.11	76.87

Source: Cement Production and Despatches/Cement Data Book, 1982, 1983, 1984, 1985, 1986, 1987, Table 6.1

negative in the rest. Thus a positive relationship is observed between the two variables.

Table 5 presents the class intervals of capacity utilisation and the corresponding average coal ratio in the 11 cement firms. It is seen in the table, that higher utilisation in the firm is associated with higher supply of coal, though in firms like Mysore and Saurashtra cement the reverse is true. This is because the consumption of coal per tonne of clinker varies with the quality of coal as well as the process employed. Wet process plants consume more coal than semi dry or dry process plants and it may be conjectured that the dry process and efficient management (see Ghosh Committee Report on Cement Industry 1981) of the stock of coal were probably the reasons for higher utilisation in these firms, despite the low supply of coal.

Regression Analysis

Coal constitutes an important input for the cement industry. It is used both as fuel as well as a raw material. Hence a minimum coal availability is a must. Next to coal, power constitutes the most significant fuel, so much so that cement firms are advised to instal captive power generators to overcome production loss due to frequent power cuts/trippings. Data on power availability are drawn from the annual reports of Cement Manufacturers' Association for the years – 1982 to 1985 and 1987. As no information is available for 1986, the average of the other years is taken for that year. The annual reports give information about the number of days and the percentage of power cut for different states. The power availability is taken as 100 per cent if no power cut is reported and 30 per cent, if 70 per cent power cut is reported. The percentage availability is weighted by the number of days of availability in the year to get the weighted average of availability of power.

In February 1982, a policy of dual pricing was introduced. According to this policy, an output of 66.7 per cent be under administered price, while the balance of 33.3 per cent could be sold in the open market. The percentage of levy output however was progressively reduced in the subsequent years. This meant increased availability of output to the manufacturers for sales in the open market. It is postulated that this policy of the government would lead to higher utilisation. Weighted price is computed to give effect to the dual pricing system. The percentage of levy is adopted as an alternative variable. The weighted price is obtained by multiplying the levy price and the non-levy price by their respective proportion of output and then by adding them. These prices are corrected by the index of wholesale prices with base 1970-71.

The form of the regression model is as under:

$$CU_q = \alpha + \beta_1 C_q + \beta_2 P_q + \beta_3 PL_q + \beta_4 WP_q$$

Where,

CU_q = Capacity utilisation in the quarter q is in percentages (based on Wharton method)

C_q = Coal supply as a percentage of coal quota in the quarter q.

P_q = Percentage of power availability to power allotted to the industry in the state in the quarter q.

P_q = Percentage of levy cement in the quarter q.

WP_q = Weighted average price per tonne of cement in real terms in the quarter q

Firm dummies have been incorporated to give effect to the variations in the rate of utilisation across the firms as it is postulated that capacity utilisation across firms is significantly different from the base firm. The method of ordinary least square is used in the estimation. The choice of an equation is based on multiple criteria, such as R^2 and signs of the coefficients of the variables. The effect of the explanatory variable on capacity utilisation is examined in a sample of five firms[a], viz, India Cement, Madras Cement, Tamil Nadu Cement, Ba[illegible] and Saurashtra Cement for the period 1982 to 1987.

The result of the regression analysis is as follows:

Equation I

$$CU_q = -111.04 + .2102\,C_q + .53\,P_q + .679\,WP_q$$
$$(3.2095)\quad (4.5513)\quad (3.5355)$$
$$+ 2.1838\,D_1 + 8.037\,D_2 - 17.49\,D_3$$
$$(.5862)\quad (1.5779)\quad (4.5530)$$
$$+ 1.823\,D_4$$
$$(.4959)$$

$\bar{R}^2 = 0.32 \quad R^2 = 0.36$

F Ratio (7,***) = 9.1460

(The figures in the bracket are t - ratios).

No of observations = 120.

Equation II

$$CU_q = 94.90 + .1293\,C_q - .6194\,P_q$$
$$(2.1945)\quad (6.2295)$$
$$- 1.1471\,PL_q + 2.9107\,D_1$$
$$(6.7717)\quad (.8799)$$
$$+ 11.82\,D_2 - 17.62\,D_3 + 1.8030\,D_4$$
$$(2.6182)\quad (5.2193)\quad (.5522)$$

$\bar{R}^2 = 0.47 \quad R^2 = 0.49$

F Ratio (7,120) = 15.8832.

(t-ratios are in the brackets)

No of observations = 120

The R^2 of the estimated equation I is 0.36. The regression result shows that the coefficients of coal and power variables are positive and are statistically significant. The signs of the coefficients are consistent with theoretical postulates. It can be inferred from the coefficient of quarterly percentage of coal that, other things being equal, an increase in the supply of coal by 1 percentage point would increase utilisation by 0.21 per cent.

The coefficient shows the importance of coal in cement production since it is used as fuel as well as raw material. The coefficient of power availability shows that, other things being equal, an increase in power supply by one percentage point will increase capacity utilisation by 0.53 per cent (possibly firms depended on DG sets

Table 5: Average Supply Ratio of Coal and Utilisation in Select Cement Firms (11)

Utilisation		Indian Cement	Andhra Cement	Orissa Cement	Madras Cement	Mysore Cement	J K Cement	Tamil Nadu Cement	Bagalkot Cement	Kalyanpur Cement	Saurashtra Cement	Sri Digvijay Cement
Low	less than 70 per cent	0.4	-	-	0.46	-	-	0.28	0.44	-	0.61	-
Moderate	70 per cent - 88 per cent	0.61	0.78	0.69	0.68	0.64	0.74	0.57	0.61	0.78	0.46	0.66
High	88 per cent and above	0.60	0.89	0.69	0.75	0.48	0.65	0.66	0.61	0.74	0.55	0.71

Notes: 1 Per cent of utilisation in the firms is derived by Wharton method.

2 Ratio of coal (quarterly) = $\frac{\text{coal supply in tonnes}}{\text{quarterly quota of coal (in tonnes)}}$ computed for each of the firm for the four quarters of 1982 to 87

3. The ratio of coal (quarterly) is matched with utilisation (quarterly) and averaged for each of the firm.

for 0.47 per cent of utilisation). Similarly, an increase of cement price by Rs 1 will increase utilisation by 0.68 per cent. That is, cement prices have a positive influence on capacity utilisation. Among the firm dummies, only D_1 representing Saurashtra Cement (equation I) is statistically significant and negative sign indicates lower capacity utilisation in the firm as compared to India Cement.

The R^2 of equation II is 0.49 and the fit is good. In the regression result, the coefficients of the coal and power variables are statistically significant and the signs are positive. The coefficient of the percentage of levy, which is used as an alternative to weighted average price is also statistically significant and the coefficient has negative sign, as postulated. Thus an increase by 1 percentage point in the percentage of levy would reduce utilisation by 1.14 per cent. Thus capacity utilisation has an inverse relationship with percentage of levy.

To sum up the findings of regression analysis availability of coal as well as power is important for higher capacity utilisation in cement industry. While price of cement has a positive effect on capacity utilisation, levy has a negative effect.

Conclusions

The output indices for the sample firms and for the total industry registered a substantial increase during the period under study, especially in the decontrol period. During the 1980s, underutilisation of capacity and the resultant stagnation in production can be attributed to the existence of infrastructural bottlenecks, which has been empirically established. Thus the effect of liberalisation in the cement industry was diluted by the lack of investment in coal and power which resulted in shortages, which in turn, led to poorer performance and deceleration in additional investment in the industry.

Notes

[This paper is a revised version of the chapter 'Capacity Utilisation in Cement Industry' of my PhD thesis, 'Cement Industry in India – A Study of Capacity Utilisation, Investment and Inventory Behaviour', Osmania University, Hyderabad, 1992. I would like to thank R. Radhakrishna (former director of CESS, Hyderabad) member-secretary, ICSSR, my guide for PhD thesis for his constant encouragement and guidance. My special thanks to Kanakalatha Mukund for her suggestions for retraining the paper.]

1 Bureau of Industrial Costs and Prices, Ministry of Industry, *Studies on the Structure of the Industrial Economy, Cement Industry*, Volume III, May 1987, p. 19.

2 Tariff Commission (1974), report on comprehensive review of the cement industry, for the revision of fair ex-works price payable to the producers, Bombay, Government of India.

3 The approaches are rated capacity, installed capacity, the machine hour method, measures based on two shifts, maximum outpupt per spindle/loom in textile industry, cost-based measures, etc.

4 Source, *Cement Production and Despatches/ Cement Data Book*, a publication of development commissioner for cement. Though the methodology of collecting the data is not indicated, we assume that the reporting is on three shift basis, as cement industry is a continuous process industry. The criterion for selecting the plant has been availability of data on a continuous basis. 1975 is the cut-off point for the inclusion of the plant/firm in the sample.

5 That is to say if for any reason, like unusually low output in January, or commercial production commencing in the middle of the year, the indices could not be computed from January of that year, the base was shifted to the January of the following year. By this exercise we aimed at the computation of indices for 12 months to begin with, and avoid distortions in the indices, if the base month output were to be very low.

6 BICP Table 1.8, p 8. The Bureau compiled the data from *Cement Production and Despatches/Cement Data Book* for the years 1972 to 1984. Hence the source for analysing factors affecting production in cement firms, for this study and for the Bureau have been the same. Causes for underutilisation is based on installed capacity of the plant.

7 The eleven firms are – 1 India Cement, 2 Andhra Pradesh, 3 Orissa Cement, 4 Madras Cement, 5 Mysore Cement, 6 J K Cement, 7 Tamil Nadu Cement, 8 Bagalkot Cement, 9 Kalyanpur Cement, 10 Saurashtra Cement, 11 Sri Digvijay Cement.

8 Firms having positive correlation between coal availability and utilisation.

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Industrial Liberalisation: Policy Issues at State Level

Sandeep Bhargava

This paper evaluates the post-1991 industrial policy reforms in India with particular reference to the state of Rajasthan. The viability of a strategy to attract new investments on the basis of financial incentives is assessed and policy, market and infrastructure impediments are highlighted. The paper provides suggestions for the design of future policy that would lead to long-term private sector industrial development

THE objective of this study is to evaluate the industrial reform process in India that began in 1991. The emphasis will be on the steps being taken in this direction at the state level and, in particular, in the state of Rajasthan. The motivation behind industrial reforms is clear. Indian industry needed to be set free from the well meaning but highly claustrophobic atmosphere of strict licensing and regulation of the 1950s, 1960s and 1970s. During the 1980s certain liberalising steps were taken but they were half-hearted and lacked a coherent political and economic agenda. The severe financial crisis faced by the Indian economy in 1991 forced the central government to take drastic legislative and policy measures to set industry free of excessive regulation in tune with the pro-market reforms seen in several other developing countries. The major components of this reform process which influence the industrial growth rate are macro-economic stabilisation including fiscal and inflation control, industrial delicensing and reform of industrial regulation, trade liberalisation, foreign exchange reforms and rupee convertibility, disinvestment in state owned enterprises as well as privatisation, ease of foreign direct investment and portfolio investment via the stock market and private sector participation in infrastructure (core) sectors like power, telecom, and roads.

Policy measures initiated by the central government have set the pace for industrial liberalisation but the implementation of these policies takes place in the states. Therefore state governments and their policies play a major role in attracting and developing industry. The success of state governments in doing so will be the focus of this paper. With external and internal pressure on state governments to increase growth we are now witnessing an 'incentive war' among states striving to attract new investments. One of the issues this paper will address is the viability of a strategy to attract new industries mainly on the basis of tax incentives and subsidies. Our contention will be that this strategy is short-sighted and will not lead to sustainable industrial development. The emphasis clearly needs to be on providing appropriate physical infrastructure (power, water, transport telecom), legal and financial infrastructure (corporate law, accountancy norms, banks, capital markets), and social infrastructure (good housing, public health, and education facilities).

The second but closely related issue is the regulatory regime prevalent in states. Although industrial licensing has been abandoned several licences and permits need to be still taken for access to land, water, and power. In addition, environmental, labour, company, and tax laws have to be complied with entailing numerous inspections on industrial enterprises. The much desired 'hassle free' environment and investor friendly administration is consequently elusive in several states. Clearly some element of regulation by the government of a newly liberalised industrial sector is desirable to prevent haphazard and detrimental growth. The nature and scope of this regulation need to be carefully assessed.

Although the focus of this paper is the industrial policy regime in Rajasthan, the central issues and policy recommendations would be applicable for a majority of Indian states. At the outset it is worth mentioning that the focus of this paper is on medium and large scale industries in the organised private sector. Small-scale industries and the policies towards them are an important part of the Indian industrial scene but will not be examined here. This paper also does not examine the role of public sector industries and the restructuring programme currently underway to make them efficient and viable.

Introduction

The share of Rajasthan in total industrial investment in India during 1993-94 was 4.1 per cent. In contrast, Gujarat led the industrial league by attracting 30 per cent of total investment over the same period. A quick look at historical data on investment reveals a similar picture. Rajasthan has undoubtedly been an industrial laggard though this description is fast becoming outdated in view of the industrial policy initiatives taken by the state government in 1990 and 1994. The poor industrial base of Rajasthan is easily explained. Being a land-locked state and lacking access to a port, Rajasthan was unable to attract industries during the British rule prior to 1947 despite being home to one of the leading business communities of India, the Marwaris. The economy was mainly rural- and agriculture-based. The predominantly desert terrain of Rajasthan and water scarcity limited the role of agriculture as a source of earnings, investment and economic growth. The industrial scenario did not change significantly for much of the post 1947 period. Agriculture and rural development remained priority areas for the state government. Some new industries did come up in the textile, mineral, and power sectors through both government and private initiatives but the geographical spread and depth of industrial investment remained limited. In the absence of modern technology and investment, traditional industries of the small and medium scale variety such as tourism, gems and jewellery, hand made textiles, and other village crafts became the major source of non-agricultural earnings for the private sector.

Several initiatives taken by the government during the 1970s and 1980s laid the foundation for the more recent industrial turnaround. The Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) was formed by the government to promote medium- and large-scale industries. Similarly, the Rajasthan Financial Corporation (RFC) was established to provide funding to private entrepreneurs in the small-scale sector. The Bureau of Industrial Promotion (BIP) was established as a 'Single Window Agency' to co-ordinate clearances by the various government agencies necessary before a new industry can be set up. Sectoral development agencies to promote mining activity, small-scale, handicrafts and village industries were also established. In addition to these semi-autonomous corporations several government ministries and departments such as the Directorate of Industries, Ministries of Industry, Finance, Mines, Energy and Environment are directly involved in industrial development at the state level.

With this array of government-sponsored agencies and in the wake of the 1990 and 1994 state industrial policies the outlook for industrial growth in Rajasthan looks decidedly brighter. There has been a

substantial inflow of new investments since 1990-91 both by domestic and foreign investors. New industrial centres have developed in the districts of Alwar and Bhiwadi in close proximity to Delhi. In line with the 1991 industrial policy of the central government several proposals for investment in infrastructure sectors such as power and roads are in the pipeline. However, in comparative terms Rajasthan still lags behind the leading states such as Maharashtra, Gujarat, Punjab, and Karnataka. In this paper we would like therefore to evaluate the measures taken by the state government since 1990-91 to promote industrial growth. In particular, we would like to scrutinise the 1994 industrial policy in terms of how successful it is likely to be in raising the industrial profile of Rajasthan.

But, first, we need to answer the following questions: What drives industrial growth? And, what makes some states (regions) more successful than others in attracting industrial investment? Let us examine the first issue. The role of the government in promoting industry in a developing country remains of considerable importance. Despite the free-market, laissez-faire economic philosophy that swept through most industrialised countries during the 1980s the experience of the east Asian high growth economies highlights the pivotal role of government even in a liberalised environment.[1] For example, the state can provide a conducive environment for investment. This includes above all a stable macro-economic environment. High fiscal deficits are harmful for industrial growth since funds necessary for private investment get pre-empted by the government. High inflation and volatile exchange rates distort relative prices and generate uncertainty thereby reducing industrial investment. The government also plays a critical role at least in early stages of development in providing infrastructure for industry such as access to land, water, power, and transport. Other factors that also influence industrial growth are the financial and legal infrastructure: an impartial judiciary, enforceable property rights, a skilled workforce, and the degree to which the domestic industries face foreign competition. In the case of India these issues are addressed by policy both at the central and state level, and we shall return to this subject in later sections.

Moving now to the second question: the factors attracting investment to one state rather than another are broadly the degree to which the state administration is business friendly, the attitude of the political leadership towards industry, the speed at which industrial policy reforms are implemented, the quality of infrastructure, the fiscal situation including the tax/subsidy regime, nature and degree of corruption, industrial relations, and the law and order situation. In a recent survey of the ten best states for doing business (see *Business India* (June 6-19, 1994)), Rajasthan did well to be included in the ten despite drawbacks such as an inhospitable climate, predominantly unskilled labour, and low literacy rates. Compared to the other states being surveyed (Gujarat, Maharashtra, Madhya Pradesh, Punjab, Karnataka, Uttar Pradesh, Kerala, West Bengal) it is evident that Rajasthan needs to catch up on several counts. For instance, Rajasthan was ranked ninth in terms of how favourable the political leadership and bureaucracy is towards business.

The rest of the paper is structured in the following manner. In Sections II and III we outline the key features of the new industrial policy of the central government and the government of Rajasthan paying attention to the consistency and viability of these measures. In Section IV we focus on the ground level reality of industrial policy reform. This section draws on extensive discussion with government officials, bankers, and managers and owners from the corporate sector. Here we also evaluate the response of firms, markets, and financial institutions to the new policies in place. In light of our discussion we recommend measures for the design of future policy to promote efficient and sustainable industrial development at the state level. Lessons will be drawn for industrial development in Rajasthan and other states from the advanced states such as Gujarat and Maharashtra. Section V concludes with a discussion of the role of government in promoting private sector industrial development and the nature of regulation necessary in the new liberalised regime.

II
New Industrial Policy: Central Government

The objectives of the industrial policy regime nurtured by the central government during the period 1948-1980 are typified by the Industrial Policy Resolution of 1956. This resolution emphasises the 'need to develop heavy industries and machine making industries, to expand the public sector, to build up a large and growing co-operative sector and to encourage the widest diffusion of ownership and management in private industries including the need for prevention of monopolies and concentration of economic power' (see Government of India (1994)). This policy laid emphasis on developing cottage and village industries as well as modern small-scale industries. The objective was to promote balanced development across regions and the fulfilment of socio-economic goals. Industries were classified into three categories. In the first category industries were reserved for the public sector. In the second category of industries the public sector was meant to take the initiative with supplementary participation by the private sector. The third category was left open to entry by private enterprises. This policy regime spawned a large industrial structure in India which was dominated by an inefficient and loss-making public sector. Private sector industries did develop but only in limited sectors and regions where industrialists found ingenious ways of getting round stifling bureaucratic red-tape. In a perverse fashion the private sector achieved precisely what the government policies had intended not to happen. For instance, the licensing regime resulted in concentration of large industries in relatively few hands. Licensing and location restrictions resulted in fragmented and under-utilised capacity. The objectives of balanced regional growth were also not achieved as successful industries were concentrated in a few regions of the country. Reservation of product lines for the small-scale sector prevented the development and use of modern technology and resulted in low quality products. Industrial sickness became widespread in small, medium, and large scale sectors due to restrictions imposed by the government on the entry and exit of firms, on retrenching labour, on selling factories, and on acquiring and selling land. Until the early 1980s the industrial growth rates did little to raise the average GDP growth rate of 3 per cent to 4 per cent.

During the 1980s the central government tried to set right the impediments to private industries and a few liberalising measures were taken leading to a sharp rise in industrial growth but it was only the 1991 policy declaration that put in place a dramatically new regime with an appropriate set of incentives aimed at industrial development. An underlying objective of this policy was to remove the administrative barriers to entry faced by domestic and foreign firms and also remove restrictions on capacity expansion and diversification. The major features of this new policy that signify a sharp departure from earlier polices are the following: (1) The category of industries reserved for the public sector due to security and strategic reasons has been pruned from 17 to 8. (2) Industrial licensing has been abolished for all industries except those with environmental or security implications. (3) The Phased Manufacturing Programmes that force businesses to adopt indigenous manufacturing methods have been abolished. (4) The mandatory convertibility clause by which government-owned financial institutions can convert their loans to industry into equity has been abolished. (5) The pre-entry investment controls on large business houses (with assets over Rs 1 billion) have been abolished. The Monopolies and Restrictive Trade Practices (MRTP) Act of

1969 is now concerned primarily with preventing restrictive and unfair commercial practices as well as consumer protection. (6) Approval of foreign investment of up to 51 per cent equity in high priority and hi-tech industries that require large investments has been made easier. Likewise foreign technical collaborations have also been made easier. Alongside these reforms the Indian government has also brought down trade barriers and devalued the exchange rate twice since 1991 to achieve a competitive and credible exchange rate for the rupee.

For those familiar with the pre-1991 industrial and economic policies these new policy changes are bold and sweeping. The effects are becoming evident. Domestic investment and foreign (direct as well as portfolio) investment have risen sharply since 1991 though there was an initial period of inactivity due to the economic contraction in the wake of the macro-economic crisis of 1990-91. Industrial growth rates during 1994-95 have increased by 8 per cent over the previous year, and the private sector investment rates are rapidly increasing. The relaxation of budgetary deficit targets and the build up of inflation during 1994-95 are a cause for concern but the initial steps for a healthy and vibrant industrial sector have been taken. Admittedly, much of the increased investment figures since 1991 reflects investment approvals and intentions rather than actual implementation. For instance, a recent survey by the Centre for Monitoring the Indian Economy (CMIE) of over 3,000 industrial projects with planned investments of Rs 7,764 billion ($247.57 billion) reveals a strong increase of 46 per cent in investment intentions but very weak growth of 4.4 per cent in projects being actually implemented (see *Financial Times*, London, January 10, 1995). It is data like these that indicate that there remain serious constraints in the industrial and business sector that hold back investment intentions from being realised.

The central government puts in place a broad policy framework for the development of industry but it is the various state governments that are the front line implementors of reform. These governments play a crucial part in the actual development of new and existing industries. The policy towards industry adopted and implemented by the state government therefore becomes of vital importance. Once such policy initiative has been the 1994 industrial policy of Rajasthan to which we now turn our attention.

III
New Industrial Policy at State Level

The key elements of the strategy to promote industrial development as stated in the policy document [Government of Rajasthan, 1994]' are improvement of the investment climate, expansion of physical and social infrastructure, simplification of rules and procedures, speedy access to inputs and clearances for industries, increased role of private sector in infrastructure development, promotion of labour intensive industries as well as rural and small scale industries, increase availability of skilled manpower and support for quality improvement, and a renewed focus on exports and local resource based development and exports. A laudable feature of the 1994 policy was that the state government simultaneously put in place legal changes to support the reform measures so that there were no legal obstacles to implementation. Given that the new policy came into force as recently as June 1994 it is too early to assess its success. However, the degree to which the Rajasthan government has been able to implement its own policies in the past and the manner in which the state has responded to the 1991 central government policy will indicate how successful the new policy is likely to be.

Infrastructure Development

RIICO, the major industrial development agency, has been instrumental in developing over 200 industrial estates with supporting infrastructure such as power, water, roads, telecom, housing and other social amenities. However, only a handful of these estates have been successful in attracting and sustaining profit-making industries. Private enterprises have now been also permitted to establish and maintain industrial areas provided they are at least 10 kilometres away from an existing RIICO estate. For highly polluting industries special zones are planned with common effluent treatment plants. The rules relating to allotment of land outside industrial areas and conversion of agricultural land to industrial land have been considerably simplified. The shortage of power is a common problem facing industries almost throughout India. The state government has taken several initiatives to overcome this shortage and provide for future industry demands. New thermal, gas, and lignite based power plants are at various stages of being commissioned. Following the trend in other states of India private sector participation is being encouraged in power generation along with guaranteed payments for the sale of power to state-owned electricity boards. Water resources are being enhanced by use of more efficient and innovative schemes for the use of surface and groundwater including that from the Indira Gandhi Canal. To ease transport bottlenecks a massive investment programme is in progress to convert the meter gauge rail network into broad gauge. Private investors are being encouraged to build and maintain roads and bridges, and legislation to allow such investors to collect toll from users is in place.

In the absence of mature capital markets development financial institutions such as RIICO and RFC play an important role in providing funding for industrial projects. The loan and equity portfolio of these institutions has increased steadily but there has been concern about the quality of the portfolio. There is now a renewed emphasis on careful project selection and better monitoring of projects by these agencies to prevent default on payments. The boom in leasing and finance industry has also helped release funds for industrial investment. The record of commercial banks (that have themselves been undergoing restructuring) in financing industry has been mixed. The securities scam of 1992 and strict guidelines on the quality of loan portfolio have made the banks cautious in their industrial lending. At the same time the sharp increase in government borrowing from banks and Reserve Bank of India since 1993 has reduced the funds available for commercial bank lending to industrial sector. Net bank credit to the government grew at 17 per cent in 1993-94, while bank credit to commercial sector fell from 13 per cent (1992-93) to 6 per cent during 1993-94. Measures taken by the central government in 1994-95 budget on tax reform and for investment promotion have led to the reduction of user cost of capital. However, it is now recognised that industrial investment may be held back not so much for lack of funds or the cost of capital but the presence of significant idle capacity in the manufacturing sector. This is one of the unfortunate legacies of the pre-1991 industrial policy regime. Since new licences were denied if idle capacity existed, established firms had an incentive to maintain idle capacity to keep out potential entrants.

Simplification of Administrative Clearances

Increased awareness of environmental damage caused by industrial waste has led to stringent environmental control of industrial units. However, taken to an extreme such controls, in the same manner as pre-1991 industrial licensing regulations, can curtail industrial growth. Steps have therefore been taken to ease the procedure through which environmental clearances are granted and certain types of small-scale industries have been exempted from these clearances altogether. The previous regulatory regime required several inspections of factories and plants often involving different departments checking for the compliance of the same rules. This regime caused considerable disruption to business activity and encouraged corruption. The government has streamlined these controls by replacing checks for various labour laws by one common inspection. The criteria under which factories would be inspected have been made explicit and also reduced in number. Checks

under the Factories Act have also been reduced and prior permission is now required by a senior officer before an inspection is carried out.

Considerable emphasis is now being paid to speedy clearances of investment proposals. The availability of land, water, power, pollution clearances to new units is being facilitated by various government agencies including a high powered committee headed by the chief secretary that can grant immediate clearances. A particularly innovative feature of the new policy is that a time frame has been set within which the clearances from the various departments have to be granted if the application by the entrepreneur is complete in all respects [see Government of Rajasthan 1994].

Financial Incentives

The state government offers a variety of incentives to new and existing industrial units in the small, medium, and large sectors. These incentives are in the form of subsidies for capital investment, purchase of diesel generating sets and purchase of equipment for testing product quality. Schemes are also in place that offer sales tax incentives and deferment as well as those offering interest-free loans against sales tax paid. Sales tax exemption on purchase of machinery and purchase tax exemptions are also available under certain conditions. Fortunately, the state government has recognised that provision of financial incentives does not make up for inadequacies in infrastructure the quality of which in the long run is more important for attracting and maintaining investments. On the basis of this argument the government plans to discontinue capital investment subsidy from March 1997 and the funds released will be used for infrastructure development. The sales tax structure is also being simplified and directed at promoting value addition by encouraging the processing of agricultural and mineral products within the state rather than mere production of the raw materials.

Other Measures

The new policy emphasises the development of industries based on local resources that are abundant such as leather, wool, ceramic and glass, and minerals such as marble, granite, limestone, and gypsum. Agro-industries based on mustard, soyabean, cotton, jojoba, cut-flowers are being encouraged and so are hi-tech industries such as tissue culture and floriculture. The electronics industry which is relatively environment-friendly and can provide substantial export earnings is being provided financial incentives. Rajasthan is one of the major tourist destinations in India and the development of tourism-related service industries which offer scope for employment and foreign exchange generation are being given high priority. Significant steps have been taken to attract investments from foreign companies and non-resident Indians (NRIs) through both joint ventures and wholly-owned subsidiaries.

IV
Policy Implementation

It would be naive to assume that this ambitious reform programme can be translated into action resulting in a lasting increase in industrial growth rates in Rajasthan. The success of an industrial reform programme depends on how well it is integrated into other elements on the reform agenda such as fiscal and monetary policy, trade and exchange rate liberalisation, and financial and legal reforms. Political compulsions at the central and state level also impact on the speed with which reforms are implemented specially when there might be resistance from trade unions and incumbent firms that have benefited from a closed, protected, and inward looking industrial regime. These issues are important both at the central and state levels and need to be examined separately. However, in line with focus of our study and on the basis of extensive discussion with industrialists and bureaucrats we are able to point out some of the major impediments that need to be removed at the state level for effective implementation of reforms.

Infrastructure Development

Robust infrastructure support is the key to industrial development. It is now widely recognised that the most useful role the government can play in supporting business activity is to ensure that there is adequate supply of essential industrial inputs such as power, water, transport, and telecom services. The steps being taken by the state government on this front are bold but the results will only be seen with a time gap due to the inherent gestation lags of infrastructure projects. It is essential that the state government withdraws from activities where it has no comparative advantage and which can be profitably undertaken by the private sector. Public money thus released could instead be spent on infrastructure development. These efforts need to be supplemented by private sector participation in infrastructure projects and several such projects in the power and transport sector are already underway. However, it would be unrealistic to assume that private sector firms will take over the responsibility of, say, building power plants unless the state government takes the initiative. For instance, massive restructuring is required to reform the loss-making electricity boards in Rajasthan and other states. The state government needs to separate its obligation of providing cheap power to poor farmers and small-scale industries from the broader objective of ensuring adequate and regular power supply to all categories of end users. One solution would be to charge the free market rate for electricity from all users and then reimburse funds to users on the basis of their financial standing.

The efforts of state government agencies to develop industrial estates to ensure adequate provision of infrastructure are very welcome. But as has been pointed out earlier, relatively few of these estates boast an enviable record. The quality of infrastructure in the majority of industrial estates needs improvement. Problems range from power shortage and poor transport to an indifferent local administration and excessive political interference. Not surprisingly, the estates that are doing well are the ones where private entrepreneurs would have been most likely to succeed on their own initiative (for example, Bhiwadi, Alwar, Jaipur, and Kota). This may be due to the proximity of these estates to business and political centres, water sources, or transport networks. Clearly, the state government needs to divert its limited funds in developing those areas for industry which do not have these inherent advantages but still bear potential for industrial growth. This could be, for example, a mining region capable of supporting mineral-based industries but lacking skilled manpower, transport and other industrial infrastructure. The bottom line should be that the state intervenes to provide support where market and industries cannot develop on their own steam.

The same dictum holds true for the provision of financial assistance through state-owned development banks such as RIICO and RFC. These institutions have done well to support a number of small, medium, and large scale industrial units. Due to a variety of inter-linked reasons such as price restrictions, financial tax/subsidy regime, regulatory regime, restrictions on closure of factories and labour redundancies, protection from domestic and foreign competitors, several of these units have become 'sick' (unviable) and defaulted on their loans. At the same time 'healthy' industrial units do not need financial support from development banks and can easily tap the newly liberalised financial markets for funds. Financial institutions therefore need to redirect their strategy by (a) identifying those projects that genuinely require loans at subsidised rates or are unable to access the capital markets, (b) carefully screening applications and assisting applicants in the design of projects, and (c) improving the monitoring of ongoing projects to prevent possible financial failures.

Financial Incentives

The role of investment and tax incentives has been long debated in the economic development literature [see, for instance, Galenson 1984]. Incentives are generally

viewed as second best stimulants for industrial activity, the first best being government policies that provide a congenial business environment. In a bid to attract new investments several states have offered a range of incentives over the past few years. Competition among states to attract investors is of course desirable but it is the tactics being used that are a cause for concern. Incentives that are broad-based, easy to get, and distort market prices can in fact be counter-productive. There are several instances of industrial units that become unprofitable once the incentives are withdrawn. Moreover, the state's own financial situation may not be able to support these incentives in the long run in view of lost revenues. Recognising these fallacies various state governments are now attempting to restrict the provision of incentives in the future and a timetable for the withdrawal of existing schemes is being developed. It is expected that most schemes will not be available after 1997. Any remaining incentives should be focused and used to overcome existing market distortions and infrastructure constraints. The monetary value of these incentives should decline over time so that the recipient industrial units work towards being viable even after the withdrawal of incentives. Emphasis should be given to designing incentives that are conditional on investment in new technology, productivity and skills improvement, and increased export earnings. Strict government discipline is essential to prevent rent seeking behaviour by entrepreneurs of the type witnessed in the pre-1991 regime.

Competition among states by way of incentives tends to be a zero sum game and can even be harmful. A region or state that may not be viable in the long term for a particular industry might still attract this investment by offering incentives. In due course when the incentives are withdrawn and if the industry fails there would be negative repercussions on other industrial units in that state. At the same time the loss-making industry could simply move from one state to another in search of short-term gains provided by the incentives. The whole structure of fiscal incentives needs to be examined by the various state governments and the centre in a co-ordinated manner to maximise the investment in India as a whole. Rapid implementation of the tax reforms proposed by the Chelliah Committee and implementation of a value added tax across the country is also necessary.

The incentive schemes in place to promote local resource-based industries are clearly desirable. But once again the objective of these schemes should be to prepare the entrepreneurs to face the market unaided once their businesses have matured. These incentives should be aimed at promoting processed products based on minerals, agriculture, and livestock. One of the ironies of the industrial production system in Rajasthan is that, despite being a major producer of several kinds of industrial raw material, most processing is done in other states. Therefore Rajasthan looses out on value addition, and the associated employment and industrial earnings.

Administrative Procedures and Clearances[4]

The 'licence and inspector raj' is dead long live the 'clearance and inspector raj'. Red tape, tedious and complex administrative procedures, and a suspicious government bureaucracy has long been the bane of industrialists in India. Fortunately, the 1991 industrial policy of the central government made much of that history. The steps taken by the state government to simplify the process by which access is available to land, water, and power have also improved the investment climate. But the task has only just begun. The time schedule of clearances in the industrial policy document [Government of Rajasthan 1994] indicates that there are still seven different agencies that have to be approached for a new industrial project. Each agency has the power to stall applications for months and often years thereby putting off investors. The setting up of the empowered committee to speed up clearances is of course a welcome move but there is a practical limit to how many cases this committee can handle. What is required is that the various departments themselves undergo a transformation in their attitude towards and dealings with industrialists and businesses. In this respect Rajasthan has several lessons to learn from the progressive states such as Gujarat and Maharashtra. These states have bureaucracies that are business friendly and genuinely assist potential investors in setting up industries by removing administrative obstacles. This pro-business culture and attitude pervades at all levels – state and district – of the administration.

Admittedly, Rajasthan has only recently put industrial development high on the political-economic agenda and some time is needed before the administrative machinery can gear up to the new liberalised, pro-business era. To ease this transition it would be useful for government officials at all levels to be provided training courses in the needs of businesses and practical ways of reducing red tape faced by these businesses. The various chambers of commerce and industry can play a useful role in this regard. A sea change in attitudes is also required in the regulatory regime. Inspections of industrial units under various acts have been simplified but officials can still harass owners and managers on several counts. One way of reducing the loss of industrial time and money trying to satisfy regulators would be to emphasise self-regulation enforced by industry associations. To encourage compliance of regulations substantial rewards could be offered to the scrupulous industries and heavy penalties could be imposed on the rule-breakers.

Unfinished Agenda: Lessons for Further Policy Reform

In the previous section we discussed a few broad areas on which the state government has to work to provide an improved industrial environment in Rajasthan. Let us now outline some specific tasks for the future policy agenda of the government. Some of these issues require attention from both the state and central governments. However, it is in the interest of the state government to push for reform regardless of moves by the centre since the rewards of industrial investment first become evident at the state level.

(1) One of the most serious impediments to industrial investment in India is the lack of an 'exit' policy for labour that enables firms to sack labour. In a bid to protect the welfare of workers and given the absence of an unemployment benefit or social security system the government has imposed restrictions on industries wishing to reduce their workforce when faced with declining demand. This policy of the government and similar restrictions on the sale of factories and industrial land by existing units under the Urban Land Ceiling Act has to a large extent contributed to widespread industrial sickness and bankruptcy. Eventually, the loss-making unit has to be taken over by the government or attempts made to revive it through the Board for Industrial and Financial Restructuring (BIFR). This process remains largely unsatisfactory because there is little scope for the owners of sick companies to actually shut down the unviable unit and start afresh in another line of business. The lack of an exit policy also acts as a major deterrent to new or increased production by both domestic and foreign companies and is also responsible for investment by firms in labour saving technology. To a large extent the reason why the government drags its feet when it has to take decisions on labour redundancies is political. The organised industrial workforce has a strong voice and the trade unions have considerable clout in the major political parties. However, it needs to be recognised that this constituency is a fraction of the total Indian population of 900 million. By maximising the welfare of this minority the interests of the majority are being neglected. A total of 10 million people work in the public sector (which is fully unionised) and about 6 million work in the unionised private sector. A concerted effort needs to be made by all political parties and the government to change the views of this minority workforce through

persuasion and education. At the same time the National Renewal Fund created in 1991 to compensate and retrain unemployed workers needs to be strengthened.

(2) We have already mentioned the need for government officials to show their commitment to reform by changing their attitudes towards business activity Similarly politicians need to adhere to the reform route even if there is resistance from various entrenched lobbies. Political leadership that remains faithful to reforms and lays down clear policy guidelines for implementation by bureaucrats (for example, in Gujarat and Maharashtra) is an essential prerequisite for industry to flourish. The success of the state industrial policy is as much dependent on the positive response of markets, financial institutions, trade unions, and companies as it is to initiatives of the government. Therefore investors should view the policy changes with a positive attitude and carry out investments that are likely to generated both short and long term gains. Industrial lobbies should reject the offer of subsidies and push the government for provision of better infrastructure. In order to speed up the investment process it is easy to break rules and buy clearances but such practices mar the industrial climate. Therefore chambers of commerce and industry should help restrain such activity by their members In the long run politicians too will find that their standing with voters would improve if they had a clean image Development banks, commercial banks, and venture capital funds should direct their (often subsidised) lending to the small-scale sector or enterprises that are entering new, high risk fields not be supported by the stock market. Established companies and large-scale enterprises on the other hand should rely on the domestic and international debt and equity markets for funds

(3) Transparent and consistent policy rules are imperative at all levels. Recently major corporations (e g, TELCO) have been allowed duty-free imports of capital equipment on a discretionary basis by the central government. Clear guidelines will reduce such ad hocism and help dispel uncertainty in the investment environment. Similarly the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), and Ministry of Finance should bring out uniform, clear guidelines for companies that wish to raise funds from the stock market. This has not been the case recently because of continually changing regulations on pricing of share issues, private placements, and allotment of shares to promoters. One reason for the lack of clear policy is that the financial liberalisation process is itself quite recent and the regulatory bodies are reaching optimal rules only via trial and error.

(4) State governments need to invest heavily in promoting a few key industries that are suited to the local conditions and have sustainable, long-term returns. The Rajasthan government's initiative in identifying and promoting thrust industries based on local resources is a step in the right direction. Industries that are low polluters and are not heavy users of water and power such as the electronics and computer industry should be given further support. In the case of the computer industry, the state could develop a software estate drawing on the resources of local engineering institutes such as BITS Pilani These estates need to offer tangible benefits such as free or low price land, cheap satellite and communications links to private software companies The success of Bangalore and its computer business community has important lessons for Rajasthan in this field.

(5) Rajasthan needs to further exploit its proximity to Delhi and prosperous neighbouring states such as Punjab, Haryana, and Gujarat The state government should develop a strategy of riding on the industrial success of these states Rajasthan could become a service state for these states by providing low cost support in manpower, banking, and transport. The state's recreation and holiday resorts could become a major attraction for business communities of neighbouring states Last but not least the ancillary industry could be further developed to provide high value components for industries in other states

(6) With nearly 70 per cent of the population living off the land the development of a competitive and efficient agriculture production system needs to remain at the centre of economic policy The state government has provided incentives to develop agro-industries which should be given top priority The development of non-farm rural activity will help decongest urban areas, reduce the unemployment in both urban and rural areas, provide critical inputs for certain industries such as food processing, pharmaceutical, textiles wool, leather goods, and increase export earnings.

(7) The public sector should get out of those industrial and service activities that can be efficiently and competitively provided by the private sector. The funds and resources that would then be freed should be used to provide those products and services that are genuine public goods or are necessary to meet key social objectives. Sincere and serious efforts have to be made to restructure the numerous loss-making public sector units. This may call for the closing down of certain units that cannot be made viable or there may be a need for full privatisation.

(8) There has to be a sea change in government policy and attitudes towards exports. Despite the obvious pay-offs in terms of foreign currency and investment the government has yet to make the environment conducive to growth of exports specially of manufactured goods. It is only recently that a special cell for promoting exports has been set up within the industry ministry. Considerable improvements are needed in the institutional, marketing, and transport backup required for exports. The problem with exports is of course deeper As convincingly reported in *The Economic Times* (New Delhi, October 31, 1994) the central government s policy towards exports needs to establish priorities and concentrate on promoting specific sectors. The composition of Indian exports has changed little in the post-1991 liberalisation period. Agriculture and allied exports continue to dominate along with gems and jewellery, textiles, yarn and ready-made clothing, while there has only been modest growth in high value, hi-tech exports such as engineering and electronic goods This trend is worrying because it reflects that India has made little

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'It appears that manufacturing companies are not keen on developing exports because the profit differential between selling in foreign and domestic markets is marginal, not least because of the distorted price structure of domestically produced goods. At the same time there are high transaction costs associated with exports because of cumbersome procedures and archaic laws. As a result the manufactured exports that do take place are aimed at exploiting tax and other incentives provided by the government often on a discretionary basis. This activity becomes lucrative for short-term gains with no long-term strategy for technological improvement and growth in the export sector. Governments at both central and state level therefore need to identify those activities in which local industries will have dynamic and lasting comparative advantage in the international markets and tax incentives should be redirected towards these activities.

V
Conclusion

Industrial development is essential for raising economic growth in a country like India. While the broad policy framework to develop industry is formulated by the central government, it is the state governments that can influence the strategic location of new investments and the associated payoffs. Therefore, state government policy towards industry is of fundamental importance. We have discussed a number of key issues that are likely to contribute to the success of this policy. Private investment and business enterprise flourishes in a stable macro-economic environment which is free from pervasive government intervention, physical infrastructure if of good quality, and where institutions are being developed for law and order, basic health, and education.[5]

Industrial success in the long run requires better institutions, low transaction costs (or costs of doing business), markets that respond to price changes, and access to efficient and appropriate technology. In developing countries these conditions cannot be generated exclusively through the market because factor and product markets are often missing, public goods (including infrastructure) are under-provided, and market failures in technology and R and D are acute [see World Bank 1992]. The case for activist policy is best illustrated by the remarkable success of East Asian economies [see Rodrick 1994 for a useful overview]. The experience of these countries suggests that the government can play the role of a pace-setter in its interaction with the private sector. Government intervention for the promotion of industry through subsidies and even trade protection is most effective when there are stringent performance standards to be achieved by the private sector. The signs of such an industrial policy regime are clearly evident in Rajasthan and other Indian states.

In the liberalised environment for Indian industry the role of government therefore remains even greater and not less. What is to be changed is the nature of government intervention from being a patronising agent trying to develop and regulate every aspect of business activity to an active and responsive catalyst for industry. The government's primary objective should be to provide the necessary physical and financial infrastructure. At the same time the state should develop a tax/subsidy regime that helps overcome genuine externalities and market failures on the demand and supply side. And, of course, the role of government remains crucial in developing a regulatory framework for industry that is effective and fair.

Notes

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1 For an overview of the post-1991 economic reforms see Ahluwalia (1994), Basu (1993), Bhagwati and Srinivasan (1993), Joshi and Little (1993), Kapila (1994), Sachs (1994), and World Bank (1994). Ahluwalia (1985, 1991), Gouri (1993), and Khatkhate (1992) provide analyses of the industrial policy regime during the pre-1991 period. Conceptual issues pertaining to industrial development are presented in Pack (1988), Lall (1992), and Rodrick (1994).

2 Free markets are good for economic growth but government discipline is essential. This has been one of the major lessons from the experience of the highly successful east Asian economies [see World Bank 1993].

3 There is considerable similarity in the content of industrial policy declarations by other Indian states since 1991. What is different is the extent and style of implementation. For an interesting inter-state comparison of policies see Venkatesan (1994).

4 See Khatkhate (1992) for a review of the most serious regulatory impediments to industrial development observed in Asian countries including India.

5 See Shapiro and Taylor (1990) for an analytical review of the role of government in promoting industrial growth in developing economies.

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Flexible Specialisation, Technology and Employment

Networks in Developing Countries

Regina M A A Galhardi

Recent studies question the replicability of flexible specialisation model of advanced industrialisation to small firm operations of developing countries. Small firm clusters in the third world countries are not new strategies but old practices pursued in order to overcome their technological and market weaknesses. The studies challenge the assumption that labour surplus can prove to be the competitive advantage of these firms since most of them provide inferior working and payment conditions. Further, lack of strong inter-firm linkages deny collective efficiency to these firms to deal with the changes in the market

I
Introduction

THE article comments on the literature on the small firm variant of the flexible specialisation (FS) model and questions its feasibility of fostering small scale industrialisation in developing countries. In doing so, the article questions some 'dogmas' of the FS thesis such as 'collective efficiency', 'skilled workers' and 'multi-purpose equipment'. It is based principally on primary information gathered from recent work carried out and commissioned by the ILO on the textile, rattan, batik, footwear and metal industries in Indonesia; shoes and autoparts in Brazil, the autopart industry in Argentina and the carpentry and building sectors in Zimbabwe.

The concept of FS, as coined by Piore and Sabel (1984), means 'a new economic regime' based on less rigid manufacturing technologies than mass-production (MP). These less rigid technologies existed before in various regions of western Europe. They were based on skilled workers using sophisticated general-purpose machinery to turn out a wide and constantly changing assortment of goods for large but constantly shifting markets. Piore and Sabel claim that "firms using a combination of craft skill and flexible equipment might have played a central role in modern economic life" (1984:5).

This optimistic view based on 19th century industrial districts (IDs) and encouraged by 'vestiges' of craft production in Italy, West Germany, and Japan was followed by a number of interpretations, criticisms and followers.[1] It has been influencing development analysts and providing a framework for research in both developed and developing countries.[2]

Holmstrom (1993), for instance, suggests that there is a good chance that some elements of the 'Emilian model' could be incorporated into Indian small and medium firms and provide similar results if encouraged by national or local governments. An overview of potential IDs patterns in developing countries also claims that

> not only industrial manufacturing systems akin to small firm industrial districts occur in developing countries but observations indicate that the institutional and organisational framework of the industrial district concept has great relevance to small enterprise development under incipient industrialisation [Nadvi 1994].

Examples of networks in developing countries often mentioned are (i) shoe production in Brazil, Mexico, Peru and India, (ii) production of hammocks in the northeast of Brazil, (iii) the knitting industry of Petropolis/Brazil and Tirappur/India, (iv) auto repair shops in Kumasi/Ghana, (v) rattan furniture in Indonesia, and (vi) woodwork in Tanzania. These cases and others are used to illustrate the relevance of 'collective efficiency' and flexibility even at a relatively backward stage of economic development/industrialisation [Schmitz 1989, 1990, Nadvi and Schmitz 1994]. This view is also known as the small firm variant of the FS model.

The evidence mentioned in this article challenges the novelty and some characteristics of this approach. Although some features associated with the ideal model of FS can be found in clusters of small firms in developing countries, they are not 'new' strategies. On the contrary, they are 'old' practices pursued in order to overcome the technological and market weaknesses of those firms.

The second section discusses small firm networks by contrasting the most common examples cited in the literature with recent evidence gathered from developing countries. It challenges the 'low road' approach and the assumption that labour surplus can become the competitive advantage of small firms in developing countries. The empirical evidence commented on questions some of the characteristics of the small firm variant of the FS model when adapted to analyse the case of small firm networks in developing countries, e.g. surplus labour, strong inter-firm linkages and the achievement of collective efficiency. In Section III the paper sheds light on the replicability of this model in developing countries. The role played by institutions (public and/or private) to provide group-based production support services and information to the small firm clusters was discussed as well as some technological characteristics of the clusters studied. The skill and employment implications of the FS model is analysed in Section IV. The last section summarises the main points discussed throughout the paper.

II
Small-Firm Networks in Developing Countries

The small-firm variant of the FS model is centred on the role played by the clustering or networking of small firms around a set of related activities and a strong inter-firm division of labour. It is argued that small firms cannot cope individually with a rapidly changing demand and highly differentiated markets. However, the cluster or network provides a collective ability to deal with changes in the market and to innovate, i.e. a kind of collective efficiency [Schmitz 1989].

When this variant is applied to analyse developing countries' networks of small firms, the innovative character of the firms as the main weapon in competition is, however, substituted by the existing labour surplus. Case-studies which show sectoral agglomeration but also technological stagnation and low remuneration for labour are called upon to illustrate this 'conditioning' factor. As stated by Schmitz:

> If in the low labour surplus regions of South Germany and the Third Italy the dynamic is more one of high wage/high technology/high quality, in vast labour surplus LDC's the dynamic tends towards low wage/low technology/low quality [1990:21].

Other studies, however, indicate that this competitive trend cannot be generalised. Some small-scale industrialists in developing countries have successfully embarked on the high technology/high quality route but, it is said, combining innovation with sweat labour [Schmitz 1990]. Pyke and Segenberger (1992) also found examples of sweatshops operating alongside relatively high paying small firms using the latest technology. They concluded that small firms can compete when organised in the appropriate way and this competition need not take place on the basis of inferior working and payment conditions. They distinguish between two approaches by which firms, industries and regions have tried to meet challenges of international competition. The first is called 'low road' to restructuring and consists of seeking competitiveness through low labour cost, and a deregulated labour market environment. This approach leads to a kind of destructive competition because poor wages and terms of employment hinder the firm in acquiring and keeping the labour required for efficiency and flexibility, and rarely induce the firm to invest in its labour force to make it more productive. The second is the 'high road' of constructive competition which is based on efficiency enhancement and innovation. The key to attaining this is better organisation and a better mobilisation and utilisation of productive labour, providing economic gains and hence wage gains and improvements in social conditions which, then, permits a better use of technology. Moreover, their research indicates that the cheap labour, low labour standard route of development (low-road strategy) is neither necessary nor desirable. This alternative may result in a vicious, downward-spiralling cycle [Segenberger and Pyke 1991].

Recent studies challenge the assumption that labour surplus and related issues, e.g. low wages and labour conditions, can become the competitive advantages of small firms in a cluster context in some developing countries.[3] An examination of autoparts production in a regional agglomeration of small firms in Argentina shows that the combination of old machinery and the intensification of the work process with no investment in new technologies, no workers' training or education and no skill upgrading seems to lead to a production system which does not offer any possibility of transition into first world markets and of sustainable development.

> This low-price strategy offers no viable insertion into First World markets and no future for sustainable growth. The plight of Victoria's manufacturers who settled for a precarious balance between cost reduction/high quality, and of those who chose or fell into the low-price-only path and are now tensely searching for lost regional niches, indicates the temporal and quantitative limitations of this view [Roldan 1994:36].

A recent study on the carpentry and building industries in Zimbabwe shows that, with few exceptions in the former sector, inter-firm linkages within a group of enterprises which supply or co-operate with each other do not exist. The low degree of mechanisation and enterprise specialisation inhibit inter-firm co-operation [Rasmussen and Sverrisson 1994]. In the metal-working cluster of Campinas/Brazil, no form of inter-firm co-operation was detected among small firms. Events like borrowing tools, sharing a large order at peak times, exchange of technical/commercial information, frequently mentioned in the literature on industrial districts, were not observed among the clustered firms. The identified client-supplier relationships in the shoe-makers cluster of Vale do Rio dos Sinos/Brazil cannot be directly associated to the concept of collective efficiency. Horizontal inter-firm linkages through which possible co-operative efforts among producers of the same product could be developed were not observed [Ruas et al 1994]. Similar findings are reported by a case studied on the Argentine autoparts production. In this cluster,[4] vertical inter-firm linkages were not easily performed due to technical economic and fear of being copied (lack of trust among members) factors. The 'leading' firms do not subcontract more than 3 to 10 per cent of their production process. A number of horizontal productive linkages and institutional networks have been established in the 1990s by the 'intermediate' firms. The smallest firms, however, are trying desperately to set up new networks such as trading organisations, consortia, a common platform in national industry discussion, etc, so far with little success. This study concludes by asking to what extent will sectoral and geographical concentration be conducive to external economies based on firms' networking if the assumed common basis for shaping those linkages does not exist?

In Indonesia, two clusters of small firms involved with shoe production show that the majority of enterprises there can be characterised as technologically stagnated enterprises, surviving on the basis of commercial and industrial subcontracting relationships with larger firms rather than as independent units closely linked to each other. In one cluster, firms invest in retailing directly to the consumer. In the other, they link themselves with larger production enterprises or with large wholesalers in the nearby cities. In both cases, collective efficiency is not achieved within the clusters considering the limited interaction among member firms [Smyth et al 1994].

In addition, the lack of interaction between small and large firms has been pointed out by these studies as a limiting factor to technological upgrading, specialisation or 'mere survival' of the former. The smaller firms' limited access to the 'complementary assets' provided by large firms appears as one of the causes related to the smaller firms' weaknesses and/or failure. In the case of the batik industry in Indonesia, Smyth et al (1994) reports, "small and medium scale establishments either placed themselves into subcontracting relations with large industries or shut down and transformed their working places into hotels and restaurants for the tourist market". Also, in the rattan industry, they observed that the most crucial relationship between firms is that which render small firms entirely dependent on the large exporters for their raw materials, credit, and marketing [Smyth 1994:26]. Rasmussen and Sverrisson (1994) indicate that linkages between building material suppliers and large distributors in Zimbabwe are either anonymous or non-existing, often forfeiting potential mutual gains of co-operation. They observed that enterprises in this sector remain atomised and therefore "the learning effects, especially from more advanced business partners, are limited, and this adds a further impediment to specialisation and mechanisation" [Rasmussen and Sverrisson 1994:15]. In Argentina, small providers of autoparts to the domestic spare parts market complain about the lack of support from other autoparts producers of any piece which could be vertically linked to theirs and, principally, large firms' lack of interest in establishing alliances with them. This lack of support from or access to large firms' complementary assets does not offer smaller firms without investment, without machining recycling, with low level of automation and using very traditional technology, any hope of survival in an open economy where competition is based on higher quality/low cost products [Roldan 1994].

The above examples of industrial clusters are not the result of 'new' attempts to overcome mass production's limitations but, on the contrary, these economic and social organisations of small firms coexist with the dominant regime and have, in some cases by passed mass production. Indeed, they are examples of industrial organisations which exist for a very long period of time and are not, therefore a 'new' setting. They are really a survival alternative to the smaller firms. They are old forms of organisation established without planning, whereby small firms try to minimise their weaknesses and serve a 'lost' niche market. However, these can be improved through institutional arrangements (private and/or public) which provide technical, financial, managerial and training support to the cluster of small firms as commented on below.

III
Institutional Networks

The experience of advanced industrialised countries has accentuated the importance of institutions in promoting innovative co-operation and in fostering and ensuring technological dynamism in networks. In developing countries, recent studies have shown that the lack of these institutions is an obstacle to the development of the small firm sector and clusters even if they are addressed to the internal market. For instance, in Zimbabwe, the lack of support programmes/measures to assist small firms in easing some of their problems, especially capital and services (transport, repairs, auditing, leasing, legal and technical advice, etc) is one of the key constraints to the 'desirable and feasible' development of flexible mechanised enterprises [Rasmussen and Sverrisson 1994].

Other studies illustrate how the creation or strengthening of common institutions has facilitated the technological upgrading and enhanced international competitiveness of the firms within the cluster. In Argentina, through new or revitalised associations, the network of small autopart firms tries to persuade the government in favour of internal market protection, credits, export subsidies, tariff control, etc [Roldan 1994]. In the early 1980s, a joint marketing enterprise which acts as an export agency for some 25 small- and medium-sized saw-mills and manufacturing firms in the wood-processing sector and provides marketing and export services was established in Chile. Besides marketing, the enterprise's staff give advice on technology, maintenance techniques and necessary new investment. It carries out regular quality checks, and arranges meetings of all saw-mill managers at irregular intervals for discussion of normally similar technical and organisational problems encountered by the firms. Horizontal co-operation is also pursued through an entrepreneurs' organisation. The association, through the creation of joint marketing channels, tries to minimise the high transport costs and offers a diversified range of products to the group. It establishes contacts between producers and buyers and organises joint participation in trade fairs, the result of which has been a more intensive exchange of information on design, technical problems, etc. among the member enterprises [Messner 1993].

These case studies suggest how SMEs' growing export orientation has to be accompanied by a complex organisational and technological adaptation and stresses the importance of inter-firm and institutional networks in the process of developing their international competitive position.

Through the Small Urban Producers Programme (SUPP), run by the ILO/UNDP, a participatory support strategy for small producers combining: (i) financial instruments (mutual saving and loan associations), (ii) a technical and production promotion instrument (common facilities workshops), and marketing strategies (market development and diversification); (iii) training activities which are group-oriented and aim at promoting organisation; and, above all, (iv) the promotion of independent socio-occupational federations (as a new social actor) has been implemented since 1982 in 15 towns in Mali, Rwanda and Togo [Maldonado 1994]. Among the principles underlying this programme are those which support the concept of ID, especially the 'peaceful' merge of co-operation and competition. They are: (i) gradual mobilisation of the participants' own financial, technical and human resources with a view to their self-reliance; (ii) organisation and participation aimed at stimulating the participants' desire for improvement and affirming their social identity, and (iii) institutional recognition and representation of participants, enabling them to negotiate, assert their rights and cope with the constraints inherent in their unfavourable economic and institutional environment. This approach realises that the vulnerability of small-scale production units is due primarily to their isolation, rather than to their small size. As argued by Maldonado "they must therefore co operate through flexible and loose networks to establish effective contact and support structures controlled by the producers themselves" (1994:3).

These experiences in setting up small enterprise associations and organisations in developing countries for providing group-based production support services and information to a large number of small firms sectorally concentrated suggest that FS cannot emerge spontaneously in a developing country context. The lack of an institutional framework necessary to promote co-operation and stimulate innovation within the cluster is a major obstacle.

Moreover, the above mentioned case studies also indicate that small firms' flexibility and specialisation based on a skilled labour force, operating multi-purpose machinery and willing to change products/processes according to highly differentiated markets is not the main picture in developing countries. In Zimbabwe, 12 out of 26 enterprises in the carpentry sector employ unskilled and semi skilled labourers on a regular basis, in addition to trainees and casual labourers. The construction enterprises employ mostly unskilled labourers, which makes the sector one of the most important for absorption of the lowest level of unskilled workers. In the garment industry, the small enterprises employ mainly semi-skilled workers. The low skill level of the labour force has been attributed to the limited level of mechanisation of the firms surveyed and the relative simplicity of the products demanded [Rasmussen and Sverrisson 1994]. In Indonesia, shoe production is specialised in middle and lower middle class leather shoes. The clusters of small firms do not compete for the upper class markets. In these clusters there is no evidence of flexible markets and flexible products as claimed by the FS literature [Smyth et al 1994].

Therefore, the evidence reviewed shows that despite the existence of flexibly organised enterprises in developing countries they can adjust to changing demand conditions due to a diversified capacity to provide different but unsophisticated products. These are directed to lower income groups and produced by unskilled and casual workers operating single purpose machinery and hand tools. This trend is particularly true for clusters of small firms directed to internal markets which are not stable nor sophisticated. The demand is mainly for simple products or copies of mass produced items which depend on the income of the urban and rural customers.

This observation indicates that there is a dichotomy between flexible organisation (FO) and flexible specialisation (FS). These concepts cannot be interpreted in the same way in both developed and developing countries. In the case of advanced countries, FS requires intra- and inter-firm FO based on the use of advanced techniques and the availability of a skilled labour force. In a developing country FO is not based mainly on advanced technology but on traditional technology to cope with customised demand that does not require or cannot afford the use of advanced technology. In addition, the lack of local expertise or technological capability are also limiting factors. Therefore, in the case of developing countries, small firms can manufacture varied products through a kind of FO which does not always require the use of multi-purpose equipment and multi-skilled workers. FS is not, in this case, a requirement for flexibly organised enterprises devoted to a small portion of the low-value local market.

Furthermore, these small firms – especially when trying to cope with the limited, stagnated or recessive internal markets – are not technologically advanced neither minimally mechanised. They may require some flexibility in products and processes but this is mainly based on the use of single function machinery and the work of unskilled or semi-skilled labourers who can handle several broadly defined tasks.

The evidence reviewed suggests that a model of industrialisation based on flexibly organised small enterprises as experienced by some advanced industrialised countries/regions cannot be expected to emerge spontaneously in countries which have as

yet only taken the first steps towards industrialisation.

IV
Skills and Employment Implications

According to the FS model, designers must be so broadly qualified that they can envisage product and production together; production workers must be so broadly skilled that they can shift rapidly from one job to another, and more important, they must be able to collaborate with designers to solve the problems that inevitably arise in execution. It is also argued that "as skills become more generally useful, more and more employers will compete to hire the well-rounded worker" [Piore and Sabel 1984:273]. As a result, the latter's wages will be driven up widening the gap between these and the wages paid to unskilled workers whose job opportunities will diminish in the long run. The creation of this highly skilled workforce seems to generate a segmentation of the workforce into core and peripheral workers which may have pervasive consequences for the already segmented third world workforce.

This core/periphery model of workforce segmentation is, however, a conceptual simplification of the complex, close and often crucial working relations inside and outside organisations as illustrated by the labour market particularities in the shoe manufacturing industrial cluster in RS/Brazil. The core labour market which comprises workers who are employed by the firms on a regular basis is characterised by low wages, low skill, low inter-firm mobility and lack of formal training policies. The peripheral labor force is less skilled than the core since they are engaged in manual tasks, not having to deal with sophisticated equipment in workshops. They are mostly formed by women who are also involved with their household tasks, while their husbands are in general employed in the core market. This peripheral work conducted by women is however, of a 'core' importance to raise family income.

There is also the case of the 'core' worker who (i) moves to the periphery where he participates as a foreman in workshops, helping the owner to supervise and train the unskilled workforce, or (ii) decides to open a subcontracting workshop. Moreover, within the core, multi-tasking is associated with several degrees of skill in a variety of work situations that evolve from lower skilled jobs to highly skilled jobs.

The existing fragmented empirical evidence suggests how difficult it is to set up a clear division between skilled and unskilled workers and, therefore, between 'core' and 'periphery'. The definition of skilled, semi-skilled and unskilled workers cannot be explained entirely by technical qualifications or schooling level and does not always correspond to the skill levels of the workers. In some cases, these categories are, unfortunately, much more related to the gender of the workforce as well as the remuneration of work. As observed in the batik industry in Indonesia most of the tasks performed by men in the factory-based system and considered as 'skilled' work were done by women in the home-based cottage industries with lower wages [Smyth et al 1994:31].

Gender asymmetries seem to be exacerbated by the accentuated dualism of the labour force working in flexibly organised enterprises. Women and older workers are found in the periphery more often than their young male counterparts. Furthermore, women are often either displaced or relegated to the least paid jobs when individual firms or branches grow in size and upgrade their technologies of production.

In terms of employment, it seems too early to make generalisations. There are some indications, however, that employment may expand if support conditions were offered for the development of flexibly organised small firms in a cluster context. In backward developing countries/sectors, a low-road strategy may create a demand for unskilled and casual labour which may have substantial significance. In other countries/sectors following a more advanced or high-road strategy, skilled and semi-skilled workers will be required. The combination of these strategies in an economy, however, seems to generate more opportunities for employment rather than limiting it. However, much more data and systematic analysis is needed to reach firm conclusions.

V
Conclusions

FS is characterised as a single model with a definite set of labour consequences. The empirical evidence, however, shows that the reality is much more varied. In developing countries, the case studies on small firm clusters cover countries and sectors with extremely divergent levels of economic and industrial development. Although they result in a mixed experience regarding technology and production organisation patterns within the clusters and among them, some common features were observed. First, the assumption that labour surplus can be the competitive advantage of small firms in developing countries does not correspond to the evidence provided, principally that based on clusters of small firms producing for export sectors. Second, horizontal inter-firm linkages and co-operation are not a general trend. In most of the cases, small firms do not interact and co-operate with each other because of their low level of mechanisation and specialisation and/or fear of being copied or lack of trust relationship among them. Third, a collective ability to deal with changes in the market and innovate, i e, collective efficiency, was not observed in several clusters due to the limited interaction among member firms. Fourth, institutions to promote co-operation and foster innovation as well as to provide capital and services such as technical advice, training, credit, leasing, transport, repairs, etc, to the firms within the cluster are much needed, the lack of which seems to be a major obstacle to the emergence of FS in a developing country context.

The flexible production and organisation of small firms geographically concentrated in such context seems to be a survival strategy of enterprises struggling for a market niche which is, in general, a 'lost' local market, i e, that market which does not attract the interest of large companies. Moreover, this strategy is not based on skilled workers and general-purpose machinery but, on the contrary, on the available unskilled and semi-skilled workforce operating with 'second-generation' equipment in general. These idiosyncratic circumstances suggest that a kind of flexible production based on the use of new technologies and a skilled labour force to compete in highly demanding and differentiated markets where competition is based on product quality cannot be replicated willy-nilly by uneducated and unskilled third world labour forces.

The actual low level of skill encountered in the cases/sectors surveyed seems to be a limiting factor to the generation of a qualified labour force so crucial to the successful implementation of flexible production in such a context. The demand for unsophisticated products, and the existing simple machines or manual tools in the small firms do not stimulate the formal training of workers because they are not required. Market influences the type of goods produced and the technology used. Since the market is limited or constricted, efforts to technological upgrading are also limited. Therefore, industrial processes with a relatively low level of mechanisation, involving a series of very simple and independent operations which demand little specific skills from the worker, are performed by a large number of available unskilled workers changing tasks according to the fluctuating demand. This kind of flexible production organisation based on the unskilled labour surplus seems to induce a 'vicious circle' that does not render developing countries any opportunity of achieving international competitiveness.

A kind of high-road strategy, on the contrary, seems to be able to generate the synergies necessary for industrial growth, skill upgrading and employment promotion in a developing country context. This strategy, however, appears to exacerbate the segmentation of the workforce into core and

periphery This pattern of employment may have detrimental consequences for the already segmented third world labour force, in particular for the female labour force which is relegated to the periphery a long as industrial clusters adopt flexible production organisation

Notes

1 See, for example, Stoper (1989) Scott (1988) Saxenian (1991) and Hirst and Zeitlin (1989) The latter advocate that I S has much usefulness in explaining the relatively bad British manufacturing performance which they attribute to the persistence of MP methods and mentalities They say that 'those national economies and regions that have weathered the crisis of the 1970s and 1980s best seem to be those whose firms have gone furthest down the route of flexible specialisation or have managed to introduce elements of flexibility into mass production' [Hirst and Zeitlin 1989 11]

2 See, for instance the papers presented at the symposium on 'The Role of Industrial Districts in the Application Adaptation and Diffusion of Technology' organised by UNCTAD, in co-operation with the German Appropriate Technology Exchange Centre of the Federal Republic of Germany [UNCTAD 1994] and the views expressed in the *IDS Bulletin* (1992)

3 See Roldan (1994), Smyth et al (1994), Rasmussen and Sverrisson (1994) and Ruas et al (1994)

4 In this cluster the networking strategies vary between two extremes On the one end, there are firms following a kind of 'high-level' strategy for growth and competitiveness in external markets based on international technical and quality standards On the other 'crisis' firms following a kind of 'low-level' strategy which is based not on product quality but rather on reducing costs without investment in a protected internal market are found [Roldan 1994]

5 Inter-firm relationships can be explained by a conceptual framework developed by Teece (1986) This framework suggests that a firm seeks collaboration with other firms in order to get access to complementary assets that are indispensable to the successful commercialisation of an innovation This view is interesting because it emphasises not only the importance of the knowledge accumulated in the firm but also other, not less relevant assets such as skills, know how and services like marketing, competitive manufacturing, specialised information and after-sales support [Galhardi 1994]

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Understanding Capitalism

Indira Rajaraman

Global Capitalism and the Indian Economy by C T Kurian; Orient Longman, New Delhi, 1994; pp 127, Rs 45.

'TRACTS for the Times', the title of the series of which this monograph is the sixth, has the flavour of an earlier time, when the pace of intellectual life was less frenetic than it is today. Scholars had the leisure to advance values and opinions and others had the leisure to read them. Which is not to say that there is no need for such discourse in India today. The Indian experiment in all its vastness and diversity is surely in need of continued evaluation and debate.

However, the intended contribution of the Kurian tract is not very clear. It is not addressed principally to the post-1991 economic reforms in India, which occupy less than one-fourth of its total length. The canvas is altogether broader; it is capitalism, the global embrace of it, not the Indian embrace, or attempted embrace, in particular. On capitalism, the author makes plain his position very early and very succinctly in the preface, thus: "When you begin to understand capitalism you realise that you cannot be neutral about it: you are either for it or against it. I am against it, and will press and work for an alternative though I know that at present I have to live with it and within it."

Perhaps it is because they do not understand capitalism sufficiently, but there are a number of thinking people who are neither for nor against capitalism, but quite simply see it with its many defects as one way by which to order economic relations which does not constrain human ingenuity and initiative. They would be quite willing to consider alternatives of the kind that Kurian would press and work for, but he does not suggest any. He merely confines himself to saying that the global economic system "...will have to be replaced, but at present a feasible global alternative does not exist. But then alternatives have to be contextually evolved, rather than taken out of any ready-made blueprint" (p 84). Even if a ready blueprint is not available, the author makes no attempt to outline the kind of non-capitalist direction towards which the global system could be moved or nudged from the present-day context. A writer of a tract cannot stop at saying what he is against. He has to say what he is for.

Neither does the author, as he certainly might have been expected to do given his global focus, examine the causes of the failure of experiments in this century with systems that for want of a better term may be labelled 'anti-capitalist'. An account of why the forces of capitalism emerged victorious would have provided grounds for debate or discussion. In the face of silence on that issue, without any recommended alternatives either tried or untried, the reader is at a loss to know where the tract intends to go.

Perhaps the purpose is to advance the understanding of capitalism as a system, the better to draw the lines of battle between its detractors and supporters. If that is so, it does not help to say that the Great Depression of the 1930s "indicates that capitalism has a logic completely alien to normal logic" (p 16). After Keynes, after the enormous literature on the Great Depression, after all the post-Keynesian work on the micro foundations of macro-economics, that sentence struck me as sorrowfully ill-informed. There are other passages such as the following: "But the capitalist's quest for profit is ceaseless 'Accumulate, accumulate' – is the motto of capitalism" (p 14). In the late 20th century, when the focus of attention is on the wide and persistent differences in the rate of accumulation between different capitalist nations, the naivete of that sentence severely strains credulity.

The author distinguishes between "trade meant to exchange goods (without or with the medium of money)" and "trade meant to make money" (by which he means arbitrage, presumably) (p 90). The first is described without qualification as "advantageous, particularly between national economies, and should be encouraged". That sentiment is at variance with an earlier description of how the Ricardian theory of comparative advantage, developed for "independent countries at about the same level of development freely entering into trade", was conveniently misinterpreted by English colonialists who "used the theory to put forward the argument for 'free trade' as such" (p 29). So then, the reader wants to know, is trade between national economies not at the same level of development a bad thing? Should such trade be discouraged? There are other internal contradictions. Take a passage such as the following: "Capitalism in the 1980s and 1990s has manifested not its noble or progressive features, but rather the tendency to exploit and exclude, to segment and restrict" (p 91). Nothing in the pages that precede that statement, nor in those that follow, suggest that capitalism has any good features whatever, let alone nobility or progressivity.

The chapters on the post-war global economy contain passages such as the following: "One of the operational assumptions of monetarism was that an increase in rate of interest was the best way to fight the inflation that was becoming widespread by the late 1970s. This was the policy that the Reagan administration adopted in the early 1980s" (p 72). Monetary policy is independent of the executive in the US, and was particularly so during the early 1980s, when the tight money policy of the then chairman of the Federal Reserve Board did not, as it happens, find favour with the Reagan administration. On the oil price hike of 1973, the author commends the OPEC nations, who "did not belong to the big league of capitalist countries" for having named their price (p 50). However, after having committed themselves to making available "part of their new windfall gains for developmental activities in the LDCs", they went back on that commitment. "This was largely the handiwork of private banks in the US" (p 51). As it happens, however, OPEC funds were held outside the US, and the handiwork should more correctly be attributed to private banks in Europe, not all of which were European branches of US banks.

Large sections of the tract are devoted to denouncing *laissez-faire* capitalism at a time when the need for intervention has long been conceded and debate centres on the degree and nature of that intervention; and to criticising standard causes of market failure that are generally accepted. That global markets can be imperfect is known. Fresh evidence of this for a particular product or commodity would have been a scholarly contribution, a mere blanket assertion of its existence is not. That speculative flows of short-term capital are destabilising is known. A scholarly contribution to what is by now a considerable literature on the phenomenon, and how to curb it, would have been a welcome addition; a mere denunciation of it is not.

Continuing with the class of unexceptionable statements, here is another: "...there is nothing to guarantee that an increase in aggregate growth by itself is a good thing;... Where the vast majority of people need drinking water, growth in the value of 'Indian manufactured foreign liquor' is no compensation" (p 92). That aggregate indices of growth conceal the composition of the flow of goods and services is surely well known. On drinking water, which the state has failed to provide, surely the task of withdrawing from direct engagement in manufacturing is necessary, if not sufficient, to release energies for the provision of basic public goods. The author does not agree: "The state requires economic power – a production base and command over capital; in brief public sector units – to deal with capital adequately. Such units must fulfil at least three major requirements. First, they

must demonstrate productive efficiency; they must derive the maximum possible output from a given combination of inputs. (It may be noted that this is very different from market efficiency, which is what counts in a capitalist order.) Second, they must be able to generate a reinvestible surplus. And third and most important of all, they must become instruments in the hands of the state to demonstrate how capital under social control can be made to function. Here, public sector units should show that the role of capital can be different from searching for the highest monetary gain, that capital can be utilised to initiate, sustain and augment productive activity in different spheres of the economy as socially determined. To put it differently, public sector units are required for the state to demonstrate how capital should behave and thereby indicate to private capital, both domestic and foreign, what the priorities and expectations are. Private capital cannot be expected to toe the line, but there must be guidelines to indicate to what extent deviations will be tolerated. That is the way to discipline capital. In principle at least, this is how China is dealing with foreign capital" (p 116). This is not the place to get into an argument on how China is dealing with foreign capital. The starting point was drinking water in our country. Why is it, after all these years of sizeable state command over capital, that there is still insufficiency of drinking water, on which at least all of us agree? Why is it that capital under social control did not show how capital should behave, and show the right priorities?

On the pre-reform phase of Indian economic development, the author has this to say: "Import substitution and the complementary step of concentration on basic industries, initiated during the Second Five-Year Plan period, were eminently reasonable for the long-term development of a strong and self-reliant Indian economy. Considerations of nationalism more than economic growth had influenced this choice" (p 33). If the choice was the correct one, and in the national interest, why was it that "The policy measures adopted gave a tremendous boost to those industrialists who already had enormous resource power, enabling them to have a more comprehensive grip on the economy and the apparatus of state power"? The only explanation offered by the author for this is that "indigenous capitalism was ready to be aggressive". Why was it that state intervention in production was not able through exemplary performance to exert disciplinary control over capitalist forces, however aggressive those forces might have been?

On the inequalities that developed during the 40 pre-reform years, the author adds, "Economists in general were not particularly bothered about this; they subscribed to the 'trickle down' theory which maintained that while the economic benefits of growth would initially go to well-to-do sections, gradually and in the long run, they would percolate down to everyone" (p 93). This is a condemnation of economists which is unwarranted and unfair. The vast literature on income distribution and poverty which began in the 60s, and resulted among other things in the employment provision programmes which continue to the present day, are sufficient evidence of the overwhelming concern of economists, with the misdirections of policy during that long period.

I can do no better than to close with one final quote: "Hence, to be convinced about the beneficial aspects of global capitalism one needs much more than strong theoretical arguments. Substantiating evidence is called for and the burden of proof is definitely on those who make the claims, not on those who challenge them" (p 91). Substantiating evidence is at hand, right next door in east Asia, as it happens, where country after country has successfully used the global capitalist framework to pull out of poverty. It is for us either to accept that evidence, or to remain unpersuaded, and wait for more evidence to come our way.

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Uncertain Future of Public Enterprises

Ramaswamy R Iyer

Public Enterprises in India: Changing Perspectives by S N Raghavan; Asian Institute of Transport Development, New Delhi, 1994; pp xii+227, price not mentioned.

THE book under review is a well-meant undertaking obviously motivated by a degree of sympathy for and commitment to PEs. Unfortunately, the first impression of a well-structured and scholarly book did not survive a careful reading: the book is of surprisingly uneven quality. Nevertheless, the earnestness of the author and the importance of the subject demand a detailed review of the book.

We need not spend too much time on instances of careless writing: (a) the use of the term 'public sector', in the title and in the body of the book, as a variant for 'public enterprises'; the repetition in the Introduction of the old idea of a dilemma in reconciling autonomy and accountability which the author himself rejects later (p 52), and the reference to "the inefficiencies associated with PEs" (p xi), which conflicts with the author's own later evaluation (see Chapter 3 as also p 149). However, a word needs to be said about the reference in the Introduction to "heavy dependence on budget support". This is an unthinking repetition of a common and erroneous perception. Budgetary allocations for approved plan outlays are acts of public investment and not 'budget support' (implying a favour done to PEs); and far from being 'heavy' such allocations have been woefully inadequate in recent years. The governmental provision of funds to cover the losses of deficits of some PEs is indeed 'budget support', but it is a very minor component of the overall fiscal deficit; and 'heavy dependence' is a wrong description, as what the PEs in question want is not 'budget support' but solutions to their sickness or structural problems, which only the government can find - a responsibility which the government has failed to discharge.

A more important weakness of the book is the curious failure to make significant use of the vast body of material that is available on a wide range of themes and topics relating to PEs making one wonder about the extent of the author's familiarity with it. That remark needs to be at least briefly substantiated. The following is an illustrative listing of material to which there is no reference either in the text or in the bibliography:

(i) official documents such as the Industrial Policy Resolution of 1948, the IP Statements of 1977 and 1980, the Ministry of Finance Memorandum of 1969, successive Plan documents (the book refers only to the IPR 56 and the IPS 1991);

(ii) the Reports of Committees and Commissions, e g, Paul Appleby's report on the government's industrial and commercial enterprises (1956), the Krishna Menon Committee's Report (1959), the Reports of the Administrative Reforms Commission (1967), the reports of several parliamentary committees, including one by COPU on Accountability and Autonomy (1987-88) and the Report of the Eighth Plan Working Group on PEs (1989);

(iii) management literature: the writings of (among others) V V Ramanadham, Laxmi Narain, Mary Shirley, Prajapati Trivedi, the present reviewer, Leroy Jones (on the evaluation of PEs in Pakistan and South Korea), Sebastian Morris and Nagaraj; the discussion on 'holding companies' in the July-September and October-December 1988 issues of IIMA's journal *Vikalpa*, the March 1990 issue of *Public Enterprise* (the journal of the International Centre for Public Enterprises, Ljubljana), and the papers of a seminar organised by the Institute of Public Enterprises, Hyderabad, in collaboration with the now defunct Bharat Business International at New Delhi in November 1990, the material on privatisation (Samuel Paul's article in *EPW* and the discussions that followed, the books on the privatisation experience in developing countries and in the UK edited by V V Ramanadham, *Selling the State. Privatisation in Britain* by Cento Veljanowski, and books edited by T L Sankar/ Y V Reddy, Geeta Gouri, and S R Mohnot.

Perhaps the author is indeed familiar with all this material but has put it aside on the basis of some curious kind of selectivity. Be that as it may, the historical/analytical review of PEs (chapters 1 to 5) suffers from many weaknesses.

For instance, in the account of the origins and evolution of PEs in India, the discussion is largely in the language of economists ('market failure', 'externalities', 'natural monopoly', 'allocative efficiency', 'lumpy investments', etc). It is useful and interesting, but a more extensive use of official documents would have given us a better idea of the actual thinking – objectives, expectations, concerns – of planners, policy-makers and their advisers. There is not much reference in the book to ideas which were rightly or wrongly influential from time to time: 'machines to build other machines' (the Mahalanobis model), 'self-reliance', 'socialistic pattern of society', occupying 'the commanding heights of the economy', ideas of regional development, the development of backward areas, the generation of employment, and so on.

It has been stated that the establishment of the Food Corporation of India was "sought to be justified on the grounds of social and equity objectives" (p 4). The objectives (market stabilisation, price support to farmers, assurance of supplies at affordable prices to consumers) were genuine and not mere rationalisations; and they were being handled departmentally before the establishment of FCI as a corporate body. The crucial question about the FCI is a different one which the author fails to recognise: given the entirely non-commercial nature of the functions, and the fact that the FCI acts as an agent of the governments and that all the critical decisions are taken by the government, was it right to set up a corporate body? Should not the government have continued to perform what are essentially governmental functions direct through a departmental set-up? (There is some discussion regarding this in the literature.)

The two chapters on the growth of the PEs and their performance are undistinguished. They do not go much beyond the rudimentary classifications and categorisations of the Public Enterprises Survey. (Similarly, in a later chapter the author uncritically accepts the simplistic 'taxonomy' devised by the DPE.) There is not much fresh analysis and hardly any new insight. The author fails to see that tables showing the 'share' of PEs in the total economy or in particular sectors do not really tell us much. They merely give us an idea of the PE presence in the economy (which is a reflection of the prevailing philosophy) but not what that presence succeeded in achieving, and whether (hypothetically speaking) the situation would have been significantly different in the absence of the PEs. On this too, some discussion is available in the literature.

Again, despite the later acknowledgement on p 39 that evaluation in aggregate terms is not useful, that is precisely what is done in chapter 3. (Incidentally, Baldev Raj Nayyar's comparison of public and private enterprises is mentioned on pp 38-39; the author fails to see that the comparison is biased and is vitiated by the choice of enterprises representing the two sectors. This has been pointed out elsewhere by this reviewer.)

There are repeated references to 'autonomy' but there is no detailed examination of a host of issues having a

bearing on this, such as the corporate form and its logic; the complex and dysfunctional relationship between the government and PEs; the manner in which the CAG's audit of PEs is conducted; the 'vigilance' arrangements and their inhibiting effect; the kind of scrutiny and control that parliament seeks to exercise; the Supreme Court's rulings that PEs are 'state', and so on This has been extensively discussed in the literature. A simple recommendation of 'autonomy' without coming to grips with these problems and complexities has very little operational value.

On 'holding companies' as a measure of reform, the crucial point is the distancing of the subsidiaries from the government. that is what prevails in Italy, and that was what the Sengupta Committee had in mind. Unfortunately the government of India has never accepted this principle, and so the advocacy of this particular organisational device does not seem very useful in the Indian context. In any case, during the last few years, the holding company idea has ceased to be a topic of current debate. (Incidentally, the reference to SAIL as a holding company on p 59 is misleading and ignores history SAIL is indeed a holding company in relation to IISCO but not in relation to Bokaro, Bhilai, Rourkela and Durgapur, which are divisions and not subsidiaries The author must be aware that SAIL was established as a holding company in 1973 but was restructured as an integrated company in 1978)

As for the discussion of the MOU system it contains some erroneous statements and shows a less than complete understanding of what has been happening. The author could have improved his understanding through detailed discussions with those who have been actively concerned with the operation of the system. (It does not appear that the author made much use of interviews in writing his book)

Turning now to the impact of the new economic policy (NEP) on PEs, we find that here again the treatment is thin. For instance, one of the elements in the NEP is the re-demarcation of areas for public investment: these were reduced first to eight and then to six. What does this imply for the existing PEs (quite a number) whose activities fall outside those six areas? Have they lost their legitimacy? Will they on sufferance waiting to be privatised or phased out? Will they be frozen in their present form and prevented from taking decisions indicated by their corporate plan, on the ground that they are in areas no longer earmarked for public investment? There is no governmental pronouncement on these questions, but surely the book should have gone into them

Again, the book does not squarely face the fact that July 1991 was a watershed in the history of PEs in this country, and that their very basis and rationale have been undermined. In practice, of course, things go on: the existing PEs continue; and the government does not talk about privatisation. However, the logical implications of the NEP need to be made explicit and discussed The book fails to do that, but gives an innocuous account of the 'reforms' (a question-begging term); uncritically accepts the specious argument that disinvestment is a measure of reform; seems to find much wisdom in the rather perfunctory report of the Committee on Disinvestment; and then proceeds to make recommendations about PEs, using concepts and categories (collective goods, common pool goods, core industries, etc) which are drawn from an earlier philosophy and are alien to the NEP.

It would have been far more useful if the author had undertaken a detailed enquiry into the manner in which PEs are in fact responding to the changes The disappearance of import control, the sharp reductions in custom duties, the introduction of certain import-facilitating schemes to favour exporters, the abandonment of old pricing systems, the welcome extended to MNCs, and so on, have had a major impact on Indian industry in general and on some PEs in particular (for instance, SAIL, BHEL, Hindustan Zinc, Hindustan Copper, IPCL, Hindustan Organic Chemicals). STC and MMTC have lost their old roles and are looking for new ones. None of these PEs is retreating into a corner and sulking: they are all strenuously working out their own strategies for coping with change and surviving. One would have expected the book under review to examine the responses of a selected number of PEs to the challenges before them, make an assessment of their future, and make recommendations for governmental policies in the light of that assessment. (Such an examination would of course have required a series of structured interviews)

The last chapter entitled 'Directions for the Future' contains recommendations couched in general terms with no attempt to work out the operational implications. "Greater functional autonomy": but through what means? How shall we overcome the difficulties experienced in the past? "The control of the Ministry has to be removed" – yes, but how? "Accountability has to be ensured through CAG and PAC": accountability through the CAG and to parliament already exists and is itself in some ways dysfunctional. (Incidentally 'PAC' is surely a mistake for COPU.) All these recommendations are weakened by a failure to recognise longstanding and much-debated problems.

Turning to the restructuring of PEs, one can readily agree with the propositions that restructuring has to be guided by clear objectives, that a complete review of all PEs should be undertaken, that incurably sick PEs should be closed, and that the BIFR route is not the most appropriate one for dealing with sick PEs There is nothing new in all this.

The one interesting recommendation is the establishment of a 'Trust' for performing a variety of functions relating to PEs: analyses, monitoring, restructuring, deciding on revival/closure of sick PEs, managing the disinvestment process, administering the proceeds of disinvestment, disbursing funds for restructuring, managing the National Renewal Fund, etc. A number of questions arise. In the first place, is a Trust the most effective form of organisation for the purposes in view? The author envisages a statutory body: if so, should it not be a Commission? Secondly, the author recommends the transfer to such a body only of those PEs which are not to be retained in the public sector: but who will take that prior decision? Would it not be better to provide for the mandatory transfer of all PEs to the Trust/ Commission (if that is legally feasible)? Thirdly, should there be one Trust or Commission or several such bodies performing distinct functions? Fourthly, will the political difficulties involved in closure, exit policy, the restructuring of the labour force, etc, disappear merely because a statutory body is set up? Lastly, the National Renewal Fund is in principle supposed to cover both PEs and the private sector; should there be a separate PE Disinvestment Fund into which the disinvestment proceeds will go and from which resources will be made available for the restructuring/rehabilitation of PEs, and if so how can we ensure that it is not bureaucratised?

The purpose of that series of questions is not to throw cold water on the idea of establishing a statutory body or bodies to handle some of these matters. There is some merit in the idea and it deserves serious consideration. Unfortunately, as put forward in the book it is a nebulous proposition: much more work needs to be done to make it an operational recommendation.

It is a pity that having embarked on an ambitious undertaking, the author has failed to do justice to it. However, the book certainly provides an occasion for thinking about an important subject, and raises some at least of the major issues. Despite its inadequacies, it can serve a useful purpose and must therefore be welcomed.

Communalism and Indian Princely States

A Comparison with British India

Dick Kooiman

In the study of communalism, the colonial policy of separate electorates for religious minorities has often been put forward as a powerful explanatory factor. But a comparison of British India and the princely states of Baroda and Travancore, which had no separate electorates, suggests that such arrangements had less influence on the formation of communal identities than has generally been assumed. Rather, the demand for separate electorates may have been an effect rather than a cause of communalism.

THE problem of communalism looms large over present-day India. In the study of its emergence, the policy of the British colonial government to provide religious minorities with separate electorates has often been put forward as a powerful explanatory factor. This distribution of political privilege along lines of religion is alleged to have divided people into mutually exclusive, often hostile, if not openly fighting social groups, culminating in regular outbursts of communal violence.

Since these hotly disputed separate electorates were introduced only in the provinces under direct colonial rule, this study will make a comparison between constitutional developments in British India and those in two of the major indirectly administered areas, the princely states of Travancore and Baroda (Vadodara). These states continued a semi-autonomous existence till 1947 and were largely left free to make their own electoral arrangements, if they wanted to make any at all. In making this comparative analysis I hope to improve our understanding of the emergence of the communal problem and to place the colonial factor in a more proper perspective.[1]

Communities generally define themselves by drawing certain boundary lines demarcating their own community. In India these boundaries cross-cut and overlap one another in all possible ways. The culturally defined shared characteristics represent competing criteria and do not define one single group. Having more than one set identity, an individual can belong to several communities at the same time and may be mobilised along different, mutually exclusive lines of communal identity [Alavi and Harriss 1989:223; Shah 1994:1133]. Therefore a community is never a socially homogeneous unit. And there is more to it than that. In spite of sharing relevant common identity markers, the objective conditions of the people that make up a community may also be extremely dissimilar.

Nevertheless, the distinctive characteristic of the phenomenon called communalism is the belief that a group of people, because they have one ascriptive identity in common (religion, language, etc), also share common interests in all other fields (political, economic). By placing all emphasis on that shared cultural attribute, an earnest attempt is made to overcome a disturbing internal diversity by postulating a higher but largely 'imagined unity'.[2] Depending on the selection of attributes, the imagined unity may refer to the political community of a nation [Anderson 1983], but also to a religious, caste or linguistic community. Under colonialism, the religious definition of community has become so predominant that in common discourse communalism has become more or less synonymous with communalism of the religious variety.

Historiography of Communalism

Studying the question of how communal identities in south Asia could emerge and change into active and even virulent forms of communalism, two different forms of analysis can be distinguished, an approach from below and one from above. The analysis from below starts from the assumption of a continuing importance of primordial attachments among the people of India at the grass roots level. These attachments based on language, religion, place of origin and kinship connections are supposed to flow more or less naturally into modern communalism. A major objection to this essentialist interpretation is that it does not care to explain in what particular historical contexts these primordial sentiments become available for translation into political action. Apart from that, primordial identifications like religion and language are always subject to change and, as Brass (1991:73) has argued, may be constructed "after-the-fact, as it were".

The other school of analysis starts from above. It sees communalism and social self-identification as resulting from a deliberate manipulation of selected community symbols by an interested elite or as the outcome of mischievous colonial policies of divide-and-rule.

Speaking about communal riots after independence, specialists such as Dipankar Gupta and Asghar Ali Engineer also direct their criticisms primarily at the elite. They argue that the manifestation of communal tensions in Indian politics is not so much an outcome of popular grass roots passions, as it is a creation of vested political interests which try to identify their own aspirations as those of the entire community [Engineer 1984:34; Gupta 1991:573]. To further their ends the leadership is also said to take advantage of the growing economic and social disruption under the capitalist system. The problem with this approach is that it is heavily leader-oriented and does not seem to take religious feelings very seriously.

Stretching the discussion back to the pre-colonial period, Van der Veer (1994:30ff) draws attention to factors of the 'longue duree' in the construction and clash of communal identities. He emphasises the importance of pre-colonial modes of religious communication, like expanding saintly networks, ritual and pilgrimage which have been gaining new importance in (post-)colonial conditions.[3]

In this article I want to focus on the colonial period. Many historians working on this period have adopted a top down approach by trying to establish a direct connection between colonial policies and present-day religious communalism. Even if we accept that the massive state project to gather knowledge about India and its people was solely meant to facilitate the working of the administrative machinery, the result could be that communal distinctions became manifest and assumed political significance. From the 1870s the decennial census operations reinforced existing social divisions by creating a countable Hindu majority and Muslim minority. This colonial propensity for enumeration and classification became the basis of electoral, representative politics and introduced what I would like to call the tyranny of the numerical order.

Both Baroda and Travancore could boast of a proud record of educational achievement. In Baroda, the government had assumed direct responsibility for the establishment and management of a large school system. One of its most spectacular innovations was the introduction of compulsory education (1906).[6] Official efforts showed encouraging results and from 1891 to 1931 the rate of literacy rose from 8 to 21 per cent. In Travancore on the other hand, the government had entrusted the major part of education to private agencies, assisting them with a generous distribution of grants-in-aid. This policy enabled missionary societies to dominate the Travancore educational system, especially at the primary level. The number of schools was high and so was the rate of literacy. It increased from 10 per cent in 1891 to 30 per cent in 1931, stimulating a flourishing local press[7] and active political participation.

Both Baroda and Travancore state spent a large part of their revenue on education. But due to the prevailing social inequality, the benefit of education was very unevenly spread between men and women, high castes and low castes, Christians and Muslims. Nevertheless, literacy rates were much higher here than in the neighbouring Madras presidency or British Gujarat, which in 1931 had reached only 11 and 13 per cent [Census Baroda 1932 I:315, 334ff; Census Travancore 1932 I:56 and 1942 I:155, 159; BAR 1944-45:58).

A major difference between Baroda and Travancore, finally, concerned the economic conditions in both states. Partly by virtue of its favourable location on the main railway lines, the state of Baroda was drawn rather closely into the process of commodity production in neighbouring British India. This offered local merchant groups a suitable climate for profitable investment and participation in a wider market. Apart from that, the Baroda government became a zealous patron of industrial development and followed a liberal policy towards industry [Streefkerk 1985:48-49, 111-14]. In spite of all these efforts, almost until the early 1940s local industry was rather narrowly based, with textile mills accounting for the bulk of the labour force as well as invested capital. This local textile industry was almost exclusively controlled by a few leading firms from the Gujarat vania and patidar castes [Erdman 1971:6ff; Mahadevan 1991:165, 187].

The economy of Travancore had become more integrated with the international commodity market. European coastal firms, generously supported by the government, had made large-scale investments into plantations and agro-processing industries, exercising almost complete control over the principal spheres of commercial and financial activity. As a result, the Travancore economy had become "an essentially export-oriented agro-based industrial complex characterised by the overall predominance of foreign capital" [Mahadevan 1991:167]. This subordination was not particularly favourable to the growth of a well-developed entrepreneurial class. Local entrepreneurs, mainly from the Syrian Christian and ezhava communities, started investing in plantations and later also in commercial banking, but there was no large-scale investment in modern industry, most probably because local merchants and capitalists did not feel encouraged by official attitudes.[8]

Constitutional Developments in Baroda

In the constitutional set-up of Baroda the ruler was considered to be the fountainhead of all power, authority and justice in the state. The actual administration was delegated to a dewan and real power was vested in his hands and those of a small number of high officers. At the end of the 19th century a system of local administration was introduced, including the elective principle, meant to serve as the foundation for a larger representative framework. In 1908, as a natural sequel to the elaboration of these local boards and municipalities, a legislative council was inaugurated which was entrusted with the task "to advise His Highness' Government in the arduous task of legislation" [BAR 1907-1908:18].

"There has been a strong popular element in the council since its inception, and this idea tends to increase", the *Gazetteer of Baroda* (1923 II:242) observed with hardly concealed satisfaction. Of the nine non-official members, however, three were nominated by government to represent interests that might otherwise remain unrepresented, like Muslims and depressed classes, and the remaining six members were chosen by the district boards from among their own members. Neither did the new council have much of an effective influence. It may have been "endowed with potentialities of administrative power", as the dewan declared at its opening session [BAR 1907-1908: iii], but these potentialities remained as yet largely unused. All decisions were in the nature of respectful recommendations to the maharaja. In later years the total number of councillors was gradually raised but a more fundamental change in Baroda's legislative council had to wait for the Constitution of 1940.

There was hardly any echo of the Montagu-Chelmsford reforms to be registered in Baroda. In its reply to these reforms to the government of India the Baroda darbar only stressed matters like the preservation of the honour and dignity of the Indian princes. There was no reason for concern, after all, as the paramount power adhered to its policy of non-interference and raised a protective umbrella above the states to prevent them from democratic experiments that might not suit local traditions. As the *Manual of Instructions for Residents with Indian States* stipulated, it was not the policy of the paramount power to give open encouragement to the granting of representative institutions by the rulers to their people.[9]

In Baroda the constitution of the legislative council was not substantially changed. There was, however, one important amendment to the way members for the 10 general seats were elected. In 1928 the district boards were abolished and their prerogative to elect council members was transferred to the larger division boards on whose recommendation councillors were to be nominated by the government [BAR 1931-1932:20]. This means that the popular element in the council was not increased but weakened, as election made place for recommendation and the constituencies were farther removed from the people.

The four division boards were largely the domain of the patidars. These dominant Gujarati landed proprietors had utilised the new electoral opportunities by capturing through the ballot box more than their due share of seats. In 1931 patidars numbering one-fifth of the population held more than half the number of elective seats in these division boards [Census Baroda 1932 I:411]. Their complete command of the situation in the countryside can also be seen from the aborted 'satyagraha' in Petlad district. Hardiman, describing this satyagraha (1978:126ff) explains its failure by pointing at the structural alliance between government and landholders on which the Baroda state actually rested. State officials always showed extreme sensitivity to peasant demands, and peasant elites had more to gain from subtle dealings behind the scenes than from an outright confrontation. Therefore, the Petlad patidars had no need for Gandhian satyagraha, as it was a weapon of urban intellectuals who lacked influence in society.

Baroda offered a picture of overall political tranquillity these years. When in 1930 Gandhi launched his civil disobedience campaign from Sabarmati ashram, the national political movement came very near to Baroda's borders. The government of India was afraid that the movement might spill over to Baroda,[10] but there was hardly any manifestation of political unrest, apart from some movement among the students of Baroda College. In a different guise, but not less constructive, support for the nationalist cause came from the Baroda government itself. The maharaja was an enthusiastic supporter of Gandhi's swadeshi movement encouraging indigenous industries and his government provided local entrepreneurs with loans, tax concessions and transport facilities. Among those able to capitalise on these favourable conditions were relatives

or close associates of the Congress leaders Sardar Vallabhbhai Patel and Gandhi [Erdman 1971:7-12].

Nevertheless, the civil disobedience inspired the Baroda Praja Mandal to greater activity. The Mandal, a people's organisation founded in 1917 [Handa 1968:89], worked for the improvement of the conditions of all the state's people. In the 1930s its members toured the districts to preach the gospel of swadeshi and total prohibition When Sardar Patel became president of the Mandal, it became a more patidar-dominated body with a better chance of linking up with the peasantry of the state.[11] Yet, in spite of a growing influence of the Congress, the Mandal maintained a formal political independence and did its utmost to preserve good relations with the state authorities.

The Baroda police commissioner, a maratha, declared that the Indian National Congress had no support among the general populace. Yet, the British resident did not wish to be deceived. He reported a latent but strong sympathy for Congress and noted that the slogan 'Gujarat fo the Gujaratis', associated with Congress policies, was increasingly resented by maratha officials.[12] Under the old regime a Maharashtrian elite, following in the wake of the maharaja's conquests used to dominate the higher ranks of the administrative service. However, with the spread of education Gujaratis were increasingly claiming their share of official appointments. When in 1939 Patel visited Baroda city and touched upon the sensitive issue of Gujarati under-representation in the services,[13] large-scale violence broke out leaving many injured and one maratha killed.[14]

At the same time the Congress' attitude towards the princely states changed. Congress had always followed a policy of non-interference in states' affairs but in 1938 its session at Haripura, immediately adjoining Baroda territory, decided for the first time to support, at least to a certain extent, movements in the states asking for responsible government. In Baroda the change became immediately apparent in the political resolutions of the Baroda Praja Mandal. In August 1938 the Mehsana branch of the Mandal asked not only for the usual reduction in land revenue and total prohibition, but also for responsible government. Since then, the latter demand became a recurrent theme at Mandal meetings all over the state.[15]

After the old maharaja had passed away in 1939, his grandson and successor immediately declared to support the recommendations of a committee for constitutional reform instituted the previous year. With only slight alterations these recommendations found a place in the Government of Baroda Act of 1940. The act provided for a legislative assembly of 60 members. Of these, 23 members were nominated including representatives of minorities and backward communities, 10 members represented special interests like industry, commerce and labour, and the remaining 27 members were elected from territorial constituencies on a wide franchise, about 8.5 per cent of the population.[16]

The government declared to have given "most anxious consideration" to the question of communal representation. Still, it had decided to make no arrangements for separate electorates or seat reservation in view of the "identity of interests among the different classes of the people in the state and His Highness' government".[17] Commenting on this, the *Amrita Bazar Patrika* could write:

> The Indian nationalists have long been demanding such liberal reforms in their own constitution and they must congratulate the people of Baroda for getting them in advance.[18]

Less satisfactory to nationalist expectations both within and outside Baroda was the lack of any form of responsibility in government under the 1940 Act. The assembly was to advise on all legislative matters and the budget, but the executive council appointed by the maharaja remained responsible only to him.

As soon as the reform proposals had become known, the Praja Mandal under the presidentship of Sardar Patel heavily criticised them, especially for their complete lack of any reference to "responsibility in government remote or elementary" (*Bombay Chronicle*, March 7, 1939). But after the enactment of the new constitution the Mandal decided to accept it for what it was worth. An appeal was made to all the people of Baroda to vote for Mandal candidates, and at the 1940 elections the Mandal secured 24 elected seats in the new legislative assembly.

The Muslims in Baroda were less willing to work the reforms. From the appointment of the constitutional reform committee they had started worrying about their future place in Baroda society and in India in general. At local conferences resolutions were passed along the lines of Muslim League in British India demanding separate electorates in the new legislative assembly and all local bodies. The constitution of 1940 only reinforced existing fears among Muslims that they stood no chance of being elected to the assembly, and therefore they called upon their co-religionists to abstain from participation in the forthcoming elections.[19] Trade-union leaders and caste associations joined the chorus of those demanding more adequate representation,[20] but the assembly convened according to rule and the protesting communities gradually adjusted to the new arrangements.

Whereas in British India separate electorates were introduced as early as 1909 in Baroda nobody seemed to have cared to ask for them. Only on the eve of independence Muslims and a few other minority communities started to demand separate representation in defence of their political rights. Most relevant to our central problem is that communalism also was practically unheard of prior to 1947, which seems to confirm the assumed relationship between separate electorates and communal feeling. The Baroda Administration Report (1939-40:2) proudly stated that

> the spread of modern education ... is steadily softening the edges... of different faiths and the resulting broad sense of toleration reduces the chances of religious tension which was never acute in the state.

Unfortunately, the same statement recurs in earlier and later reports and its routine character clearly affects its credibility.

Nevertheless, the reports of the British residents also contribute to this picture of traditional communal harmony. Of course, one may doubt the diligence of the average British resident in writing his fortnightly and other reports on local political events. However, even after the government of India had expressly asked the residents in 1933 for timely intimation of any communal trouble that might arise in their states[21] the general thrust of the Baroda reports did not change. The only major trouble of a communal nature occurred in 1939 when there were riots in Baroda city between Gujarati and Marathi speakers. One might argue for a latent but powerful communal tension hidden somewhere below the social surface, but the conclusion must be that this tension never led to explosions serious enough to leave an imprint on the documentary evidence used for this study.

One of the few minor conflicts between Hindus and Muslims that were reported had to do with municipal elections at Sidhpur in the north of Baroda state. Significantly, the trouble started in a general constituency that had one Hindu and one Muslim candidate. Both parties were waiting for voters outside the polling booth and tried to persuade them to vote for their candidate, which led to an exchange of words, serious fighting and a number of people injured or arrested[22]. Separate electorates are said to harden religious distinctions into much broader antagonisms. Still, one might argue that a separate electorate offers no compelling need to appeal to religious sensibilities, as both voter and candidate move wothin the same social boundaries without rival communities competing for the same seats. On the other hand, in a general electorate candidates and their supporters may feel more easily tempted to invoke religious affiliations and to fight political opponents along lines of communal differentiation.

After independence, Baroda merged with British Gujarat and was integrated into the new Bombay state that later split into the

linguistic states of Gujarat and Maharashtra. The new constitution of India with its adult suffrage unqualified by anything like separate electorates could not save Gujarat from communalism It would have been too much to ask More and more cities and towns fell prey to communal violence and from 1956 Gujarat was plagued by a long series of violent incidents and movements. Wood (1984) has tried to differentiate British from princely legacies in post-independence Gujarat politics, but unfortunately he did not include communalism in his analysis The intricate territorial mingling of directly and indirectly ruled areas before 1947 would have made such an attempt extremely difficult Local observers agree, however, that the cities of Ahmedabad and Baroda, the old capitals of British Gujarat and the maharaja's state, both share the dubious honour of being the preferred habitat of communal violence, though of late Surat seems to outrival both of them [Shah 1984; Chandra 1993:1883; Lobo and D'Souza 1993:152; Breman 1993].

Constitutional Devlopments in Travancore

In Travancore also the maharaja was the source of all power and a representative institution could only come into being as a grant from the king to his people. In 1988 he granted them a small legislative council, followed in 1904 by a popular assembly. Whereas the council was meant for the making of laws and regulations [ATR 1887-88:1], the assembly had no legislative powers at all. It was primarily aimed at promoting good understanding between Travancore's many castes and religious communities whose growing antagonisms at that time already were causing the state much trouble.

Most of the assembly members were elected from territorial constituencies. There were no special electoral provisions for castes or religious communities, but the government carefully spread a number of nominated seats among ezhavas, Latin Catholics,[23] Muslims and other weaker sections of the population. The assembly also obtained the right to recommend, and thus indirectly elect, the non-official members of the legislative council [Koshy 1972:18] Soon after the institution of council and assembly the maharaja received petitions from several communities, particularly the Syrian Christians, who complained of under-reprsentation in these bodies.

After completion of the Montegu-Chelmsford report the Travancore government expressed a warning that the political relationship between the government of India and the princes "should remain unaffected by the constitutional changes contemplated in British India" [24] There was not the slightest reason for uneasiness, and Travancore used its relative freedom to remodel its legislative council till it got its final shape in 1921. The dewan had informed the British resident that the political reforms were to follow the lines adopted in British India,[25] but the Travancore council had considerably less power than the Montford councils in British India The most important difference was the absence of any provision for communal electorates or seat reservation The only comfort for communuities who felt unjustly deprived of representation was the possibility that the government might nominate one of their members to the remaining seats [ATR 1921-22:39; TPPP 1934: Chap I]. The assembly lost its right to recommend members for the council and, without legislative powers or constitutional basis, it faded into oblivion.

As the franchise qualification was mainly based on landed property, it was especially favourable to a community like the nayars who were evenly spread over much of the state. The Syrians, actively involved in plantations and banking business, were concentrated in a few divisions and could count on getting only a small number of seats. Other large groups like the ezhavas, Muslims and depressed classes could hardly hope to get representation at all. In consequence, the legislative council after 1921 was controlled by the nayars who numbered 16 per cent of the population but held the large majority of elected seats. This glaring imbalance in political participation was greatly resented by leaders from the under-represented communities who started to mobilise protest against this unequal opportunity structure by appealing to ascriptive identities of caste and religion.

In response to the growing agitation for legislative reform, the Travancore government decided to publish the main outlines of its reform proposals meant "to secure adequate representation of all interests" (June 1932).[26] As these proposals did not allude to any communal safeguards, ezhavas, Muslims and different Christian sects immediately forwarded their claims for representation in the legislative bodies, commensurate with their numerical strength in the population. To achieve that purpose they demanded separate electorates or at least reserved seats and, in case adult franchise was impossible, a widening of the existing franchise so as to guarantee proportional representation. Their main argument was that in the prevailing conditions in the state a community which had not its own champions in the representative institutions could hardly hope to get its claims satisfied [HFMK 1972:II 334ff; TPPP 1934:4; Chiriyankandath 1985:224].

The constitutional reforms announced a few months later fell far short of these political aspirations. The government made it perfectly clear that it considered separate electorates and even reserved seats to be unsuited to conditions in Travancore. Such measures were thought to contribute only to the creation and multiplication of existing communal cleavages and to the promotion of sectional interests, endangering the larger interests of the state. In its stead the government preferred direct election combined with the compensatory principle of nomination.

The reforms introduced a bicameral system consisting of an assembly (72 members) and state council (37 members). Of the 62 non-official assembly members 43 were elected by general constituencies and five by special constituencies representing planning, commerce and industry. Fourteen seats were reserved for the nomination of members from communities who were considered unable to secure adequate representation by general election A similar arrangement applied to the council. The number of those enfranchised was only about 3 per cent of the population, which was hardly an increase compared to the 1921 reforms [TPPP 1934: Appendix 64ff]. As far as powers were concerned, both houses could initiate and pass legislation, but they had no control over the executive which remained firmly vested in the sole authority of the dewan

When these reforms became known, communal organisations of Christians, ezhavas and Muslims held a large number of protest meetings Realising that their interests might be better served by joining forces, their leaders established a Joint Political Conference (December 1932). The demand for communal electorates was dropped but the JPC argued instead with increased vigour for reservation of seats in joint electorates (or multi-member constituencies) for the major communities in proportion to their share in the population. Some weeks later representatives of the constituent organisations of the JPC met again and passed the important abstention resolution, saying that the Christian, ezhava and Muslim communities should abstain from taking any part in the forthcoming elections so long as government did not

> make provision for the representation by election of all considerable communities proportionate to their populations in the Legislature [TPPP 1934:36-37; HFMK II 1972:343-45].

In a few long letters exchanged immediately aftr the start of the abstention movement the different positions were clearly marked out. The government rejected the reservation of seats to all communities in the state, including brahmins and nayars, as a contradiction in terms having no counterpart anywhere else. The JPC stipulated in reply that in the case of the nayars, reservation was actually meant not to protect but to prevent that community's long-standing but undue predominance in the legislative bodies. The government also

said to fear that the reservation of seats would only increase communal bitterness and hinder the growth of popular parties on political lines The JPC, on the other hand, contended that the reforms proposed by the government actually placed all other communities under the dominance of one group, the nayars, and that this unequal distribution of power was the basic cause of the present intensification of communal strife. The subsequent elections of 1933 turned out to be a poor show, and the British resident reported grudgingly that the abstentionist movement had achieved a considerable measure of success.[27]

In another field the communities behind the abstention movement were more successful: in 1935 the government accepted the principle of communal reservation in recruitment to the various classes of the administrative services. The new rules recognised eight Hindu caste groups, the Muslims and six Christian denominations as officially entitled to a fixed share of all appointments based on a mixture of efficiency and communal considerations. Yet, it was not long before the under-represented communities started to complain that most of the key positions were still falling to brahmins, nayars and the more established Jacobite Syrians.[28]

The inauguration of provincial autonomy in British India (1935) strengthened a similar urge for more responsible forms of government in the states. In the same year the government of Travancore decided to reconsider the thorny question of the revision of the electorates in order to bring about a just and equitable representation in the legislature.[29] In a public statement the government explained that it could not conceive of a legislature in which the elected seats were parcelled out in strictly mathematical proportions among no less than 12 to 14 communities, as had been done shortly before in the administrative services. Therefore, the major contingent of seats remained to be filled in open competition which would involve a trial of strength between the major rivals, the nayars and the Syrian Christians. Communities who were small or backward, though, would continue to have their interests served by the door of nomination. Furthermore, the government expressed willingness to introduce seat reservation for those communities who were numerically strong and politically conscious and yet by the manner of the distribution of their population in the state were unable to command a majority in any constituency.

Following these broad guidelines, ezhavas, Muslims and Latin Catholics lost virtually all their nominated seats in the assembly and council to weaker communities like scheduled castes and Protestant Christians. Because of their geographical distribution, even universal suffrage would not have helped ezhavas and the others in securing the minimum number of seats in both houses as promised under the reforms. To ensure them that minimum it would have been necessary either to take recourse to the principle of separate electorates or to reserve them seats in multi-member constituencies. The Travancore government, supported by the British resident, was definitely of the opinion that the second possibility was 'less objectionable'. Therefore, it decided to grant ezhavas, Muslims and Latin Catholics a large number of reserved seats (18) in general constituencies and appointed a commissioner for franchise and delimitation to make, in line with these general considerations, detailed proposals regarding the delimitation of constituencies.[30]

One year later the commissioner submitted his report. On the strength of his recommendations the government passed orders (August 1936) dissolving the 43 existing electoral divisions and dividing the state into 17 new multi-member constituencies returning 43 members to the assembly, and 10 similar divisions returning 16 members to the council. These multi-member joint electorates included 18 seats having a reserved qualification In constituencies returning only one member no reservation was made The enfranchised percentage of the population was raised to 10-12, a proportion similar to that in British India following the Government of India Act.[31]

Although no definite assurances were given to all of the many Christian sections, the supporters of the abstention movement reacted favourably. At least a large part of their demands were conceded. The delimitation of the new constituencies was such that, in view of their voting strength, 10 of the 29 generally elected assembly seats were likely to go to the nayars, 10 to the Syrian Christians and four to other Hindu castes, leaving only five seats for really open competition. This meant that especially the nayars, who till then had controlled most of the elected seats, had to face a painful loss of influence, which they accepted, at least for the moment, "with remarkable good grace".[32] Deputations by nayars, who after having had second thoughts came to the dewan to vent their misgivings over the recent electoral reforms, were set at ease by the assurance that, in case the new regulations would not give them an equal opportunity for self-expression, the government would not be party to perpetuating that kind of injustice.[33]

The 1937 elections took place in a quiet atmosphere that was free of the more extreme manifestations of communal tension. The JPC captured 25 of the 48 elected seats in the new assembly and became the largest single party. The protected communities gratefully secured their reserved seats and both nayars and Syrian Christians succeeded in sending 12 of their number to the assembly. However, there was no change in the constitutional set-up of the state. Whereas in the provinces of British India responsible ministries were being formed, in Travancore the executive powers remained firmly in the hands of the maharaja and his dewan, Sir C P Ramaswami Aiyar. Therefore, the new demand that was raised was for the introduction of responsible government.

In defence of his autocratic rule the dewan took the position that a devolution of political responsibility was impossible in view of the existing treaty obligations of the maharaja to the paramount power. His statement raised a storm of protest, but a definite answer came across the seas: the British government declared in the house of commons that "the Paramount Power would certainly not obstruct proposals for constitutional advance initiated by a Ruler" [quoted in Ouwerkerk 1994:128].

What followed was a civil disobedience campaign that was full of bitterness and personal recriminations, but in the end the dewan managed to hold its own. The campaign only deepened the existing hostility between the dewan and the Syrian Christians. During the civil disobedience their largest bank, the Travancore National and Quilon Bank, went into liquidation There were strong suspicions that this bank crash was orchestrated by the dewan, as the bank managers, two Syrian Christian businessmen, had incurred official displeasure by supporting the local opposition movement It may serve as an additional explanation why local capital shied away from large-scale investments in the economy of the state.

Neither was responsible government drawn any nearer to a first stage of realistion by the civil disobedience campaign. The maharaja's government was definitely of the opinion that the recent constitutional reforms presented the maximum that could safely and properly be given in Travancore at that time. It pointed out that the state's subjects now enjoyed practically the same constitutional advantages which British Indians enjoyed under the Montford reforms. Tacitly, it took for granted that political developments in Travancore were lagging more than 20 years behind those in British India.

Speaking about the British provinces, separate electorates were introduced as early as 1909 and there was no great struggle needed to get these communal claims conceded. They were granted with suspicious ease. In Travancore on the other hand, no separate electorates were ever granted, although several communities joined in a desperate campaign to wrest them from a reluctant government. Yet, in spite of the important fact that no separate electorates

were ever introduced, we have seen that there were fierce communal rivalries, not only in the field of political representation but also in that of government employment, right from the beginning of this century. The reports of the British residents abound with complaints that the population was "unhappily stricken with the plague of communal animosities" and that communalism had intruded into every government department.[14] The dewan, Sir C PRamaswami Aiyar, was even of the opinion that people in Travancore were much more inclined to think and act in terms of a specific communal identity than was usual in British India[15] and, it might be added he made clever use of it.[16] Therefore, Travancore presents us with a case of widespread communalism without any separate electoral arrangement, a position somewhere between British India and Baroda.

When the Indian Independence Act of 1947 released Travancore from all its obligations to the British crown, it was first merged with the state of Cochin and later, together with the British district of Malabar, incorporated into the new Malayalam-speaking state of Kerala. This new state has been more or less free from the violent communal outbursts that have plagued large parts of northern India. Nevertheless, less overt but deeply ingrained, Kerala politics are marked by community-based political parties and vote-banks. Some scholars contend that Kerala politics should be understood as the extension of caste and religion to the public domain.[17] Over the past few years Kerala has become a fresh recruiting ground for the Rashtriya Sevak Sangh (RSS), a communalist party which has established powerful strongholds especially in Trivandrum, the former capital of Travancore. These manifestations of communalism in the new Kerala state do not come as a complete surprise. They may be seen as a continuation of the tensions and conflicts that have plagued Kerala, particularly the former Travancore part of it, for a much longer time.

Baroda and Travancore Compared

A question that remains to be answered is why there was such a striking difference in communal relations between the states of Baroda and Travancore in the period before independence. And how can we explain the emergence of communalism in Travancore, if there is no government to be blamed for dividing the people by separate electoral arrangements? I will try to answer these questions in the final sections of this article.

One of the main features that sets Travancore society clearly apart from the situation in Baroda is the large number of Christians living in this state. When in the 18th century Travancore rose as the single-most powerful force on this coast, it was the Syrian Christians who joined the nayars in the centre of the new political order. As Susan Bayly (1989) has shown, they proved to be trusted allies of the state as commercial agents, warriors and office-holders. In the 19th century this political system collapsed under the restrictions imposed by British paramountcy, and as part of the resulting disintegration the Syrians lost much of their privileged position. Supported by British residents and Christian missionaries, who mistook Syrian decline as caused by age-long heathen oppression, they were able to exploit the new opportunities and emerged as the state's most literate and enterprising community. Nonetheless, as non-Hindus they became ritually excluded from the most important offices of the state. Their presence as a socio-economic elite without political power offered fertile ground for communal leaders to build upon.

With a variation on the sanskritisation model, one may say that Syrians fitted a 'participation model'. Resenting their lack of influence, it were mainly, though not exclusively, leaders from the various Syrian sections who attempted to translate educational and economic achievement into political participation and status. Their demands found no favourable response from the Travancore government. From the 19th century census figures show a steady increase in the number of Christians in the state. This increase was almost exclusively due to an inflow of converts from the lower Hindu ranks to Latin Catholicism and Protestantism, but it created an atmosphere of distrust and fear that (Syrian) Christians were going to take over the kingdom Therefore, the government was not inclined to offer concessions. Whereas in British India electoral safeguards to Muslims might help to maintain the empire, in Travancore political concessions to Syrians, the most prominent Christian community, were viewed as threatening the kingdom that became increasingly connected with Hindu orthodoxy.

In a princely state like Travancore, popular participation stood much higher on the political agenda than national liberation. Since the late 19th century nayars had been able to monopolise the key positions in the centre of power alongside the small group of foreign brahmins. Their preponderance in the state's representative institutions and administrative services was threatened by other aspiring groups, first the Syrian Christians and later also the ezhavas and the Muslims. Their leaders appealed to communal identities and interests to strengthen their own demand for a redistribution of political privilege within an already largely Indian bureaucracy. In British India, the government granting separate electorates could pose as an impartial arbiter between warring communities and at the same time serve its imperial interests by a selective conferment of political rights on deserving communities. In Travancore, with only a handful of British officials, the administration itself had become the property of a few high castes who were the maharaja's most loyal supporters, and here the struggle for power assumed almost inevitably a more directly communal character.

In Baroda local elite groups had much less reason to mobilise for opposition against the government. Whereas in British India, and partly so in Travancore, the landowning peasantry had very little say in the administration, the patidar peasant elite in Baroda could act as effective leaders of their communities as Hardiman (1978) has pointed out, they were well represented in the state bureaucracy which looked adequately after their interests. What was still more important, the government proved most eager to comply with their wishes, as it could ill afford to lose their support. Apart from that, patidars occupied the best part of all seats in the local bodies, especially the division boards, which from 1931 had the right to select members for nomination to the legislative council. Therefore, the peasant elite was well-entrenched inside the bastion of power and had no need for communal agitation to press for more democratic systems of government. Demands for more representative institutions came chiefly from a select circle of urban intellectuals which the government of Baroda chose to ignore

The same contrast in political behaviour may be observed between the economic middle class in Travancore and Baroda Travancore, with its extensive potential for plantation development, welcomed foreign capital which soon dominated the principal spheres of commercial and financial activity. The local entrepreneurial classes, largely composed of Syrian Christians and a few ezhavas, could not depend upon a similar preferential treatment on the part of the government and had to compete with the European coastal firms on very unequal terms. They felt thwarted in their efforts by their own state, which they perceived as one of the main obstacles on their way to economic progress. It is true that local capitalists were gradually able to extend their influence in the estate economy, primarily in rubber, but they had to fight their way up all alone. An appeal to a separate communal identity and organisation, partly reflective of class interests, was an obvious method to get their voices heard in the right places and to wrest concessions from an un-cooperative government.

In Baroda, on the other hand, the government was very active in creating conditions that were favourable for the emergence of local industry. Vanias and

some patidars were quick to

even though many results at first were rather disappointing, economic life was overwhelmingly dominated by 'home-grown' industrialists. These merchants and industrialists saw the state as their chief ally and were as a result not inclined to challenge government policies. Erdman (1971:7) observes that in the 1960s some of Baroda's older industrialists were still looking back somewhat nostalgically on the good old days of princely rule. This feeling of contentment offered barren ground for political opposition, communal or otherwise. Those industrialists who associated with the Praja Mandal generally pressed for caution and emphasised the importance of good relations with the administration.

Finally, there may have been no separate electorates in Travancore, but the specific delimitation of constituencies introduced in 1936 had an inherent need to mobilise sentiments of religion and caste. Yielding to strong pressure from the opposition, the government decided to delimit the constituencies in such a way that major communities like Syrians and nayars might gain a number of seats commensurate to their population ratio, if only all Syrians and nayars in their respective majority constituencies, would vote for a candidate from their own community. The results of the 1937 elections proved that this message was not lost on the enfranchised members of these communities. Maybe, we touch here on one of the major reasons for the prevailing communalism in this part of India: this specific delimitation of constituencies enabled political leaders to build their own communal vote-banks as a kind of informal separate domain.

Political Retardation

Finally, there is another matter that should be taken into consideration. Demands for political participation grew in force especially at times when new positions of power and influence became available. The report of the Indian statutory commission, speaking about British India, did not merely explain Hindu-Muslim tension away by the usual reference to "religious practices which are only too likely to provoke mutual ill-feeling [ISC I 1930:26]. It also pointed at a deeper cause: so long as people had no part in the conduct of their own government, there was little for members of one community to fear from the predominance of the other. The gradual introduction of constitutional reforms, however, greatly stimulated communal tension as it aroused anxieties and ambitions among many communities by the prospect of their place in India's future political set-up [ISC I 1930:29].

The observation that a devolution of political power, however modest, might arouse communal tension should not be confined to British India. It also applied to the princely states. As we have seen in the case of Travancore, the mere announcement of political reform in 1932 sparked off a wave of communal unrest. The relative progressive pattern of socio-economic development in this Indian state had given rise to great expectations of political participation. The resentment harboured by groups who felt left out, still reinforced by large-scale, educated unemployment, created a climate suitable to the rise of communal animosities.

The same happened in Baroda when in 1939 the government announced its intention to implement recommendations for the expansion of the legislature. It was to be the first major instalment of constitutional reform since the establishment of the legislative council in 1908 and promised a significant increase in popular influence by having almost half the membership directly elected by general constituencies. When these recommendations became known, Muslim leaders in Baroda for the first time raised the demand for separate electorates to protect the interests of what they called their endangered community. The fear that they might not get fair share of power, later compounded by the prospect of being lost in a larger Indian union, led to an upsurge of religious communalism where there was none to be found before.

Conclusion

The main conclusion to be drawn from this brief study seems to be that separate electoral arrangements for religious groups or castes had less influence on the formation of communal identities than has generally been assumed. One step further and maybe more provoking, I would like to argue that in the emergence of communalism separate electorates as well as the demand for them may have been an effect rather than a cause. Both Baroda and Travancore had important elite groups in agriculture, commerce and industry. But in Baroda, the landowning and industrial elite was well represented in the administration and the legislature, and its interests were well served by a sympathetic government. In Travancore on the other hand, an important part of the elite was not so favourably situated, and in its fight for political power and status it had to deal with a government that was much less co-operative and mainly in the hands of a rival elite. This situation meant a clear invitation for those leaders who felt excluded from privilege to press their demands by mobilising their own community and stressing their separate identity. Here, separate electorates were not an instrument in the hands of the government to weaken the ranks of the opposition, but were eagerly sought after by the underprivileged communities themselves as an important means to wrest a minimum number of council seats from a reluctant government

Notes

1 I would like to thank Gita Bajpai of the history department of M S University, Baroda for the opportunity to discuss my preliminary findings with her staff and students. A more elaborate version of the argument presented here can be found in my book *Communities and Electorates* (1995).

2 Here I follow the definition of communalism as given in the work of Bipan Chandra (1984; 1988 398ff). More recent research by Ghanshyam Shah confirms the validity and usefulness of this definition. In a survey carried out by him in Surat during the summer of 1993, about 525 people were asked about communal divisions and related issues. Except for a small minority of 3 per cent, all subscribed to the view that members of the same 'quam' (caste or religious community) have common socio-economic interests, even though (maybe characteristically!) most of them were vague as to what these common interests actually meant [Shah 1994:1136-37].

3 A conclusion pointing in the same direction was reached in a recent issue of *Afrika Focus*. Papers collected in this special issue question the assumption that ethnicity is a colonial creation imposed upon Africans from outside and contend that in the current discussion on the dynamics of ethnicity in Africa the formative influence of the colonial state is overestimated. In correction of this view the contributors emphasise the continuity with pre-colonial processes of group formation and argue that many ethnic groups in Africa had formed before the advent of the colonial state [Schilder and Van Binsbergen 1993, 3, 7-8].

4 Statement by secretary of state for India in the house of commons (1919), quoted in letter from government of India, foreign and political department, dated July 10, 1919, in OIOC, R/2(883/136).

5 At first the foreign department was responsible both for foreign affairs and relations with the princely states. By the beginning of the 20th century, when the burden of work became too much for a solitary departmental secretary, a political department was created (1914) within the foreign and political department to take charge of relations with the states. Only under the 1935 Government of India Act the political department became a separate and independent office.

6 The *Gazetteer of the Baroda State* (II 1923:311ff) contains an interesting description of the many practical problems involved in the introduction of compulsory education in an agrarian society accustomed for ages to use its children in the fields, and the administration by local authorities of the penalty system for offenders under the act.

7 According to Handa (1968:65, 126) there was not a single independent paper appearing from any of the states, no liberty of the press and no freedom of expression. This statement is certainly not true for Travancore where in

the 1930s over a hundred dailies and weeklies were printed and circulated, even though they were always in danger of having their licences cancelled and their presses attached As Ouwerkerk (1994 65) observes, Travancoreans were a nation of newspaper readers (and hearers) who early developed the art of agitation through the press

8 Isaac and Tharakan (1986) argue that Syrian Christians, who had both the potential and capacity to assume entrepreneurial roles, were prevented from investing in modern industry by the discriminatory policy of the state. Mahadevan (1991) tries to reduce this overemphasis on the attitude of the state as an explanatory factor

9 Note by political department (P J Patrick) on representative institutions of government in Indian states, 1929, in OIOC, L/P and S/13/886

10 Correspondence between government of India, foreign and political department, and resident of Baroda 1930-1931, in OIOC, L/P and S/1007

11 Fortnightly reports from Baroda for these years in OIOC, L/P and S/13/1007, *United India and Indian States*, August 16, 1930, Hardiman 1978 129 30.

12 Fortnightly report from Baroda for the second half of February 1932, in OIOC, L/P and S/13/1007

13 The census figures, for all their shortcomings, showed that after a prolonged decline the Marathi share of top level appointments was indeed on the increase from 17 per cent in 1921 to 24 per cent in 1931, but this growth was largely achieved at the cost of the Muslims, and the share of Gujarati Hindus and Jains had remained stationary at 62 5 per cent (Census Baroda 1921 II 114-21 and 1932 II 78-83)

14 The dewan's report in HPO, Confidential File no 134, was copied almost verbatim in the resident's fortnightly report from Baroda for the second half of January 1939, in OIOC R/1/1/3394 Whereas the *London Times* of January 26, 1939 reported that in Baroda "a new form of communalism" had come up between people from different provinces, the 1979 Vadodara district gazetteer observes that the hostile reception of the sardar revealed "the anti-national attitude of the state" (*Gazetteers, Gujarat State, Vadodara District* 1979:137). The 1979 gazetteer wrongly dates these events in February 1939.

15 Fortnightly report from Baroda for the second half of August 1938, in OIOC, R/1/1/3046, and personal and confidential demi-official from dewan of Baroda to resident, dated November 15, 1938, in OIOC, L/P and S/13/1007.

16 Full text of the Government of Baroda Act (1940) in OIOC, L/P and S/13/1007 See also BAR 1944-1945 7-8.

17 Government of Baroda, Order on the Delimitation of Constituencies, 1940, quoted in Pendse 1940. 32-33.

18 Reception by the public of the scheme of reform embodied in the Government of Baroda Act, 1940, in HPO, Confidential File No 76.

19 Fortnightly report from Baroda for the first half of May 1940, in OIOC, R/1/1/3504.

20 When in 1946 the Government of Baroda considered revision of the 1940 Act, it received petitions from a number of Muslim and backward class organisations asking for separate electorates and/or reserved seats It is not always clear what all these organisations stand for. See constitutional reforms, Government of Baroda Act 1940, in HPO, Confidential Files No 75.

21 Supplying information about communal troubles in Indian states, in HPO, political department, Section 34, File No 55

22 Disturbances at Sidhpur, in HPO, Confidential File No 150 (1935,1939) and Agitation in Baroda State 1939, in OIOC, R/1/1/3282. For earlier disturbances at Sidhpur see HPO, Confidential File No 317.

23 Latin Catholics are converts from the lower Hindu castes and fishermen along the coast Although they recognise the authority of the pope and follow the standard Latin rite, there was a wide gulf separating Latin Catholics from the more respectable Catholics of Syrian origin In 1931 Latin Catholics numbered 22 per cent and Syrian Catholics 28 per cent of the Travancore Christian population.

24 Letter from dewan of Travancore, M Krishnan Nair, to British resident, dated August 24, 1918, in OIOC, R/2 (882/128).

25 Letter by dewan, N Krishnan Nair, to resident H L Braidwood, dated November 20, 1918, in OIOC, R/2 (883/136)

26 Travancore government communique June 2, 1932, quoted in Ouwerkerk 1994 83

27 Resident's fortnightly report from Travancore for the second half of June 1933, in OIOC, R/1/1/2338.

28 The orthodox Jacobite Syrians had managed to ward off both Roman Catholic and Protestant missionary interference in their religious organisation and customs, maintaining their loyalty to the Syrian patriarchs in western Asia.

29 Fortnightly report from Travancore for the first half of June 1935, in OIOC, R/1/1/2645; text of government press communique in R/2 (888/212).

30 Travancore government press communique, dated August 17, 1935, in OIOC, L/P and S/13/1283.

31 Travancore government orders of August 20, 1936, in OIOC, R/2(888/217); ATR 1935-1936:100-101; Ouwerkerk 1994.88; Chiriyankandath 1985:263.

32 Letter by W A Garstin, British resident, Quilon August 28, 1936, to political department, in OIOC, L/P and S/13/1283 and fortnightly report from Travancore for the second part of August 1936, in R/1/1/2791.

33 Fortnightly report from Travancore for the first half of November 1936, in OIOC, R/1/1/2791.

34 Quotation from Resident's Confidential Memorandum, dated November 26, 1935, in OIOC, R/2 (888/207). See also Colonel Field's confidential report to the government of India, dated January 2, 1935, in R/2(888/210).

35 Note on a discussion between dewan of Travancore and Sir Bertrand Glancy, secretary to the political department, somewhere in 1938, in L/P and S/13/1283.

36 The political department of the government of India referred with expert admiration to 'the skill with which they [the Travancore Government, D K] "divide and rule"', see resume of events in Indian states for fortnight ending March 15, 1938, in OIOC, L/P and S/13/886.

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37 There may be elements of each community in all political parties (with the exception of the Muslim League), yet all parties can be associated with particular communities and within each party factionalism expresses the deeper divisions of religion and caste [Hardgrave 1979:209, 211; Varughese 1987].

Abbreviations

OIOC – Oriental and India Office Collections London

Crown Representative's Records

R/1 – The Political Department Records in the R/1 series contain the files from the Central Secretariat of the Crown Representative in India

R/2 – The Residency Records in the R/2 series contain the files from the records kept locally by Residents and Political Agents.

Political and Secret Department

L/P and S/13 Departmental Papers: Political Internal/Indian State Files and Collections, c 1931-1950.

HPO – Huzur Political Office Baroda Political Department, Section 34, Political General Correspondence Confidential Files

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Impact of Institutional Change on Productivity in a Small-Farm Economy

Case of Rural West Bengal

Badal Mukherji
Swapna Mukhopadhyay

West Bengal is the only state in India which has for the last nearly two decades been operating a system of democratically elected local self-government. It is also the one state which has successfully carried out certain land reform measures. This paper attempts to estimate the impact of these institutional changes on total factor productivity in the production of rice in the state.

I
Introduction

ONE of the major factors behind the persistence of rural poverty in developing countries can be traced to the low productivity of labour on small and marginal farms on account of a variety of reasons. Lack of access to complementary inputs, insecurity of tenancy and dependence on the rural rich in a situation of asymmetric power relations and interlinked factor markets all militate against achieving a high level of productivity on small and marginal farms. Yet as the size-productivity debate in Indian agriculture has clearly established, productivity on small farms may in fact be higher if one could net out the impact of factors of production other than labour.[1]

In other words, low land productivity on small farms is more a reflection of constraints other than just farm size. The state of West Bengal in India provides an interesting case study of what a small-farm rural economy can possibly achieve if some of these constraints could be even partially lifted. This has happened through the institution of the Panchayati Raj – a three-tier system of elected representatives entrusted with the task of decentralised planning and rural development. The purpose of this paper is to measure the impact of this institutional factor on growth in rice production in the state.

In recent years, West Bengal has emerged as the largest rice producing state in India. Compound annual growth rate of production which was around 1.1 per cent between 1970-71 and 1980-81 has shot up to 4.8 per cent in the 1980s. About three-fourths of this growth can be attributed to growth in yield, while area expansion, especially through growth in multiple cropping, explains the rest. Rice being the single most important crop comprising over 90 per cent of total foodgrains production in the state, this clearly suggests that the rural economy has had a shot in the arm in recent years.

The interesting thing about this phenomenal growth in output is that it is difficult to figure out simply by looking at the statistics on input use exactly what could have spurred this growth. The data do not suggest a corresponding increase in factor use on a similar scale as in output growth. The extent of farm mechanisation has been minimal in the state and has shown no massive increase in recent times. The state accounts for less than 2 per cent of all registered tractors in the country. Area under HYV seeds is as yet lower than the country average, although much of the increase in gross cropped area has occurred under Boro rice, which is a HYV crop. Fertiliser consumption, while increasing at a reasonably fast pace, was only 81.7 kg per hectare as of 1989-90, and is still much lower than the corresponding figures for most other major rice producing states in the country like Andhra Pradesh at 131.1 kg per hectare or Punjab at 158.6 kg per hectare. Although use of minor irrigation, especially shallow tubewells, to meet complementary water requirements does show a sharp upward swing in recent years, as late as in 1991-92, the state had barely 1 per cent of the total energised pumpsets in the country. Judging from the fact that as of 1991-92, barely 3.2 per cent of the total power use in the state of West Bengal took place in the agricultural sector, as compared to 35.6 per cent in Andhra or 39.8 per cent in Punjab, it is clear that production in the agricultural sector is as yet much less power-intensive than in some other rice producing states which have had a record of steady growth in rice production. The picture that emerges suggests the image of a small farm economy where the number of farms with 10 acres of land or more has in fact declined very sharply, not merely in relative but also in absolute terms over the last 15 years, and the average size of holdings has steadily declined to a level which currently stands much below the country average. This process took place during a period when the average size of holding had actually increased in a state like Punjab by over 35 per cent and the number of large farms with 10 acres and above had shot up in states like Andhra Pradesh or Orissa.

However one change that has taken place in rural West Bengal which has not happened anywhere else in the country so far has been the advent of the institution of democratically elected local bodies down to the village level for the formulation and implementation of local level plans. It is the only state which has had a record of nearly 15 years of uninterrupted local level elections since the late 1970s when the current state government came into power. In the early years of its rule, the Left Front government started implementing certain land reform measures which aimed, among other things, to render a degree of tenurial security to share croppers by registering their names in order to prevent wilful eviction by big landlords or 'jotedars'. A determined effort has been made in the country-side to project the image of the ruling party as a propagator of policies benefiting the small farmer, through political campaigning and other kinds of conscientisation processes. Elections to the three tier bodies called the Panchayats have been held every five years since 1978. The fourth one is scheduled for May 1993.[2]

In this paper we make an attempt to estimate the impact of these institutional changes on total factor productivity in the production of rice in the state. The next section lays out the model and the data used for the estimation, followed by a section on the results. The last section concludes and summarises.

II
The Model and Data

For estimating total factor productivity in the rice economy of the state we have used the trans-log variable cost function. The rationale behind using a variable rather than a total cost function stems from the argument that the assumption of instantaneous adjustments in the use of some factors, especially capital, is particularly unwarranted in the analysis of agricultural

productivity, which is usually marked by substantial year-to-year fluctuations. Thus, capital is treated as a quasi-fixed factor in our model.[4]

The basic trans-log variable cost function with a single output, three inputs, one quasi-fixed factor, and a quadratic time variable is as follows.

$$\ln VC = \alpha_0 + \alpha_y \ln Y + \alpha_k \ln K + \sum_{i=1}^{3} \beta_i \ln P_i + \tfrac{1}{2}\delta_{yy} (\ln Y)^2 + \tfrac{1}{2}\delta_{kk} (\ln K)^2 + \sum_{i=1}^{3}\sum_{j=1}^{3} \gamma_{ij} \ln P_i \ln P_j + \sum_{i=1}^{3} \rho_{yi} \ln Y \ln P_i + \sum_{i=1}^{3} \rho_{ki} \ln K \ln P + \theta_{ky} \ln K \ln Y + \gamma_t t + \tfrac{1}{2}\gamma_{tt} t^2 \quad ...(1)$$

where VC is variable cost per unit of output, Y is level of output, K is the quasi-fixed factor, P_i s are the input price indices and t is the time variable.

To test for a structural break in the post-panchayat years we used a dummy variable D such that D = 1 for post-panchayat years in the state of West Bengal and D = 0 otherwise.

The dummy is allowed to interact with output and capital variables over and above operating as a shift parameter for the intercept term. The variable cost function with the dummy stands as follows.

$$\ln VC = \alpha_0 + \alpha_D D + \alpha_y \ln Y + \alpha_{Dy} D \ln Y + \alpha_k \ln K + \alpha_{Dk} D \ln K + \sum_{i=1}^{3} \beta_i \ln P_i + \tfrac{1}{2}\delta_{yy} (\ln Y)^2 + \tfrac{1}{2}\delta_{kk} (\ln K)^2 + \sum_{i=1}^{3} \rho_{ki} \ln K \ln t + \theta_{ky} \ln K \ln Y + \gamma_t t + \tfrac{1}{2}\gamma_{tt} t^2 \quad ...(2)$$

Of the 29 parameters to be estimated in the above equation, 3 can be dropped without any loss of generality by imposing symmetry on the γ_{ij} coefficients. Also the condition of linear homogeneity in input prices can be shown to translate to the following parameter restrictions:

$$\sum_i \beta_i = 1, \sum_i \gamma_{ij} = 0 \ \forall\ j,$$

and $\rho_{ki} + \rho_{yi} = 0 \ \forall\ i$.

The variable cost function (2) above has been estimated along with two of the three cost share equations

$$P_i X_i / VC = S_i = \beta_i + \sum_{j=1}^{3} \gamma_{ij} \ln P_j + \rho_{yi} \ln Y + \rho_{ki} \ln K_i; \quad i = 1,2,3... \quad (3)$$

Estimation has been carried out using Zellner's technique of estimating seemingly unrelated regression equations.[5]

The major source of data for the exercise is the 1991 government of India publication titled, "Cost of Cultivation of Principal Crops in India". This provides detailed state level cropwise data on itemised cost figures aggregated over household level information on various cost categories, as well as input use data from crop cutting experiments in all the major states of the country since the early 1970s.

To handle the degrees of freedom problem we have used time series data on cost of cultivation of rice in nine major rice producing states in the country supplemented by similar information obtained from other sources for later years for some of the states. Thus the sample utilised for estimation is a cross section of time series data (cf Appendix). The coefficient estimates derived from this matrix of observations have been evaluated at sample means of West Bengal state figures to arrive at the estimates of total factor productivity of rice in the pre- and post-panchayat years in the state.

There are several cost estimates provided in the cost of cultivation data depending on whether specific items of cost are included or not (Appendix). Our variable cost figures are calculated by using the COC estimates to include all items of variable costs as well as imputed value of family labour but excluding interest on fixed capital and imputed value of owned land. The three input prices P_1, P_2 and P_3 are derived from the COC data to represent price of human labour, price of animal labour and a weighted price index for the composite input of seeds, fertilisers and manure respectively. Output is measured as yield per hectare of paddy.

We have two indices of fixed capital. The first of these is computed from the Central Statistical Office annual time series estimates of value of agricultural capital in the country as a whole and the value of agricultural output in the states. Assuming constant capital/output ratios across the states every year, a series on the value of agricultural capital was generated for all the states in the sample. Our first index of capital is based on the matrix of agricultural capital thus generated by setting the overall country average for 1980-81 equal to 100. Our second capital index is derived by adding the COC data on interest on fixed capital with depreciation estimates. This is used as a surrogate for fixed capital. The index is developed as before by setting the sample average for 1980-81 = 100.

III
Results

A number of versions of the equation system 2 and 3 were estimated using the Seemingly Unrelated Regression Technique, with and without the quadratic term in the time variable, and with alternative capital indices. Results appear to be sharper when we use the second capital index rather than the first one which we had constructed from the CSO data. It may be recalled that this index was constructed under the assumption of identical capital/output ratios across the states. However, part of the anomaly in the growth of agricultural output in post-panchayat West Bengal has precisely been that production seemed to have gone up in spite of no commensurate rise in input use - specifically, no corresponding increase in agricultural capital. Thus the assumption of identical capital/output ratio that we had to make to construct the capital variable since no time series statewise data on value of agricultural capital exist, would *inter alia* partially defeat the very purpose for which it has been constructed. To our mind this explains the comparatively weaker

TABLE 1 COEFFICIENT ESTIMATES WITH A LINEAR TIME VARIABLE

Variable	Coefficient	Std Error	t-Ratio
Constant	1.7009	0.6496	2.618
LGY	2.1015	0.4789	4.388
LGINDEX	0.49225	0.2423	2.031
LGP1	0.60876	0.1717E-01	35.451
LGP2	0.21308	0.1870E-01	11.194
LGP3	0.17816	0.3012E-01	5.915
LGYSQ	-0.29025	0.1090	-2.663
LGINDSQ	-0.87276E-01	0.4154E-01	-2.101
LGP1SQ	0.4781?E-01	0.5253E-02	9.104
LGP1P2	-0.46996E-01	0.7184E-02	-6.279
LGP1P3	0.82091E-03	0.7285E-02	0.113
LGP2SQ	0.66401E-02	0.4818E-02	1.378
LGP2P3	0.40356E-01	0.8217E-02	4.911
LGP3SQ	-0.39535E-01	0.1441E-01	-2.744
LGYP1	0.85874E-01	0.8860E-02	9.693
LGYP2	0.66264E-01	0.1555E-01	5.755
LGYP3	0.14233	0.4143E-01	3.436
LGINP1	0.85874E-01	0.8860E-02	-9.693
LGINP2	-0.66264E-01	0.1155E-01	-5.735
LGINP3	0.14233	0.4143E-01	3.436
LGYIN	0.96513E-01	0.1103	0.875
f	0.15361E-01	0.3751E-02	4.095
D1	0.79504	0.9797	0.812
D2	-0.67217	0.3991	-1.684
D3	0.30820	0.2073	1.487

Dependent variable = LG VC
No of observations = 102
R^2 = 0.9589356 Adjsted R^2 = 0.9461364
VC = Variable cost
Y = Output
P1 = Price of human labour
P2 = Price of animal labour
P3 = Price of seed fertiliser-manure
Index II = Capital index II
YSQ = (Output)^2
PiPj = Pi × Pj, i, j = 1,2,3
YPi = (output) × (Price i), i = 1,2,3
INPi = (Capital index) × (Price i), i = 1,2,3
YIN = (Output) × (Capital Index)
D1 = Dummy variable = 0 for pre panchayat years and = 1 for post panchayat years
D2 = (Output) x D1
D3 = (Capital index) x D1

performance of the first capital index. Tables 1 and 2 provide estimates of a translog variable cost functions obtained on a sample of 102 observations with and without a quadratic term in time with the second capital index. Below we present results using a linear and a quadratic time variable with the second capital index.

The all important shift parameter D1 has a t-value almost equal to 2. It has to be kept in mind while interpreting this result what the model has required this variable to do. The data sample covers all the major rice-producing states with huge variations in the quality of state level data. We have per force pulled this data and, with prior knowledge of a structural break in exactly one of the states, have required the latter to explain the variation in the entire data set. Under the circumstances, therefore, we feel that the estimate with a quadratic time trend (Table 2) has performed reasonably well. We reiterate the point that within the time period under consideration there has been no report of any technological or institutional break in any other state of the economy.

There are two ways of measuring total factor productivity using a cost function, which can be shown to be equivalent if and only if there are constant returns to scale. The alternative ways of measuring total factor productivity can be defined as either the growth rate of output over time when all inputs are held constant, or the common rate at which all inputs can be decreased over time-keeping the output constant. The returns to scale parameter is the ratio of the first measure to the second. In the case of variable cost functions, each of these measures needs to be corrected for the effect on the elasticity estimates of the presence of the fixed factor which enters the cost function symetrically with the output variable. The formulae for alternative measures of total factor productivity and the returns to scale parameter derived from a variable cost function with single output and a single quasi-fixed factor are as follows.

$$PGY = -(\partial \ln CV/\partial t) / (\partial \ln CV/\partial \ln Y)$$

$$PGX = -(\partial \ln CV/\partial t) / \{1 - (\partial \ln CV/\partial \ln K)\}$$

$$\text{and } RTS = \{1 - (\partial \ln CV/\partial \ln K)\} / (\partial \ln CV/\partial \ln Y)\}$$

where PGY is output growth rate keeping inputs fixed. PGX is the rate at which inputs can be reduced keeping output fixed and RTS is the returns to scale parameter.

Table 3 presents the results of a range of estimates we have obtained for the alternative measures of total factor productivity in rice production in the state of West Bengal before and after the year 1977-78 when panchayat polls were first held in the state. These have been evaluated at the mean values of variables for West Bengal using coefficient estimates from Tables 1 and 2.

It can be seen from Table 3 that there has been a spurt in productivity growth in the latter period which cannot be explained by the growth in material input use alone. This can be looked upon as the effect of better management, better project selection at the local level and better utilisation of resources under the auspices of the Panchayats.

IV
Summary and Conclusions

The state of West Bengal has been the only state in India which has for the last 15 years been operating a system of democratically elected local level government. It is also the one among all the Indian states which has successfully carried out certain land reform measures. Critics have argued that the area of ceiling surplus land that has been actually distributed is not very much. It has also been pointed out that the process of registration of share tenants under Operation Barga has covered only a fraction of the share croppers in the state.

But even if one accepts the argument that land reforms in the state have at best been incomplete, the fact that they were undertaken to the extent they were, must certainly have transmitted a political message to the rural masses. It is irrelevant in the present context to try to unearth the rationale of the ruling party's rural development strategy. It could have been spurred purely by political motivations, as some have argued. For our purpose, it is immaterial. What we would want to emphasise is that there is little doubt that, whatever be the reason, the urgency with which the state government had gone ahead with the job of instituting the elected panchayati structure as a forum for ground level planning would surely have been greeted as a change for the better by the majority of the rural poor. That these measures by themselves may have led to a significant increase in production in recent years is a perception which is shared universally by all categories of people covered in the survey we have recently carried out in the rural areas of the state. In this paper we have made an attempt to test this hypothesis by estimating total factor productivity in rice production in the state using a variable translog cost function framework. Our results support the view that institutional factors have played a major role in raising production and productivity in the post-panchayat years.

There is reason to believe that if we had access to more recent data on cost of cultivation of rice in West Bengal, it may have strengthened our results considerably. Production figures have shot up significantly in the late 1980s and have continued to rise in the early 1990s. There does not seem to be any drastic change in technology, although fertiliser consumption has increased in recent years and so has the use of groundwater resources.

One final observation about the absence of water resources as an input in our model. There is an anomaly in using the cost of cultivation data for estimating total factor productivity insofar as the market for groundwater resources, perhaps the leading input in rice production in West Bengal, is far from perfect. Water has been excluded from our set of inputs because of two reasons: one, irrigation charges recorded in the COC data are insignificant fractions of total operating costs, and two, since there is no information on water use, it would have been impossible to calculate the price of water from the COC data. However, to the extent that pumpsets are privately owned, one hopes that they would have been included in our capital index. Even so, if data had permitted a more adequate treatment of water resources in our cost function estimates, it is possible that our estimates of total factor productivity in the state would have been lower.

TABLE 2. COEFFICIENT ESTIMATES WITH A QUADRATIC TIME VARIABLE

Variable	Coefficient	Std Error	t-Ratio
Constant	1.4274	0.6277	2.274
LGY	2.0305	0.4596	4.418
LGINDEX	0.7160	0.2452	2.920
LGP1	0.6082	0.1714E-01	35.484
LGP2	0.2129	0.1865E-01	11.416
LGP3	0.1789	0.3002E-01	5.958
LGYSQ	-0.3043E-01	0.1044	-2.914
LGINDSQ	0.1222E-01	0.4243E-01	2.879
LGP1SQ	0.0470E-04	0.5259E-02	8.936
LGP1P2	-0.4696E-02	0.7480E-02	-6.278
LGP1P3	0.3392E-01	0.7276E-02	4.005
LGP2SQ	0.5658E-01	0.4827E-02	1.172
LGP2P3	0.4130E-01	0.8206E-02	5.033
LGP3SQ	-0.4127E-01	0.1439E-01	-2.868
LGYP1	0.8671E-05	0.8846E-02	9.802
LGYP2	0.6641E-01	0.1154E-02	5.756
LGYP3	-0.1333	0.39889E-01	-3.342
LGINP1	-0.8671E-01	0.8846E-02	-9.802
LGINP2	-0.6641E-01	0.1154E-01	-5.756
LGINP3	0.1333	0.3989E-01	3.342
LGYIN	0.1275	0.1067	1.195
T	0.4060	0.1064E-01	-3.817
D1	1.1275	0.9466	1.191
D2	-0.7442	0.3838	-1.939
D3	0.2874	0.1984	1.449
T2	0.1506E-02	0.5713E-03	2.635

TABLE 3. ESTIMATES OF TOTAL FACTOR PRODUCTIVITY IN RICE PRODUCTION BEFORE AND AFTER THE PANCHAYATS CAME INTO BEING

	Case1		Case2	
	PGY	PGX	PGY	PGX
Pre Panchayat	-0.0072	0.0130	-0.0061	-0.0176
Post-Panchayat	0.0283	0.0245	0.0298	0.0239

Case 1. Linear time variable.
Case 2. Quadratic time variable.

Appendix

Dependent variable VC: Operational cost per hectare. The Cost of Cultivation data present six different cost estimates.

Our variable cost figures are obtained as follows:

$VC = A_1 + (C_1 - B_1)$

Where A_1 = Sum of all variable items of cost including casual, attached and family labour, hired and owned bullock labour, seeds, fertilisers and manure, insecticides as well as water charges and rent paid for leased-in land.

and $C_1 - B_1$ = Imputed value of family labour.

Independent Variables

Output Y: Yield per hectare

Input price P1: Price of human labour, calculated as a weighted average of price of casual, attached and imputed value of family labour with cost shares as weights.

Input price P2 : Price of animal labour, calculated as weighted average of hired and owned animal labour

Input price P3: Weighted average of prices of seeds, fertilisers and manures.

Capital Index I: Index of gross capital in agriculture per hectare calculated by assuming identical capital/output ratio across states and assigning capital in proportion to the value of agricultural output in the states.

Capital Index II: Depreciation for charges + interest on fixed capital.

All variables have been indexed by setting the sample average for 1980-81 = 100.

Sample The sample used in estimating the equations reported in Tables 1 and 2 consists of annual observations from the following states.

State	Period	No of Observations
Andhra Pradesh	1971-72 to 1983-84	13
Assam	1971-72 to 1986-87	16
Haryana	1977-78, 1979-80 1984-85 to 1987-88	6
Madhya Pradesh	1972-73 to 1977-78 and 1981-82 to 1986-87	12
Orissa	1971-72 to 1978-79 and 1980-81 to 1986-87	15
Punjab	1974-75, 1978-79 and 1981-82 to 1987-88	9
Tamil Nadu	1971-72 to 1981-82	11
UP	1975-76 to 1977-78 and 1980-81 to 1983-84	7
West Bengal	1971-72 to 1981-82, 1983-84, 1984-85	13

The year 1982-83 in West Bengal has been dropped from the sample as an obvious outlier.

Notes

[The paper owes its origin to some questions that occurred to us while conducting a study on the process of decentralised planning under the auspices of the Panchayati Raj system in rural Bengal. The study is being sponsored by the Planning Commission, government of India. We have benefited considerably from the logistic support provided by the State Planning Board of the government of West Bengal. While this particular piece of work does not directly use the information we have collected in the process of carrying out a survey of government officials and elected representatives associated with the three-tier panchayati structure, the core hypothesis of the paper is based on the perceptions of the people surveyed at all levels as well as our own impression gathered during numerous field visits and interviews carried out during the last year and a half.]

1 Summing up the long-drawn out size-productivity debate that Sen himself initiated in the 1960s, Ashok Rudra and Amartya Sen in a paper published in the *Economic and Political Weekly*, 1980 weigh the pros and cons of small farms as follows: 'The advantages of peasant cultivation (chiefly in labour use) have to be balanced against its disadvantages (chiefly in the use of capital)". Primarily, it is the unequal access to complementary inputs which in their judgment can explain instances of lower productivity on smaller farms. Cf Ashok Rudra and A K Sen, 'Farm Size and Labour Use: Analysis and Policy', *Economic and Political Weekly*, Annual Number, February, 1980. For an analysis of 'the stubborn persistence of small peasantry" in the face of technological change in agricultural production, see G Parthasarthy, 'HYV Technology, Polarisation and Immiserisation Controversy', *Economic and Political Weekly*, June 29, 1991.

2 See the 'Statistical Abstracts: West Bengal', Bureau of Applied Economics and Statistics, Government of West Bengal, various issues. Also, 'Basic Statistics Relating to the Indian Economy', Vol II, Centre for Monitoring the Indian Economy, September, 1992.

3 For an account of land reforms in West Bengal in general and Operation Barga - the movement for registering share tenants - in particular, see Bandyopadhyay (1980), Bandyopadhyay (1985) or Ghosh (1986). For an analysis of factors explaining the urge for land reforms and decentralised planning in the state, see Mukherji and Mukhopadhyay (1993).

4 For an analysis and estimation of variable cost functions as an example of a model of temporary equilibrium, see the articles by E R Berndt and M A Fuss, Charles R Hulten and C J Morrison in the *Journal of Econometrics*, Volume 33, No 1/2, October/November 1986. Among the earliest writings on the issue are two papers by Caves, Christensen and Swanson in the *Bell Journal of Economics*, 1980 and the *American Economic Review*, 1981 respectively. Also see Dogramaci (1988).

5 One of the three share equations has to be dropped to avoid the problem of singularity of contemporaneous covariance matrix. The estimates thus obtained are asymptotically equivalent to maximum likelihood estimates. Cf Caves, Christensen and Swanson (1981).

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Evaluation of Narmada Projects

An Ecological Economics Perspective

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Ecological Economics focuses on the theoretical and applied analysis of activities having potentially significant economic, ecological and social equity impacts. This paper illustrates how concepts of scale, uncertainty, and ecosystem health should be central to any decision-making and evaluation process. Disregard for these factors for the Narmada Valley projects largely invalidates the results of many previous analyses which have typically relied on incomplete traditional cost-benefit analysis approaches.

I
Context

Background

LARGE infrastructure projects on India's major river systems historically have been an important component of India's economic development strategy. They have provided power and irrigation benefits to areas that suffered from low levels of development, while concurrently improving agricultural productivity and the reliable supply of food crops.[1] Many of these schemes have, however, also resulted in negative externalities, as the scale of activities has threatened the integrity of the social and environmental fabric. Recent controversy surrounding the projects in the Narmada valley is a case in point: the potential displacement of up to one million people and disruption of environmental quality has spawned some vehement opposition to development in the region. Ironically, much of the controversy is occurring at a time when policy-makers in India are professing heightened environmental awareness and, indeed, acting on these convictions.[2] For example, the Supreme Court ordered the shut-down of about 200 industrial units in Uttar Pradesh in September 1993 because of unacceptably high levels of environmental impact. Also, recent initiatives in the ministry of environment and forests have proposed a $ 2 billion investment to reduce ozone depleting substances. In all of these cases, policy-makers are faced with the difficult challenge of identifying, assessing and managing unprecedented environmental and economic development trade-offs.

The traditional approaches to dealing with such trade-offs have been well documented for smaller projects. Assessment techniques relying on some form of cost-benefit analysis (CBA), for example, can be used to determine if there are net gains in social welfare from a given project or policy.[3] Incorporating environmental and distributional impacts into such assessments is also, in principle, relatively straightforward if the impacts are well-defined and relatively small.[4] While a number of such analyses have been conducted for various components of the Narmada valley projects,[5] the analyses have been riddled with both practical and theoretical shortcomings.[6] At an applied level the uncertain nature of project environmental costs have often caused analysts simply to ignore potentially significant items. Moreover, the theoretical valuation methodologies are in some instances suspect where, for example, double-counting of benefits has occurred or cumulative effects have not been addressed. Finally, some aspects of current project development and phasing bear little resemblance to those assumed in earlier project assessments; this has cast doubt on the actual relevance of the analyses that have been undertaken. As a result, the evaluations of the projects have become almost as great a source of controversy as the actual impacts of the projects themselves.[7]

The purpose of this paper is to provide a perspective on some of the evaluation issues and controversies from the discipline of ecological economics (EE). EE provides a prescriptive framework for project evaluation that is particularly appropriate for large projects having widespread – but uncertain – economic, ecological and equity impacts. EE attempts to address explicitly the factors often left out in conventional applied CBA procedures. The paper critiques a number of flaws in conventional CBAs of these projects that are based on marginal analyses and that focus on efficiency and risk. The paper proposes a more holistic perspective based on EE principles that, while addressing efficiency and risk, will also pay particular attention to: (i) project scale; (ii) distribution of impacts; and (iii) ecosystem dynamics and uncertainty. Although it is beyond the scope of the paper to conduct a complete analysis of every project component, empirical analyses are presented in each of these three areas to demonstrate the principles. The paper concludes with a discussion of the precautionary principle as an operational tool for pursuing any further development in the Narmada valley.

Project Overview

The Narmada river originates in the central Indian state of Madhya Pradesh. For some 1,300 km it flows west through the states of Maharashtra and Gujarat until it empties into the Gulf of Cambay and the Arabian Sea. The Narmada Valley Project is a basin wide development scheme to harness the river for irrigation, electricity generation and domestic water consumption. The project consists of 30 major, 135 medium and 3,000 minor dam projects to be built in the river basin over the next 50 years. The Sardar Sarovar Projects (SSP) and the Narmada Sagar Projects (NSP) are interconnected components of this larger family of projects. The SSP consist of a dam (Sardar Sarovar), an irrigation canal network, a riverbed powerhouse, a canal-head powerhouse and power transmission lines. The Sardar Sarovar is under construction about 100 km east of Bharuch, Gujarat; it is the terminal dam on the river system. Its operation is critically dependent upon the upstream hydrological management of seasonal flood waters. The NSP to be built about 100 km south-east of Indore in Madhya Pradesh consist of one large dam (Narmada Sagar) and two medium-sized dams (Omkareshwar and Maheshwar). About 90 per cent of the Narmada River's annual runoff occurs in the monsoon season – June through September. The upstream NSP is designed to capture and store flood waters to provide regular releases to the Sardar Sarovar during the dry season.

The Sardar Sarovar and the Narmada Sagar are the two largest dams planned for the Narmada River basin. The Sardar Sarovar, will dam the river to a full reservoir level of 139 m. The reservoir will be 200 km long, inundating about 37,000 ha of land. From the dam-site and irrigation system head at Kevadia in Gujarat, the main irrigation canal will run 458 km to the Rajasthan border. A 75,000 km network of canals, requiring 85,000 ha of land, will then irrigate 1.8 million ha in central Gujarat, drought-prone areas of Saurashtra and Kutch, and a small area (75,000 ha) of southern Rajasthan. At the dam-site, firm hydroelectric power

generation capacity is to be 300 MW, eventually dropping to 150 MW. The Narmada Sagar will submerge 90,000 ha and irrigate 1,23,000 ha of land area in the East and West Nimar districts of Madhya Pradesh. In its initial phase, firm hydro-electric power will be 223 MW, dropping to 118 MW in its final phase. The associated Omkareshwar and Maheshwar dams will together submerge 14,000 ha and irrigate 1 29,000 ha. They will provide firm power benefits of 223 MW and final power benefits of 104 MW.

Land for SSP infrastructure at Kevadia was expropriated in the early 1960s, but major construction of the SSP did not start until 1987. Construction cost estimates fall in the range of US$ 3,500-5,700 million (at 1993 prices). Sardar Sarovar Narmada Nigam is the state-owned corporation in charge of construction. Major construction on NSP has not yet begun, although the government of Madhya Pradesh signed construction contract documents in mid-1992.

Development of the Narmada river basin required agreement by the three states through which the river passes - Gujarat, Madhya Pradesh and Maharashtra. In 1969, the Indian government established the Narmada Water Dispute Tribunal. A decade later the Tribunal's award was presented. As a basis for the apportionment of the benefits, it was agreed that with 75 per cent dependability, there were 28 million acre-feet (maf) of water available (run-off) from the Narmada river. That quantity would be apportioned as follows: 18.25 maf to Madhya Pradesh; 9 maf to Gujarat; 0.5 maf to Rajasthan, and 0.25 maf to Maharashtra. Should the actual run-off deviate from 28 maf the percentage shares would remain the same. Run-off was not allocated for river flow downstream of the Sardar Sarovar dam. Electrical power and energy benefits would also be shared. 16 per cent to Gujarat, 57 per cent to Madhya Pradesh, and 27 per cent to Maharashtra.

The resettlement and rehabilitation (R and R) of persons displaced by the SSP is a focus of national and international criticism. Lack of early planning and public consultation by the three states has resulted in relocation efforts which are unco-ordinated and insensitive to the cultural and socio-economic characteristics and needs of the people involved. Moreover, the number of people to be displaced was underestimated and sufficient resettlement land is still not available. Further complicating R and R efforts, the three states have differing policies regarding the entitlement of compensation to various categories of 'oustees'. Categories include, landed, landless, encroacher, major son, oustee due to submergence, and oustee due to dam infrastructure. Resettlement entitlements attached to each of these categories depend on the oustee's home state. Consequently, the ability of many oustees to maintain their standard of economic and social well-being is severely curtailed. Studies by the Tata Institute, which has the mandate of monitoring performance of the R and R programmes, indicate that many of those being resettled are not achieving minimum nutrition standards, although before resettlement they were at or above acceptable subsistence levels.[7]

The environmental assessment of the Sardar Sarovar and Narmada Sagar projects has been severely criticised. The assessment process failed to achieve compliance from the project's proponents, accepted a *pari passu* approach, and treated the NSP and the SSP as unrelated initiatives. In 1983, plans for both the NSP and the SSP were submitted for clearance to India's ministry of environment and forests (MOE and F). Clearance was denied due to data deficiencies. Clearance was continually denied until 1987 when political pressure from the state governments extracted a 'conditional' clearance for both projects. Conditional clearance meant, among other things, that detailed surveys and studies would be submitted by 1989, and that environmental impact assessments would be done as construction proceeded – the *pari passu* approach. Most of the conditions set by the ministry were not met by 1989 and many remain to be met. Project proponents used the *pari passu* clause as a means to justify their position that they need not apply for an extended clearance.

The NSP and the SSP had not yet received environmental clearance from the Indian MOE and F when, in 1985, the World Bank approved a US$ 450 million credit and loan agreement for the SSP. Despite the interconnectedness of the two projects, consideration of the NSP was deferred pending progress on the SSP and an environmental assessment of the NSP. For the SSP, the bank required an environmental work-plan to be completed by the end of 1985. The bank also required state plans for resettlement and rehabilitation of oustees. Between the 1985 loan agreement and early 1993, continual requests for the plans were met with obfuscation from project authorities. The plans were still not completed in March 1992, when pre-empting the World Bank, India cancelled its loan agreement and the remaining US$ 170 million disbursement.

In March 1991, in response to growing controversy, the World Bank commissioned an Independent Review of the SSP. In June 1992, the review panel presented its findings, key among which were the following:[8]

- The R and R of all those displaced by the SSP is not possible under the prevailing circumstances. Resettlement policies differ among the states, eroding the oustees' right of choice. Madhya Pradesh, with the bulk of the total displaced population, is reluctant to make land available to oustees. Gujarat's resources are strained to settle its own people affected by the submergence, the canals and the town; yet it is supposed to settle oustees from Maharashtra and Madhya Pradesh.
- Although the Sardar Sarovar and Narmada Sagar projects are inextricably linked, there was no attempt to assess their cumulative impacts. Furthermore, because the NSP are not being built concurrently with the SSP, as originally assumed, the benefit stream to the SSP will not be as assumed.
- With or without the NSP, the SSP will not operate as planned. Without the NSP, regular releases during the dry season from upstream storage will not be forthcoming. Even with the NSP, however, analysis of hydrological data indicates that water availability is overestimated. In either case, the target amounts of water will not be delivered and project benefits should, therefore, be adjusted downward.
- Environmental impacts in the irrigation command area are unknown and likely to be significant. Lack of planning for adequate drainage to counteract water logging and salinisation will reduce the agricultural benefits of the irrigation component.
- The effects of sedimentation are underestimated in the case of reservoir siltation and ignored in the case of the 'backwater effect'. The siltation rate of the reservoir will be higher than assumed, reducing its useful life and associated benefits. Sedimentation at the upstream end of the reservoir will create a delta and result in the submergence of significantly more land than was originally anticipated. Downstream ecological impacts of the dam are not considered. No allowance for river flow below the dam was made and the consequent impacts on brackish and freshwater fisheries are unknown. The number of downstream fisher families is unknown. Also unknown are the impacts of salt water intrusion on the domestic water supply of downstream urban centres.
- Measures were not taken to prevent the spread of health hazards such as malaria. There has been a total collapse of vector control measures and the incidence of malaria, and death from malaria, increased in the irrigation command area.
- Upstream afforestation measures are poorly conceived. Afforestation to replace submerged forests is planned on marginal lands, while high quality forests are being cleared for resettlement. The result will be a net decline in the quality of Indian forest land.

Despite loss of World Bank and other international backing for the SSP, India and the riparian states are moving ahead with the project, which at this point is about half

finished. SSP authorities are still targeting completion by the year 2000. In addition to national and state government funding (Gujarat is using more than 80 per cent of its irrigation budget for the SSP), funds are being sought from the private sector through bond issues and through privatisation of project components. Sardar Sarovar Narmada Nigam floated a US $ 100 million bond issue in late 1993 which was over-subscribed and eventually returned almost US $ 120 million; and Gujarat has plans to privatise partially the power component of the project.

Successful resettlement of those displaced by the SSP is unlikely. In July 1993, with the onset of the monsoon, the partially complete Sardar Sarovar dam started impounding water. News reports indicate that hundreds of families in the first villages scheduled for submergence were not yet resettled. Only a fraction of those who will be eventually submerged by the reservoir have accepted resettlement packages. Of those, many have found their resettlement package to be significantly deficient. Protest demonstrations against the dam escalated during 1993 as hundreds were arrested, thousands pledged to drown rather than move, people were forcibly evicted from their homes, and reports of human rights abuses proliferated.

In response to mounting national and international pressure not to commence with flooding until all appropriate studies had been done, another independent review of the SSP was commissioned in August 1993. The report of a five-member panel was intended to be ready by mid-November 1993 but was not yet complete at year-end 1993. In any event, its recommendations are not legally binding. Moreover, it is notable that in December 1993 the environmental sub-group of the Narmada Control Authority (NCA) advised the NCA that it should not close the sluice structure that would inevitably lead to inundation. While the initial response of the NCA was to heed this advice, in late February 1994 work started at the foot of the Sardar Sarovar Dam that would close the sluice gates. If inundation in fact is allowed to occur, it shows that the NCA has effectively abandoned its approach to *pari passu* as R and R is not yet complete.

II
Theoretical Discussion

Interest in ecological economics (EE) has evolved from an increasing concern that economic policies and environmental policies need to be better co-ordinated.[9] It draws on decades of experience from multiple areas of investigation in the natural and social sciences. Some of its key policy prescriptions – such as the 'polluter-pay-principle' and the 'precautionary principle' – have found their way into policy discourses of industrialised and developing countries alike. Although some of the roots of the discipline are found in the neo-classical conventions of environmental economics, EE draws more on current ecological thinking to describe system behaviour and to prescribe appropriate policy interventions.

The rapid changes being experienced in many countries provide a need for rational planning approaches that will ensure that the limits of the economic, social, and environmental systems are not breached.[10] As EE addresses the interactions of these three dimensions, EE plays a potentially important role in rational planning. These three components – the economic dimension, which captures aspects of efficiency, the environmental dimension, which captures aspects of ecological significance; and the social dimension, which captures aspects of equity – all form important theoretical and practical cornerstones to EE approaches.

Perhaps foremost, EE relies on a number of reference assumptions which are subtly different than those under which conventional neo-classical economic analyses often occur. First, EE explicitly acknowledges that system behaviour is scale-dependent, in particular, natural ecosystems that are critical to human life support functions are finite in extent (and often have no substitutes) and will generally become less stable as the scale of development activities expands. Maintaining the functionality of such 'natural capital' through limiting the scale of activities can therefore be of key importance. Second, the uncertainty of ecosystem-economic linkages is explicitly acknowledged and, in particular, a 'viable' general equilibrium cannot always be assumed to exist. Precautionary planning approaches which provide some flexibility in project design are therefore generally favoured. Finally, maintaining the self-organising capacity (e g, 'health') of the broader ecosystem is regarded as a potential objective in its own right. This does not necessarily imply that people's lives are sacrificed for the sake of the broader ecosystem; people are, however, treated as an integral component of the ecosystem and their interests are inextricably tied to the well being of the larger system.

Lessons from Ecological Economics

The theoretical discourse and applied work within the EE discipline has resulted in a number of important lessons which are of relevance to project assessments of the sort required for the Narmada Valley projects.

Ecological economics explicitly treats 'scale' as an important third dimension in project assessment: economic efficiency and distributional equity are the other two dimensions.[11] The basic arguments for incorporating such a measure are quite straightforward. The 'scale' dimension essentially provides a feasibility constraint to the overall system. One might imagine a project, for example, which is apparently completely optimised for efficiency and has an equitable distribution of costs and benefits. If the presumed project is not, however, sustainable because it exceeds physical constraints of a bounding ecosystem, then the project would not be viable. Such instances typically arise for water which may be a limiting resource in many instances.[12] It might be argued that if the implications of the project were properly analysed in the first place, then the supposed efficient and equitable allocation alluded to here would not have been selected. However, by explicitly recognising scale as a project variable, analysis can ensure that it falls within the carrying capacity of the broader ecosystem. To operationalise this approach, applied techniques usually focus on the scale of project activities relative to the values of other activities which are supported by the broader ecosystem.[13]

The above notion of scale is relatively static; it asserts simply that projects should be designed within certain limited criteria. One might imagine, then, that a project could (and possibly should) approach this theoretically limiting scale. A second lesson from EE, however, asserts that the ecosystem's resilience to stochastic exogenous shocks is reduced as projects approach the limiting scale of the ecosystem. In simple terms, 'surprises' become more likely as scale increases. The limiting scale then itself becomes a function of how a project or policy set can adapt to changing circumstances that, for example, lead to the collapse of key ecosystem functions. In practical terms, such factors tend to be most critical when ecosystem boundaries are relatively well-defined[14] or where a series of apparently small projects and policies have significant cumulative effects. Indeed, much of current environmental assessment attempts to address the issue of cumulative effects.[15]

Ecosystem behaviour is inherently uncertain. The uncertainty is manifested in the sense that many of the consequences are unknowable (as opposed to knowable consequences to which some probabilities might be attached). The reason for this is primarily the non-linearity of ecosystems; the expanding science of chaos theory tells us that such systems may flip from one state to another relatively quickly if certain stresses are applied.[16] Non-linear chaotic behaviour is becoming increasingly recognised as a component of economic systems.[17] But such behaviour is so pervasive in ecological systems that it is problematic to apply the usual 'marginality' assumptions of economic analysis to these types of systems. As noted previously, the behaviour becomes more pervasive as the 'scale' of some activity becomes larger; 'surprise' fisheries collapses

in many parts of the world are being attributed to activities which approached the limiting bounds of the available stocks.

Inherent uncertainty in ecosystem behaviour, an incomplete understanding of how various components of ecosystems interact and an incomplete understanding of how ecosystems interact with human economic behaviour, are all part and parcel of the current state of theory in this area. As a result, it has been impossible to formulate and to prove an 'integrated existence theorem' which allows us to assume that a concurrent well behaved general equilibrium of ecological and economic systems exists.[18] Current existence theorems used to assert a general equilibrium within the economic discipline effectively assume that bounding systems equilibrate. But an integrated existence theorem that does not make this assumption is critical for larger projects if, as in standard economic analysis, we are to use valid assumptions regarding project evaluation parameters. The only 'integrated existence' theorem which is currently provable is the rather uninteresting case in which ecosystems flip into a new equilibrium which excludes human activity: 'death is always the final equilibrium'.

An important concept arising from the ecological sciences is that of 'ecosystem health'. The general idea is to draw some analogy to human health, implying that a certain set of measures (equivalent to pulse, blood pressure, etc.) can be derived to describe the general state of ecosystem functioning. While research in this area is still at a relatively early stage, a number of important lessons have been learned to date. Foremost, because ecosystem behaviour is inherently uncertain, maintaining an ecosystem's ability to adapt to changing circumstances can in itself be regarded as an important policy goal. This adaptability is generally referred to as its 'self-organising capacity'. A critical component of this is, indeed, the *human* element of the ecosystem, which has the ability to nurture and protect overall ecosystem health in its own self-interest. Projects which pose a potential threat to this self-organising capacity might be rejected outright (in the case that they threaten key life-support functions) or might be adjusted to include explicitly adaptive capacity.

In summary, to reflect these lessons, common elements of many EE policy prescriptions include: (a) a call for precautionary policy formulation that does not threaten critical environmental support systems; (b) a call for increased attention to the social equity dimensions of policy design; and (c) stronger decentralisation of decision-making authority to resource users, or to individuals directly experiencing the impacts of resource use. These types of policies, as a general set, have been referred to by the International Institute for Environment and Development as 'primary environmental care' (PEC) to reflect the idea that economic, environmental and equity goals should all be addressed simultaneously.[20] The 'decentralisation' theme arises from the abundance of evidence that such decentralisation jointly achieves three goals of sustainable development: it improves economic efficiency; it leads to improved environmental management; and it increases social stability through giving individuals a greater sense of empowerment. Examples of greater decentralisation include: establishment of some form of property rights, reliance on price and market signals for environmental management (as opposed to regulations); and, delegation of environmental responsibility to local authorities, with concomitant enabling fiscal powers.

Implications for Project Valuation

The use of *properly-formulated* CBA is achieving renewed interest as it provides a means for quantifying economic and environmental effects using a common numeraire. Although the theory of CBA is well established and has not undergone profound changes over the past decade, much of the criticism of CBA has been levelled at its improper application; while the theory clearly calls for consideration of social, environmental and other impacts, these are often not addressed in practice because of the difficulties associated with specifying or valuing the impacts. When honest attempts are made to consider these impacts, however, they provide a useful tool for project appraisal and planning. There are, however, still a number of important theoretical constraints to adopting CBA.

Even within the accepted theory of CBA, it is important to recall the limiting assumptions of its validity. Foremost, typical valuation assumptions *require* that the project be a relatively small project which does not undermine the general equilibrium (GE) of the economic structure. Analysis of large projects, or of projects which involve massive income redistribution, requires estimation and consideration of new GE conditions.[21] In addition, for such large projects, shadow-pricing and project feasibility assumptions must reflect potential macro-economic financing constraints and the fact that projects may themselves be correlated with national income.[22] In particular, this may require explicit acknowledgment of risk within the project appraisal; at a minimum, this requires use of expected values instead of model values.

In addition, however, EE points to a number of other limitations of CBA. First, standard economic theory tells us that large projects require explicit calculation of GE effects. Because the lack of an integrated existence theorem implies that such GE modelling cannot satisfactorily incorporate environmental effects, the use of CBA on large projects having a scale that approaches the resilience limits of some ecosystems should be regarded as suspect. This also applies to small projects that, when taken cumulatively with a number of related projects, approach a relatively large scale.

Second, the unquantifiable *uncertainty* discussed earlier limits the applicability of CBA to situations which have reasonably well-defined potential outcomes. Where such outcomes are not well-defined, analyses must explicitly attempt to account for uncertainty. The general approaches to do this in the literature involve either sensitivity analyses, risk analyses based on probability distributions, risk analyses based on adjustments to the discount rate, or explicit calculations of option values. Sensitivity analyses are not generally very instructive in practice, and probability-based analyses do not address the problems of unquantifiable uncertainty. Also discount rate approaches have largely been discredited as an appropriate form of risk analysis for environmental problems: there is no *a priori* reason for assuming that either an increase or a decrease in discount rates will be more representative of an environmentally sensitive appraisal in a world in which the social discount rate is assumed as exogenous.[23] Where ecological uncertainty from non-linear systems arises it would, for certain projects, require that negative discount rates be used for appraisal.[24] Moreover, even if a multi-generational general equilibrium did exist, then discount rates are in fact endogenously determined under a 'sustainability' constraint; such discount rates should therefore not simply be assumed as exogenously applicable to all appraisals.[25] In short, valid discount rate approaches themselves require knowledge of the interactions between various system components. Where this information is unavailable, 'option value' methods remain as a potentially applicable technique. Essentially, these approaches place a value on 'undisclosed future information': the literature dealing with critical ecosystems, however, clearly shows that rational choices under such calculations generally lead to flexible, precautionary policies and projects.[26]

Third, the issue of ecosystem health essentially raises the question of how much should rightfully be incorporated within the objective function of a CBA. Many attempts at evaluation of environmental impacts essentially assume that trade-offs are possible. If, on the other hand, maintaining the self-organising capacity of the ecosystem is taken as a separate 'higher-order' objective, then any subsequent CBA can be used only to the extent that it evaluates projects or policies that operate within this

constraint. Although it is acknowledged that, in theory, some degree of optimisation of a system's self-organising capacity may be appropriate, such fine-tuning is generally rejected in practical terms. The favoured approach explicitly separates the ecosystem health constraint, if it can be demonstrated that the potential risks to ecosystem or human health are relatively large.[27]

In closing, it is relevant again to note that much of the above can, in theory, be incorporated within a well-formulated CBA if objective functions are properly specified and if the existence of technical feasibility constraints is acknowledged. The complexity of undertaking such a CBA in applied work, however, extends far beyond that which is typically attempted in standard project appraisal. In the case of large infrastructure projects – such as those in the Narmada Valley – the scale of the proposed projects and the lack of information relating to environmental impacts and linkages seriously undermines the tractability of such an exercise. For this reason, there is an increased call for mutli-criteria analyses (MCA) to be conducted on large projects with high uncertainty and potentially substantial ecological impacts.[28]

III
Empirical Discussion

Numerous analyses have been undertaken of various components of the benefit and cost streams that might be associated with the Narmada Valley projects. Some of these have involved simply qualitative statements whereas others have attempted more rigorous estimates of the physical and monetised impacts. An overview of the general extent of some of the benefits and costs is provided in the figure; this inventory is meant to be indicative only of the nature of some of the more potentially significant impacts.[29] There is, as noted earlier, significant controversy over the actual extent and value of a number of these impacts. The purpose of this section is to highlight selected impacts and to show in greater depth three of the issues – relating to scale, uncertainty, and ecosystem health – of interest to ecological economics.

Many of the original objections to the CBAs of the projects focused on the fact that they either completely ignored important externalities or that they effectively double-counted certain project benefits. In some cases, the original CBAs simply ignored even significant market transactions. For example, most project descriptions assert that significant benefits will accrue because of domestic water provision, yet the formal project definition excludes the technical components (and costs) related to such provision. These costs are estimated to be as high as Rs 5,000 crore.[30] Subsequent criticisms of the CBAs focused on the technical assumptions under which they were undertaken. For example, original evaluations neglected evaporation losses and seepage from the canals, resulting in overstated benefits for irrigation.

While criticisms of this sort are legitimate challenges to the integrity of the analyses, they overlook the broader issue of whether such CBAs should, in this case, be regarded as valid analytical tools. The previous section demonstrated that CBAs which ignore scale, uncertainty, and ecosystem health are inherently flawed if these three issues can be demonstrated to be important factors. The following provides analyses of these issues to demonstrate that, in the case of the Narmada Valley projects, they are indeed relevant issues. The analyses are based largely on information already available for these projects, yet the information is cast within the context of these three issues.[31] The general approach is to provide selected monetised estimates of costs to illustrate that within the context of other project costs, these issues are indeed significant.

Measures of Scale in Environmental Impacts

A major issue of project scale with the Narmada Valley projects is the extent of the linkages and dependencies between the SSP and the NSP. The independent review noted that the SSP would not work as anticipated because the design of the SSP in fact required that the NSP were in place upstream to provide the required water control; under the circumstances, many of the asserted benefits of the SSP would be quite specious. A complete analysis must consider the cumulative effects of all of the major project components which, in this case, include the upstream Narmada Sagar projects.

It is instructive to consider some of the more significant potential environmental costs associated with basin-wide development in comparison to the construction costs of the SSP and other economic indicators within the region:

	(in 1993 millions of US $)
Construction of SSP only	3,500-5,700
Construction of SSP and NSP	4,800-7,000
Downstream impacts-mitigative water management	2,200-3,500
Upstream impacts – Environmental costs of forest loss (approximately)	23,700

The downstream impacts represent the mitigative costs associated with ensuring that the water supplies are indeed available for domestic and livestock use. Given that salt water intrusion is likely, these estimates include provisions for mitigating impacts of salinisation. It is important to note, however, that these estimates are *modal* values; while there is some chance that costs will be less than this, there exists a possibility that severe aquifer damage from upstream watershed modifications will substantially increase the mitigative costs associated with this water supply. The upstream environmental impacts from (primarily) the Narmada Sagar projects are almost an order of magnitude greater than the actual construction costs of the projects themselves. Again, however, these are modal estimates of the immediate land-use impacts; greater impacts are conceivable if unforeseen hydrological effects occur as a result of forest cover losses.

When these figures are placed in the context of direct project costs and of other economic factors in the region, it is clear that the scale of the impacts is unprecedented. The state of Madhya Pradesh, which is one of the lesser developed states in India,[32] has a GDP of approximately US$ 11,000 million annually. Gujarat and Maharashtra GDPs are approximately US$ 13,000 million and US$ 26,000 million respectively. Even though the impacts will be spread over some years, the scale of the potential impacts is quite significant. Given that many of the forestry losses will be in Madhya Pradesh, massive economic adjustments would occur in this state given its relative poverty. As it is not possible to predict the general equilibrium impacts of this type of environmental disruption, the application of traditional forms of CBA is highly suspect.

Measures of Uncertainty in Distributional Impacts

There is little question that persons will be displaced by both the SSP and the NSP because of the dam infrastructure, the irrigation canal networks, and the reservoirs. One of the key issues with the projects, however, relates to the uncertainty of the distribution of impacts. This arises from a number of factors. First, the actual impacts on population displacement are relatively uncertain. Second, the manner in which the people will adjust to that displacement is also highly uncertain. In the case of the SSP, conservative estimates indicate that 245 villages with a total of 1,00,000 people will be displaced by the reservoir. The displaced population of Madhya Pradesh will be about twice as large as the combined displaced populations of the other two states. The canal network will affect about 1,40,000 farming families, 24,000 of which (some 1,20,000 people) will lose at least 25 per cent of their land. About 5,000 people have already been displaced by the dam-site and irrigation head infrastructure. In the case of the NSP, estimates done in 1988 indicate that about 2,00,000 people will be displaced by the reservoir alone. The Narmada Valley project as a whole is expected eventually to displace over one million people. Not included in any of these estimates are the affected persons who live upstream and downstream of the projects, and those who live in areas to which persons displaced by the projects are resettled. Given the current

regional disparities extant in the area," failure to address this uncertainty can be expected to lead to significant social tensions and – potentially – to increased economic hardship.

In economic terms, the nature of the impacts may be quite significant. The potential ranges of economic costs associated with population displacement from all of the projects are estimated to be as follows:

	(*US $ million/year*)
Losses from displacement (lower estimate)	100
Losses from displacement (upper estimate)	>530

These are order-of-magnitude estimates based on the lost production from current economic activities. Most of these costs would be borne in Madhya Pradesh, which is at greatest risk from more extensive flooding because of backwater effects and risks associated with deforestation and ineffective reforestation programmes. To place this in perspective, it is significant to note that the direct costs (of resettlement and land acquisition) have been estimated as a one time budgetary requirement of about US$ 275 million for the SSP area and an additional US$ 425 million for the NSP area. If the higher estimates of losses are in fact realised, this budget level is likely to be wholly inadequate. Moreover, the unavailability of suitable land noted by the independent review suggests that compensation budgets may be inadequate in any event.

Under these circumstances, it is again clear that many of the traditional assumptions relating to GE in the region will likely not apply in this instance. The uncertainty poses a serious challenge to assessing the impacts, given that the uncertainty is derived from a combination of environmental impacts, labour movements, and economic opportunities in different parts of the region. While GE structures might (under ideal circumstances) be capable of accommodating some of the adjustments in labour markets and economic opportunities, the effects of uncertain environmental impacts can not be assessed at this stage. For CBA to have an application in such circumstances, however, it must be able to assess the GE impacts of any potential scenarios.

Impacts on Ecosystem Self-Organising Capacity

An important issue in measuring ecosystem integrity is to maintain its self-organising capacity intact. Threats to an ecosystem's resilience can, over the long term, lead to a breakdown in the system's ability to deal with exogenous shocks. This is most readily seen in the aspect of human health. People are, in all respects, an important element of the broader ecosystem and, to a large degree, human health can over the long term be regarded as an indicator of broader ecosystem health. In the Narmada Valley project area, the single most important threat to human health is the potential impact through water-related diseases. A World Bank report stated that malaria presented a serious threat in the vicinity of the canal network and the potential for schistosomiasis existed throughout the area. The Independent Review noted that malaria outbreaks and deaths had occurred near the dam site; schistosomiasis has been confirmed in at least one village in Maharashtra. In this example, an analysis of the potential economic impacts of the increased incidence of malaria illustrates that, here too, the magnitude of the impact suggests that there is a real threat to overall ecosystem health.

Estimating the economic impact of malaria is relatively complex. In principle, the correct economic valuation is based on an assessment of how much compensation individuals

Figure. Selection of Asserted Benefits and Costs from the Narmada Valley Projects
(SS = Sardar Sarovar, NS= Narmada Sagar, 1993 prices, values in crore = 10 million Rs)

Benefit	Description/Nature of Benefits
Irrigation	Irrigated area of 1-2 million ha. Area served by SS depends on upstream control at NS
Power	SS has installed capacity of 1450 MW; additional capacity of 1590 MW from NS projects
Domestic water	From 25-40 million people will have improved access to domestic water supply.
Livestock water	In the northern part of Gujarat, pastoral families will have improved access to water.
Industrial water	Narmada Water Disputes Tribunal Award allocated 0.207 maf to industrial uses
Pisciculture	Estimated improvements of the order of 70 crore for NS project area
Flood control	Flood control exists from Narmada Sagar projects as upstream control structures.
Reduced imports	Increased foodgrain and oilseed production reduces need for imports
Cost	**Description/Nature of Costs**
Dam construction	Dam works at each of the NS project (4,200 crore) and SS project (11,000-18,000 crore) areas will be constructed
Catchment area treatment	Demarcation of degraded areas, nursery development, and action programme for treatment of catchment area at cost of approximately 1,100 crore
Command area development	Provision of surface and sub-surface drainage and pollution control measures to mitigate waterlogging, maintain water quality and optimise water use (2,500 crore)
Compensatory afforestation	An area of 90,000–97,000 ha of degraded forest will be afforested at a cost of approximately 1,700 crore.
Canal construction	Canal network will involve about 75,000 km of canals (including main, branch, distribution and minor canals) over 85,000 ha
Domestic water provision	Supplementary costs of water supply were excluded from earlier estimaes of project costs. Cost estimates range from 1,500-5,000 crore for SS project area.
Power consumption	Supplementary power requirements for lifting groundwater and operating domestic water distribution. Costs estimated in range of 2,700-3,400 crore for SS project area.
Resettlement and rehabilitation	Total direct resettlement and displaced persons estimated to be as high as 1.5 million individuals. Many are indigenous people. Total direct costs are 2,200\ crore.
Forestry loss and associated environmental losses	Submergence will cause loss of 43,000 ha of forest in NS proejct area and up to 16,000 ha in SS project area. Total direct costs of forest loss are about 600 crore. Total indirect environmental costs (excluding loss of genetic resources) associated with forest loss are 73,500 crore, using norms established by the Forest Research Institute.
Agriculture land loss	Submergence will cause loss of 44,400 ha of agricultural land in NS project area and 11,300 ha in SS project area.
Wildlife impacts	Loss of corridors will reduce habitat and threaten ecosystem biodiversity
Sedimentation and siltation	Sediments reduce useful life of dam, reduce power generation capacity, and create backwater effects which inundate upstream areas above submergence zone
Waterlogging	Soil degradation and fertility loss from waterlogging anticipated in 1,00,000 ha in Narmada Sagar project area.
Salinisation	Salt water intrusion of surface and ground water anticipated in downstream urban and rural areas. Mitigation requires supplemental pumping.
Health impacts	Increased incidence of malaria, filaria, cholera, gastroenteritis, viral encephalitis, goiter and some other water borne diseases in vicinity of reservoirs and canals.
Pollution	Increase in suspended sediments and retention of pollutants from decreased circulation.
Cultural heritage	Loss of important religious sites and tourism potential.
Earthquake risk	Recent events have tragically underscored the seismicity of the region. Fears exist that dam construction will increase seismicity.
Fishery loss	Hilsa, mullet and prawn species threatened. Losses will exceed 385 crore in Gujarat, much of which will be foreign exchange.

Note: The literature typically includes a wide range of cost and impact estimates for various benefit and cost components. Those presented in this table are intended to show order-of-magnitude estimates to provide a context for understanding the projects' implications. See text for references.

would be willing to accept for putting up with high malaria levels. Measuring this is problematic, and the best that rigorous economic methods can often provide is a measure of 'willingness to pay' for reduced malaria; this is typically somewhat less than the willingness to accept measure. But substantial research is required to estimate the willingness to pay, and a lower bound of this measure is often estimated based on the direct impacts on productivity and health care.

Illustrative calculations can be made for a typical scenario within the region, assuming that a malaria outbreak occurs as a result of the projects. If epidemic levels are reached, malaria incidence might be expected to approach approximately 200 cases per 1,000 of population at risk, with child mortality at 50/10,000 and general adult mortality of the order of 20/10,000. Given an 'at risk' population in the region of approximately 50 million people, the malaria incidence would involve some 10 million cases annually, 1 per cent of which would result in death. Although India has implemented successful malaria eradication programmes in the past, modern control programmes are becoming increasingly more expensive.[47] If India could control the malaria outbreaks at close to historical cost (US$ 3 per case averted), then the mitigation costs could be as low as US$ 30 million annually. If, on the other hand, more complex vector-control procedures are required to combat the particular strain, then eradication costs may in fact approach those in other developing countries. In this case, the economic impact would translate to malaria control costs of the order of US$ 400-1,100 million annually. The alternative to incurring these costs would be, of course, to accept the productivity losses from higher morbidity and death rates.

These costs are, in fact, a lower estimate because (a) they exclude a premium component that people are willing to pay for lower malaria incidence; and, (b) no productive economic value was attached to deaths averted. Again, however, the magnitude of the impacts illustrates that – if a major upset occurs in ecosystem integrity – the entire regional economic structure can be undermined. From the perspective of any CBA, such an upset would invalidate the assumptions under which the CBA is in fact a valid analytical tool. To maintain the integrity of the CBA, constraints should, in this case, be placed exogenously on the set of allowable outcomes to ensure that such a complete collapse in the integrity of the ecosystem does not happen.

IV
Conclusions

In effect, the discussions in this paper have argued that traditional methods of CBA are largely incapable of providing any meaningful guidance relating to the overall desirability of the Narmada Valley schemes. Partial empirical analyses demonstrate that scale, uncertainty in distributional impacts, and risks to ecosystem and human health are all potentially significant issues. Under such circumstances, 'precautionary' project development and policy approaches are appropriate; these will, in turn, constrain the potential development options and likely require increased reliance on smaller-scale solutions.[48]

Such approaches will generally attempt to ensure the continued functionality of critical life-support systems. Also, they will explicitly build in a higher degree of reversibility in decision-making than would otherwise prevail. Specifically, key policy interventions will likely be required in three key areas.

Cumulative Assessment and Planning

Planning approaches must recognise and accommodate the fact that cumulative environmental impacts of various project components may in turn threaten the presumed levels of benefits from these projects. In particular, this requires that the SSP and NSP not be planned and evaluated in isolation of one another. If inadequate information exists on a key system component, evaluation of related projects that depend on such components should be suspended until such information is available.

Distribution of Impacts

Uncertainty in the extent and degree of the distribution of impacts suggests that greater contingency planning is required in the event that benefits are not realised or harmful impacts are greater than those currently anticipated. In particular, this could be targeted to those individuals who were the worst-affected as a result of any unsuccessful resettlement and rehabilitation.[49] One potential mechanism to achieve this is to create a stand-alone precautionary fund that would be dedicated to dealing with unforeseen circumstances relating to resettlement or environmental problems. The fund should also be capable, in effect, of placing levies on project beneficiaries through, for example, water charges or surcharges on power use. There are numerous precedents for such mechanisms in other countries.[50] Also, although such mechanisms technically require the 'earmarking' of funds, such earmarking is becoming increasingly accepted even within the traditional concepts of public finance theory if it provides, in effect, a precautionary insurance focus for uncertain events.[51]

Maintenance of Ecosystem Functions

Perhaps foremost, precautionary policies require that one establish a set of operating constraints which ensures that the self-organising capacity of critical ecosystem components is not threatened. Where the impacts on ecosystem function are uncertain, a development strategy must include adequate reversibility such that if the constraints are breached, it will be possible to implement mitigative programmes. Such strategies in critical areas are typically characterised by smaller-scale, phased developments which are coupled to a monitoring network that allows policy makers to track impacts of activities.

One question the above points raise is, 'Is a development moratorium optimal?' The answer to this question must surely be that large-scale development should be halted, but that a development moratorium on smaller projects in the Narmada Valley is likely not optimal. A number of analysts have noted that, even once all of the information regarding environmental impacts is revealed, the SSP and NSP schemes may on balance be quite beneficial. Imposition of a moratorium on all development would, in effect, also imply imposing a moratorium on all of the necessary information on which rational decisions might be based. The problem is that with projects of this scale, the only way to generate the required information is through experimentation on progressively larger scales. In this context, a major criticism of the current scheme is that it proposes running the experiment immediately on the largest scale imaginable.

Although precautionary policies do not necessarily imply imposition of a broad-based development moratorium, they do imply an approach that will likely rely on a larger number of small projects.[52] It is, moreover, acknowledged that the construction costs of such smaller projects may be greater than that of the currently proposed scheme. The issue here, of course, is that such higher costs are justified because of the flexibility and options provided by such an approach; concurrent monitoring of environmental and social conditions will indicate whether development can progress more or less rapidly. Although, historically, large-scale developments may have been favoured, there is increasing evidence in India that smaller-scale approaches can also be an important development strategy where critical environmental or social issues are concerned. For example, almost Rs 30,000 crore has been committed within central and state budgets to improving renewable energy development during the ongoing Eighth Five-Year Plan.[53] Given that large-scale development potentially threatens the ecological integrity of the entire Narmada River basin, perhaps such smaller-scale approaches are also more appropriate to the Narmada Valley.

Notes

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Feminism at the Margins of Anthropology

Kamala Ganesh

THE responses to Dipankar Gupta's 'Feminification of Theory' (*EPW*, March 25) have comprehensively highlighted the extreme selectivity of his citations of feminist studies to make sweeping generalisations. In particular he has ignored the thrust of women's studies in India which has not only been alert throughout to the need for linking activism and academic work, but also been wary of any extreme descent into preciousness or esoterism. I would here focus only on his treatment of anthropology and postmodern anthropology (or the 'new ethnography', as it has often been referred to) and his silence on contemporary feminist anthropology. Gupta argues that more than any other social science discipline, anthropology by its very nature is particularly hospitable to postmodern tendencies and that "it is not at all surprising that feminists should borrow freely from this discipline, either from within or without". One naturally presumes that he will follow this up with examples from and analysis of feminist anthropology/anthropology of gender/anthropology of women (I am using the terms interchangeably) and with specific examples of feminist (non-anthropological) studies that have borrowed freely from anthropology. One waits in vain. Except for a passing reference to Mascia-Lees et al (1989) who in fact have developed in great detail an argument on why feminist anthropology is incompatible with postmodernism, there is no substantiation of what is surely a major peg in his argument.

Gupta's characterisation of the discipline of anthropology is as totalising and ahistoric as his characterisation of feminism. He seems to be ignoring the serious changes within the discipline in its different phases.

On the one hand, he argues that the field of the anthropologist often loses its objectivity, since nobody else is likely to ever go to the same locale and challenge his research. This is a moot point. Shostak who worked among the !Kung records that she had been preceded by several succeeding waves of anthropologists; Margaret Mead's material and interpretation have been challenged by Derek Freedman who went there years later. Fields are finite entities and cannot remain endlessly pristine for generations of anthropologists. Gupta's point has some validity for the early phase of the discipline, but then all the more reason why such unchallengeable anthropologists "in some dank and dreary rain forest" would claim scientific validity for their data rather than call it 'fictions' or 'creations of the mind' (thus undermining their own work at a stage when postmodernism was not yet an attractive option and scientificity was at a premium). The choice of metaphor, poetry and literary trope would be the convenient stance (if one wants to label it as pure stance) if others have written about the same field and do challenge him. This then would be attractive in a later (more contemporary) phase of anthropology rather than an earlier one, during which, in fact, anthropology with its 'four field associations' (physical anthropology, archaeology, linguistics and cultural anthropology) had greater claims on scientificity than other social sciences.

Though there is a trend in anthropology towards disclaiming scientific objectivity (for example, a big debate is going on currently and inconclusively in the pages of *American Anthropologist*), it should not be overestimated. Even so, such as it is, why is this trend (now) apparently stronger in anthropology? It is not that the anthropologist's field is somehow more subjective than other social sciences. In part, it is the discipline's distinct methodology of intensive fieldwork with participant observation, and its typical vantage point perched at the borders of two cultures that brings out in a rawer and more dramatic way, the difficulties of looking at categories in the field through categories derived from academic disciplines (and the vantage point does not necessarily or completely disappear when the researcher and the researched belong to the same broad culture, since the former is still formally trained in the discipline's characteristic mode). This problem is not absent in other social science disciplines but gets masked due essentially to the more focused and specialised nature of their gaze, though the field is the same: one's own or 'other' cultures and societies.

The 'blame your own discipline' syndrome in anthropology is not derivable from postmodern ethnography. It arose in the very definite context of decolonisation. Critical anthropology, and later 'action anthropology' that grew from it have brought to attention the apolitical surface of the discipline which allowed it to gloss over the wider context of inequality in which researcher-researched relationships operated. [For sharply articulated discussions, see Asad 1973, Gough 1968 and 1990, Huizer *et al* 1979]. The not inconsiderable phenomenon of 'native' or 'indigenous' anthropologists looking at their own cultures or those within their national borders, with its potential of bringing in polyvocality to the earlier situation of the monopolistic authorial voice over is not always explicitly or sufficiently acknowledged within the discipline. But it did create pressure points and marked a critical transition in the discipline's self-perception.

The new ethnography represents only one strand of this transition and development. Its primary focus is seen as the interpretation of the text and constitution of ethnographic authority as subjective and contested. There has been sharp criticism about its lack of concern for relations of power and politics [for example, see Keesing 1987 and Scholte 1987]. Indeed, the postmodern turn in anthropology has been seen as a defensive response to the displacement of the singularity of the male white anthropologist by not just the indigenous but the feminist anthropologist as well [Bell 1993:7].

Given feminism's and feminist scholarship's overall orientation towards looking at social reality from a gendered perspective, towards focusing on power relations, taking sides and acting for the transformation of women's situation (and while there are many fierce, internal debates over what constitutes valid action and intervention, there is a broad consensus on the need for it), there is a serious contradiction in equating it *in toto* with postmodernism. The striking commonalities lie in the project of dismantling of 'objectivity'. But the routes taken by the two streams are distinct and independent (and not one of the latter yielding to the former's directives, as Gupta puts it). Having arrived at an awareness of the importance of subjectivity in knowledge through the experience of being dominated, presumably further development in feminist studies may be along distinct routes too. Consciousness-raising through sharing of personal experience of discrimination as well as shared endorsement of the significance of the small and micro level processes of 'women's world' (while demonstrating the lopsidedness of objectivity as another name for male subjectivity) are too rooted in the daily grind of the real world to be postmodern in the currently accepted sense.

But to bring the discussion back to a disciplinary base, anthropology of women is not a recent area of research, nor were the earlier phases necessarily uninformed by feminist questions. Margaret Mead's work is often seen [as, for example, by Sanday 1990:23] as a forerunner to later feminist inquiries. Some of her contemporaries like Phyllis Kaberry and Audrey Richards also,

in some of their work, focused on women and politics are intertwined, that and what was considered to be 'women's sphere': the label was a subtle way in which their 'protofeminist' insights on cross-cultural differences and similarities in the position of women were excluded from serious incorporation within the discipline [see Gladstone 1992]. A more systematic and theoretically grounded critique of patriarchy was developed in the 1970s. It focused sharply on androcentrism but was not equally categorical about eurocentrism. [For a compact reading list, see Bulbeck 1991]. While there were two somewhat opposed positions on the issue of female subordination – universal versus historically evolving subordination – both were preoccupied with power relations between men and women as undifferentiated categories, and a casting of women as passive acceptors and victims. In current research assumptions and approaches of monocausality have largely disappeared, and differentiation of the category of 'woman' is very much on the agenda. Yet the earlier approach gave way to this one with rapidity, with internal linkages, through the weight of its own logic, and through engagement with concrete issues of cultural difference which were focused on by non-white feminists from the west and third world. Often the same people transited from one to the other position [see, for example, reflections by Schrijvers 1989 and Wieringa 1990]. In any case, they definitely stood on the shoulders of the earlier generation and that before it, sharing much in common, even though differing in certain respects. That is to say, contemporary feminist anthropology has a double descent from feminist movement as well as anthropological concerns and cannot be severed from its predecessors in the same genre. It is not derivable from postmodern studies much less postmodern ethnography. This, not-withstanding undoubted isomorphisms.

The areas where recent writings in feminist anthropology appear to be close to the new ethnography are in the greater consciousness of the need for reflexivity and dialogue in the mode of doing as well as writing up ethnography, a recognition of the subjective nature of the fieldwork process, stress on difference and experimental knowledge and on experimental writing of the ethnographic text so as to reflect the presence of the potential readers as well as the writer in addition to the 'field'. The point has been made strongly [by Mascia Lees et al : 11, but also, for example by Bell 1993, and Jennaway 1990] that feminism has anticipated by over two decades several things that postmodern ethnographers are saying now: that culture is composed of seriously contested codes of meaning, that language construction of the other entails relations of domination. But neither postmodern ethnography nor mainstream anthropology acknowledges it, much less engages explicitly with it, which fact itself ought to alert us to some principles inherent in a feminist position which militate against its subsuming in either of the two. Caplan (1992: 85) makes the point that in *Writing Cultures*, a major text of postmodern ethnography, the introduction cites Shostak's 'Nisa' as an example of experimental writing but has not included any feminist contribution as a paper in the volume: a typical left-handed compliment.

The compatibility of anthropology and feminism itself has been the subject of some debate. Strathern (1987), for example, has argued at length that the 'self' of each is constituted by a different kind of 'other' and hence that there are irreconcilable differences between the two. Feminist anthropologists have been conscious of its marginalisation in the academy, i e, within mainstream anthropology. Whereas other disciplines have used anthropological material and insights on women enthusiastically, within the discipline itself, it gets no more than a token bow. It has been allowed to exist, they feel, but not permeate the academy [see especially Caplan 1992 and Jennaway 1990]. The latter points out that this is in contrast to the relative ease and seriousness with which postmodern ethnography has been allowed to engage in centre-stage debate, and suggests that the reasons may have to do with the fact that anthropology continues to be underpinned by a 'paradigm or metatheory which takes as axiomatic the possibility of a neutral epistemology that posits the existence of a realm of pure logic in which cultural abstractions can be made amenable to scientific validation. Feminist anthropology rocks this particular boat in a way that postmodern anthropology does not since the former implies a radical reordering of social relations and the latter only a paradigm shift. According to Caplan (1992), the critical distinction between feminist anthropology and postmodern ethnography lies in the former's insertion of the political, and its sensitivity to power relations, a consciousness that is heightened (though not necessrily created) by women's experience as subalterns.

There is of course a fierce debate within feminism about the 'women as women' line of argument and about the viability of solidarity and sisterhood. It is a complex issue, difficult to take positions on, but one could in a limited sense, see a certain genre of writings of (in the main) women anthropologists (not necessarily feminist) as containing elements that have given anthropology its dialogic and reflexive orientation.

The reflexive tradition in anthropology is best expressed in the 'fieldwork account', that companion volume to the 'real' study

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that was often apologetically presented. The process of doing of ethnography seems to catalyse the release of submerged perceptions of the constructed nature of social scientific knowledge. It has been argued that women fieldworkers have done this more deliberately and unambiguously than men [Bell 1993] due partly to working and writing as a woman in a predominantly male profession. Even in 1939 Richards, for example, pointed out how data gathered in fieldwork was selective, and consciously or unconsciously reflected the observer's interests or theoretical approach. Fieldwork was an arbitrary process dependent on the nature of the encounter between the subjectivity of the anthropologist and his or her informants. In this, both anthropologist and informant were affecting each other. Jean Paul Dumont (1978) has noted that publications on fieldwork – the nitty gritty the process – were mainly by women, while men were doing the 'real thing', i.e. when there were husband and wife teams. In such collaborations, women tend to adopt the anecdotal mode [see Caplan 1992]. According to Bell (1993:4) for the most part such accounts by women anthropologists reveal high levels of integration between their professional and personal selves, and by way of contrast Malinowski's 'Diary' in the strict sense of the term raises a host of questions between his professional pronouncements and private preoccupations. Earlier such reflexive accounts of field work were treated as self-indulgent confessionals, but now that men are doing it it is called experimental and given importance. She further shows how women ethnographers' writings show a preference for auto-biography biography and dialogue and suggest their search for a mode of reporting that represents their experience as affective and their knowledge as grounded in specific relations. "Forced always to acknowledge their partial perspective, yet knowing the specific truths of their ethnography, women are thus reflexively predisposed." [Bell 1993:7] In accounts of fieldwork, starting with Bohannon (1954) and Powdermaker (1966) women have been conspicuous for their consideration of the impact of their presence in the field as an element of their ethnography; their personal biographies, age, marriages, children and so on. Such reflections on the gendered nature of the field and fieldwork have made an important contribution to understanding and mapping experience-based knowledge. Yet, they have not been able to bring this into the disciplinary agenda so far.

A final point. What is disturbing as well as puzzling about Gupta's piece are its tonalities. Seemingly, his main attack is on contemporary postmodern feminism. But he is hostile to all kinds of feminism, and feminists except Simone de Beauvoir. The "Kate Millet variant", which he calls an intellectual cripple, was part of a phase where the developing critique of patriarchy had not lodged itself within disciplines and theories. Why brand it as something it did not claim to be and then criticise it for not measuring up? While he seems at one point to concede its activist dimensions by saying that "it served to get things in the open as never before" (and of course it is not surprising that in the given rankings of prestige, he rates activism lower than intellectual activity) but in the very next line he reduces what was brought out in the open to breasts, bodies and swear words and not to issues like domestic double burden, disparity in wages, sexism in the work place and use of women's bodies by the media, which were very much part of the concerns at that time [for example, see Morgan 1970]. While he is severely critical of women in this phase who, according to him, tried to become like men instead of being women in their own right, all he can conjure up by way of imagery when his wish did come true, is lipstick stains on cigarette filters, whereas one could equally evoke other images of partial truths: men (and women) with babies strapped on to their back carry, working in the offices, sharing the nurturing role or closer to home, the rolling pin and thali groups/demonstrating against price rise or even if one is influenced by advertising a sari clad woman going to work driving a snazzy scooter in the traffic jam. Why should contemporary feminists be "adorning board rooms"? Even if one disagrees with their theories surely they are complex and hard hittingly argued at the very least. And why should tinted hair bother him? Is it his case that feminists should not use cosmetics? It could be that Gupta's in expressing his feelings which others share but do not voice for fear of being called politically incorrect (remember Friedan's "the problem that has no name") is straining to make himself heard. If so, his language and style seem to be the equivalents of the nude marches, bra burning and dirty words which he reduces feminism to.

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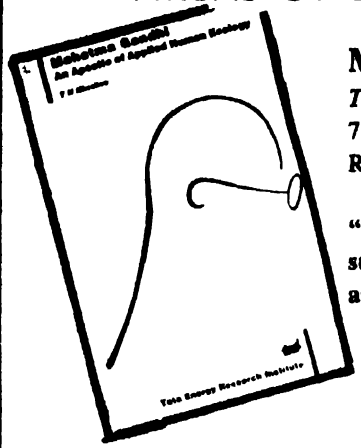
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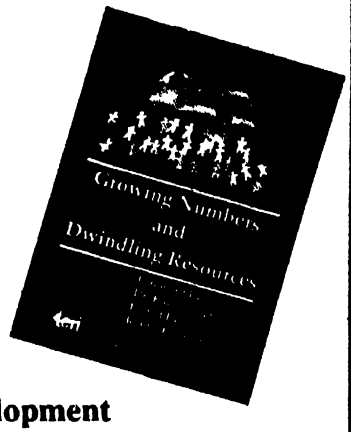
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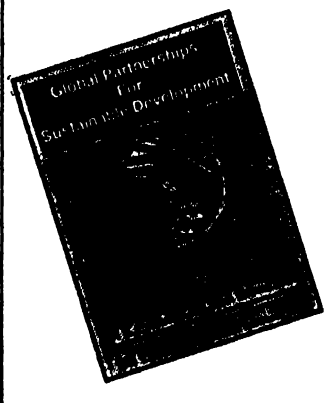
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ECONOMIC AND POLITICAL WEEKLY

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■ ECONOMIC REFORMS AND RATE OF SAVING

■ USING PLANNING COMMISSION AS A POLITICAL PAWN

■ SUPREME COURT AND UNIFORM CIVIL CODE

■ KASHMIR: AUTONOMY ONLY SOLUTION

■ PLANNING FOR DELHI AND NATIONAL CAPITAL REGION

■ 'GENDERING' DEVELOPMENT: ISSUES AND POLITICS

■ MALARIA ACTION PLAN: PANIC REACTION

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Economic Reform and Rate of Saving

The behaviour of domestic saving has been one of the key issues in the current debate on the process of adjustment in the Indian economy following the market-oriented policy reforms initiated in 1991. An important objective of the reform process is to improve the balance of payments position without sacrificing output growth. The attainment of this objective depends crucially on an improvement in the savings performance of the economy. Viewed in this context, the decline in the saving rate since 1991 is a matter of utmost concern and deserves careful examination. **2184**

Urban Planning for Delhi

The interval of almost a decade between the termination of the first Master Plan of Delhi (1962-81) and the beginning of MPD II has been a major factor in the unbalanced spatial expansion of the Delhi Urban Agglomeration and the further growth of a large number of unauthorised colonies, squatter settlements and slums. A review of the current status of urban and regional planning for Delhi and the National Capital Region against the background of these developments, the nature, objects and strategies of the two plans, the relationship between them and the adequacy of the two plans in meeting the objectives set for them. **2191**

Secularism: Beyond Heroic Thought

The sociological distinction between secularisation as a social process and secularism as an ideology is important. The usefulness of this distinction is seen in regard to the minorities question: secularism as ideology divorced from the process of secularisation contributes to the process of minoritisation, leaving the door open for its stated enemies to function legitimately in the political system. **2203**

Failed Ploy

The prime minister's attempt to bring the Planning Commission back to life by calling a meeting of the full Commission was part of his desperate efforts to win back lost political support through populist gestures, but it backfired. **2160**

Checking Malaria

The 1994-95 malaria epidemic in many parts of the country were undoubtedly a result of the breakdown of the administration of the National Malaria Control Programme, but the new action plan adopted recently introduces new technical features without tackling the administrative problems. **2172**

New Banking Culture

The new banking culture nurtured by the economic reforms is alienating not only the small borrower but also the small saver. **2169**

A Setback

The CPI(M)'s attempt to take the offensive by organising a 'victory rally' notwithstanding, the results of the Calcutta civic election, like those of the earlier municipal elections throughout the state, have been a [illegible] for the party. **2171**

Negative Lessons

In the sphere of centre-state relations what we have now is an altogether new ball game. If there are lessons from the past, they are about how not to mishandle problems. **2175**

Uniform Civil Code

Different ethnic, religious and linguistic groups have different traditions and cultures and their personal laws are based on them. Any uniform law will have to accommodate these diversities. **2165**

Agenda for Beijing

Women the world over are concerned that the Beijing Conference should not remain only a meeting point in the history of women's struggles enhanced by the characteristic celebratory space, but also be the time for genuine and committed negotiations when governments will set in motion policies and actions which will secure the advancement of women as equal social and political citizens. **2162**

Autonomy Only Solution

Only steps towards autonomy backed by credible guarantees will provide a lasting solution to the problem in Kashmir. **2167**

LETTERS TO EDITOR

Public Enterprises and Bureaucracy

IN my letter (April 29), I concentrated only on those aspects of Ramaswamy R Iyer's comments (August 20, 1994) on my paper (May 28, 1994) which specifically concern my paper. I naturally did not comment on the unsubstantiated/irrelevant observations made by him but only gave some examples. Iyer responds (June 24) by claiming that "I stand by the truth of that account" and by asking "what power can truth or logic or reasonableness have over an obstinate adherence to myth and fable". What he now actually offers as evidence in support of his statements is that he has received "confirmatory and appreciative letters from a couple of distinguished contemporary observers/actors". Henceforth one need not substantiate what one says: it seems it is enough to keep track of the number of confirmatory letters received! Following Iyer's style, I am prompted to say 'amazing performance', but unlike him I am not left speechless. I really do not expect much from some of our 'senior' bureaucrats. We are aware of their culture to consider what bothers them as truth and what others say as myth. Iyer ignores that his account is not the only one known to the readers. As mentioned in footnote number 3 in my paper, my discussion on the Planning and Development Division of the Fertiliser Corporation of India (P and D), which incidentally is only a very small part of my paper, is based on two studies. Neither of these studies supports what Iyer says. Between these two studies and what Iyer says, I have no hesitation in accepting the former because the opinions expressed are consistent with the logic and facts provided.

In my paper, I did not say that planning or public enterprises in India have not achieved anything. In the very first paragraph I pointed out that some PEs, e g, BHEL, have significant achievements to their credit. But I did say (which I think is generally agreed) that the performance of the PEs on the whole has been less than their potential and below the expectations with which they were set up. Without the industrial policies pursued particularly in the 1950s and 1960s, many of the PEs would not have existed today. But after being set up, if these PEs had received greater attention and support from our policy planners, then they would have been much stronger today. In fact, following the logic that zero is greater than a negative number, if some of our decision-makers in New Delhi in the later period had shown less 'interest', if they had left matters to people who understand technology and believe in indigenous development, then the situation would have been far better.

Iyer tries to defend the decision to go in for the 1,350 TPD ammonia plants initially by mentioning that the secretary (chemicals and fertilisers)... "agonised for a long period over the choice..." and now by observing that the induction of these plants was quite smooth and they did not experience any special problems in commissioning and thereby implying that if P and D had been given the responsibility then 'endless troubles' would have been faced. What P and D was trying to do was something new for an indigenous enterprise in a third world country. Naturally, problems are not unexpected particularly when compared with the much more experienced international organisations. We believe that with proper strategic planning and support, P and D had the potentiality to become an internationally competitive organisation. Such planning and support however were absent. In fact there was a lot of opposition to P and D. In view of the promise shown by P and D and the statistics quoted in my paper that 1,350 TPD plants were even internationally not the standard size and that at 80 per cent capacity, the smaller plants can be more cost effective, I think I am justified in questioning the motivation of the decision favouring the 1,350 TPD plants. I repeated these statistics in my last letter, thinking that Iyer had missed the relevant footnote in my paper. In his latest letter too he is totally silent on these statistics. Obviously he has more confidence in his opinion than in hard facts.

Iyer accuses me of sweeping generalisation. Let me again reiterate that I did not say that all bureaucrats/technocrats join World Bank/TNCs or that they do not pursue national interests. But I do believe that some of them, whether they join World Bank, etc, or not, do not pursue national interests.

SUDIP CHAUDHURI

Calcutta

Dissolution of Orissa Local Bodies

THE dissolution of the elected bodies of the panchayats and municipalities by the Orissa government on August 2 is a blatant attack on democracy at the grass roots level. Elections were held to these bodies in 1992 and they had a legal tenure of five years. The recently elected Congress(I) government of Orissa has taken a partisan decision to disband these bodies evidently because a little over a majority of them had Janata Dal in power. The habit of dismissing opposition party governments at the lower level has caused havoc with our democratic process. In a multi-party system each party in power has to co-exist with the others and politically compete with them at the legitimate time.

The Orissa government invoked Article 243N in case of the panchayats and 243ZF of the Indian Constitution for the municipalities and got a resolution passed in the state assembly saying that the laws under which these bodies were operating were inconsistent with the 73rd and 74th amendments and therefore they be dissolved. The publicly stated reason is hardly convincing because even the Congress(I) government at the centre had not pointed out the alleged inconsistency after the constitutional amendments. In fact the state law was modelled after the central draft which was already circulated.

It should be pointed out that unlike under Articles 243E and 243U there is no reference in these provisions to holding fresh elections within six months of the dissolution. In other words there may not be any elections to the panchayats and municipalities in Orissa for an indefinite period. This is in clear violation of the spirit of the Constitution 73rd and 74th amendments and the provision 243E and 243U. It is sad that the period of experiment in democratic decentralisation with one-third representation to women and other statutory forms of reservation has been cut short abruptly. Orissa which took pride in pioneering panchayati raj in the new phase has slipped back once again to the era of suspended institutions and irresponsible governance.

We call upon democratic forces all over India to protest against this decision and help people of Orissa in their struggle for panchayati raj.

L C JAIN, RAJNI KOTHARI,
MANORANJAN MOHANTY,
GEORGE MATHEW

New Delhi

Indian Entrepreneurship

NASIR TYABJI's article (July 29) made a refreshing change in the *EPW* agenda (July 29). I was under the impression that earlier than the establishment of the government Industrial Institute in Madras in 1919, similar efforts were in progress in the north at Modinagar, Kanpur, Calcutta and Benares. Manufacture of boiled lineseed oil, an important raw material for the production of printing ink and paints and varnish was taken up by industrialists like Gujar Mal Modi, Juggi Lal Kamlapati Singhania and some Bengali entrepreneurs in Calcutta and Benares. Eminent industrial chemist P C Ray also inspired Pandit Madan Mohan Malviya and one of the important activities in those days at Benares was the manufacture of boiled linseed oil, neem soap and washing soap free from animal tallow. These were based on Indian know-how.

It would indeed be quite useful if someone undertakes a study of such historical technological developments. I suspect that such industrial activity motivated Raja Baldev Das Birla to undertake the packing of meat to meet the armed forces' demand during the second world war. In those days this created a stir in Marwari society – that Birlaji should do this kind of work for money. Malviyaji did not disapprove and helped in arranging finances from the maharaja of Baroda.

S K SHARMA

Delhi

Farce of Drug Control

THE Drug Controller of India constitutes the final authority on the manufacture, sale and promotion of pharmaceutical products in the country. For aiding the controller and for the implementation of the Drugs and Cosmetics Act, 1940 two technical bodies are constituted, the Drug Technical Advisory Board (DTAB) which advises the state and central governments on the technical aspects of enforcing the act and the Drug Consultative Committee (DCC) to render advice to the governments and the DTAB. While the former is expected to give expert technical advice and therefore comprises technically competent personnel such as the directors of the Central Drug Laboratories, the various research institutes, the presidents of the pharmacy and medical councils, representatives of the Indian Medical and Pharmaceutical Associations and the Indian Council of Medical Research. In other words, the DTAB and the DCC are authoritative statutory entities invested with expertise whose advice, it would be presumed, is needed and heeded by the drug controller, except where administrative problems prevent such acceptance.

About 15 years ago, the Drug Consultative Committee, on the advice of the DTAB, had recommended that several categories of harmful/irrational fixed dose drug combinations be weeded out. The health ministry in a gazette notification of July 23, 1983 banned 22 of these categories. The date is an important one in the drug consumer activists' notebook, for the ban, challenged by drug companies at numerous levels and in different courts in the country, is yet to be enforced. Interestingly, industry's objections to the ban in most cases in court, had not questioned the experts' basis for banning the drugs. Many of these products had already been withdrawn in other countries by the companies themselves, standard textbooks and sources acknowledged that all of them were of doubtful efficacy, some were even dangerous and most of them had been recommended for withdrawal by several reputed authorities abroad. Faced with this state of affairs, the Drug Action Forum, Karnataka, a couple of years back petitioned the Supreme Court seeking implementation of the ban with the added plea, in a co-petition, to expand the list of harmful/irrational drugs to be banned. Given that this required a technical review of the ban list and taking into account the consumer movements' criticism that the DTAB had not given sufficient weightage to consumer needs, the Supreme Court instructed the DTAB to co-opt three experts of independent standing in late 1994.

What has happened subsequently is a mockery of the independent authority vested in the drug controller to regulate and monitor the production and sales of drugs in a manner that they benefit the large mass of the people. In a detailed note to the Supreme Court, the three co-opted members have pointed out the errors of omission and commission on the part of the drug controller who is responsible for convening and conducting the meetings of the DTAB. The note points out, for instance, that the briefs prepared for the DTAB members were never sent to the co-opted members before the meetings; while the material submitted by the drug companies was circulated among the members, the petitioners' contentions were unavailable; remarks made by the three members were selectively incorporated in the minutes of the meetings in such a way that they appeared to support the views of the drug companies. For instance, one of these members had opined that of the six drugs being discussed, two perhaps need not be banned. The report on the meeting deliberately left out the fact that the member had supported the move to ban the four drugs. Distortion of opinions has also occurred on the issue of the need for fresh clinical trials, which the drug companies had stated as being necessary in order to assess the drugs' relevance and efficacy. Curiously enough, the drug controller appears to have raised no objection to the fact that in the volumes of material submitted by the drug industry there was not a single quotation from a standard source and, further, that a large proportion of the material was irrelevant to the drugs under discussion and, even more interestingly, large sections were in German with no translations provided. In general, most of the references provided were from stray research studies, often of doubtful veracity.

It is not that the Drug Controller of India or his counterparts in the states have ever been held up as models of efficiency or objectivity. Nor have their offices been known for their committedness to the welfare of the people. The Lentin Commission, whose excellent report and extensive recommendations on the reorganisation of the Maharashtra state drug control authority have long been mothballed, had exposed the deep-rooted influence that drug producers have over the drug control authority. That the proceedings of the first and only public enquiry instituted by the DCI, again at the instance of the Supreme Court, on the issue of the estrogen-progesterone combination drugs were structured deliberately to favour the drug companies hardly needs to be recalled. If today India has this large array of unwanted, unnecessary and irrelevant but extensively promoted, advertised and marketed drugs which contribute to the spiralling private medical expenditures, it is a measure of the gross dereliction of duty by the drug control authority. And it is most unfortunate that the only agency today which may bring a semblance of balanced functioning to the DCI is neither the political nor the executive authority, but the judiciary.

PUNJAB

Limits of Patch-Work

THE assassination of the Punjab chief minister, Beant Singh, carries a lesson which goes beyond the narrow concerns for security of VIPs. The more fundamental issue of how to deal with armed militancy that is rooted in popular grievances has resurfaced. The bomb that killed Beant Singh has also blown to smithereens the assiduously cultivated myth that unfettered strong-arm tactics are enough to finish off insurgency in any part of the country. K P S Gill, the Punjab director general of police, who has been the main architect of this myth, was given a free hand by Beant Singh as demanded by him. Gill and the chief minister have been patting each other on the back all these months claiming that peace had returned to the strife-torn state. But Thursday's event proved that it was a deceptive peace.

It is apparent now that what Gill had managed to bring about during the last three years (since Beant Singh's assumption of chief ministership) was a temporary lull on the terrorist front, by forcing some of the terrorists to flee Punjab and take refuge in neighbouring states, and others to lie low. The main victims of Gill's anti-terrorist drive have been, as usual in such operations, innocent men and women of Punjab villages – as evident from frequent reports in the press and by human rights groups. It seems that taking advantage of the complacency fuelled by the lull, the terrorists – or at least one group (the Babbar Khalsa International which has owned up to the killing) – have regrouped themselves to strike back. The fact that the blast could take place inside the high-security precincts of the secretariat indicates the extent to which the group could infiltrate into Gill's own security apparatus.

In the Indian situation, peaceful attempts at governance by the civil administration and coercive efforts to impose law and order by the police and military are both equally vulnerable to perversion. Just as corrupt politicians and bureaucrats can buy their way out of the courts, terrorists and militants can buy their way into high-security areas – reducing the entire strategy of VIP-security to futility. As long as the political system and the administrative structures continue to wear thin and crumble, no amount of patch-work by the centre can change the ground reality either in Punjab or Kashmir.

The assassination in Chandigarh must have upset the centre's plans for Kashmir. The Punjab experiment – an elected ministry (in spite of a poor turnout of voters and boycott of the elections by the Akalis, the main opposition) followed by a combination of tough anti-terrorist steps and placatory economic measures to bring about a semblance of peace and prosperity – is being peddled by Narasimha Rao as the model for Kashmir. With this objective in view, Rao is planning to hold elections in Kashmir at the end of this year. If he can pull off the deal in Kashmir, he hopes to use it as a feather in his cap in the coming Lok Sabha elections.

But Beant Singh's assassination, apart from creating the immediate problem of deterring candidates from jumping into the election fray in Kashmir, should serve as a warning to the centre against its propensity towards cosmetic solutions of deeply entrenched political and economic problems. A hurriedly manipulated election, followed by the continuance of repressive policies (legitimised by so-called representatives of the people), can sweep under the carpet popular discontent and other problems for some time. But they will erupt into morbid bursting carbuncles on the body politic every now and then at unpredictable moments, as happened in Chandigarh.

KERALA

Clinging to Privileges

IN Kerala the dominant political view being taken is that the backward castes, including the scheduled castes and tribes have to be specially provided for in appointment to government jobs and promotions in addition to admissions to educational institutions, regardless of whether the beneficiaries of such reservations belong to the 'creamy layer', the layer of those among the backward castes and classes which has already made good economically. This view prevails among almost all political parties (there is no dearth of them in the state) except the CPI(M), a party with a major popular base no doubt. Given the prevailing view and the arithmetic of the partywise distribution of seats in the state assembly, it should not surprise anyone if the bill before the special assembly session to continue the existing reservation system, nullifying the Supreme Court order to the state to exclude the creamy layer, goes through. The statement of objects and reasons appended to the bill justifies the continuation of the existing reservation system on the grounds, first, that there exists a creamy layer among the backward castes and classes which has acquired the capacity to compete with the forward castes and classes and, second, that the backward castes and classes are still under-represented.

It is noteworthy that in both these arguments there is nothing really new that the present UDF administration in Kerala and the supporters of the move within even the opposition LDF are advancing. Denial of the existence of a creamy layer among the backward castes and classes, and that too in a state such as Kerala, is a charade. If there is one state where many among the backward castes and classes other than the SCs and STs have benefited enormously and risen substantially in the income scale, it is Kerala and the state should be proud indeed of this achievement instead of denying it. The reality is sought to be denied by political parties only to retain the electoral support of the articulate elite among these castes and classes who simply do not want to share the spoils that have nurtured them with those among them who have been denied the benefits of the reservation system. In this context, it ought to be noted that even the CPI(M)'s position is not totally in favour of abiding by the Supreme Court judgment on the issue. Its position, simply stated, is that while reservations should stay, the first claim to them should be of those among the backward castes and classes who are not from the creamy layer. Only if no one emerges from the non-creamy layer should the job, promotion or admission go to the creamy layer belonging to these castes and classes. So even the CPI(M) position accepts the continuation of reservation for the creamy layer; it only prioritises the choice within the backward castes and classes (this is not what the Supreme Court intended). The other parties are opposed to even this prioritisation within these classes. Why? Obviously, the creamy layer wants to hold on to its privileges.

CRIME AND POLITICS

Diversionary Tactics

WE did not need to be told how serious the criminal-politician-bureaucrat nexus is by, of all bodies, the Vohra committee – which has not dared even to mention the names of certain former chief ministers and politicians whose camaraderie with underworld dons is an open secret and some among whom actually figure in police diaries. The profound discovery by the committee that crime syndicates and mafia organisations in various parts of the country have established linkages with government functionaries and political leaders had long ceased to be news for the average Indian citizen. The people's daily experience in different states, and under political regimes of every hue, has forced them to accept criminalisation of politics, in much the same way as they have learnt over the years to take in their stride things like nepotism and skulduggery by ministers, racketeering by politicians whom they elect to state assemblies and parliament and bribery among government officials whose palms have to be greased to obtain services which in the normal course should be available to every citizen as a matter of right (such as free medicines in primary health centres in villages or telephone connections in cities).

Given this situation, the Vohra committee's report – if we accept the home minister's claim of its having been presented to parliament without any expurgation (as

alleged by the opposition) – is a d squib. The insipidity of its contents makes one wonder why the ruling party had been sitting tight on it for the last two years. Set up by the government in the wake of the 1993 Bombay blasts, the committee had come out with its report quite some time ago. The recent revelations about a Youth Congress politician's alleged murder of his wife in the capital sparked off a public debate on the patronage of criminals by political parties and put pressure on the ruling party to take a stand on the problem. As popular disenchantment with the Narasimha Rao regime got reinforced by the exposure of a high-profile member of his party being involved in a ghastly crime, Rao chose the moment to release the committee's report.

Although the move is being advertised as a mark of the government's readiness to be 'transparent' and share even a confidential report on a highly sensitive subject with the people, the Vohra committee's report actually serves to divert attention from the widespread public complaints about the criminal-politician-bureaucrat axis which has become a menace to the common citizen, whether in the villages or cities. The report highlights only the threat to national security, posed by smugglers mainly, who enjoy the protection of local political leaders and who allegedly were used by Pakistan's ISI to plot the Bombay blasts. What about the other dimensions of the axis, as manifested in the daily suffering of the dalit villager terrorised by criminal musclemen in the party of the local landlord-politician, protected by the district administration? Or the urban middle class citizen bullied into selling his/her property or into submitting to demands for extortion payments by the local mafia patronised by MLAs and MPs and protected by the police? By ignoring these everyday manifestations of the criminal-politician-bureaucrat nexus at the ground level and trying to turn our attention to the larger international nexus and elevating it to a threat to our 'national security' by concentrating on the Bombay smugglers' mafia and its responsibility for the 1993 blasts, the Vohra committee has offered prime minister Narasimha Rao the opportunity to use its report to reduce the entire issue of criminalisation of the Indian political system to one of a Pakistani conspiracy to exploit the Bombay underworld to carry out sabotage and subversion.

The simplistic explanation of criminalisation of Indian politics by blaming Pakistan is matched by the similarly puerile explanation, offered by the Vohra committee, for the Indian state's failure to tackle the problem. The submissions made to the committee by the various government agencies – RAW, CBI, IB, etc – have led the committee to the conclusion that it is the lack of co-ordination among these bodies that is mainly to blame. Following up on the committee's recommendations, therefore, the government has promptly set up another committee – a five-member so-called nodal cell which will be charged with co-ordinating the operations of the different intelligence, investigative and enforcement agencies. But is it the lack of co-ordination, or of the political will of the powers that be, which has thwarted effective action against the mafia dons and the criminals who terrorise the countryside? But why talk of even lack of political will when the actual situation is that influential politicians actively intervene to protect the criminal underworld with which they have developed a mutually-beneficial symbiotic relationship.

It is not surprising, therefore, that soon after the much-publicised submission of the Vohra committee's report to parliament, the home ministry has decided to wind up the special Delhi police cell that had been set up to investigate the killing of 3,000 Sikhs in the capital in 1984. Among those accused of involvement in the massacre – some of whom have in fact been indicted by judicial commissions – are prominent Congress leaders with underworld connections who continue to hold important positions in the party organisation.

A correspondent adds:

THE non-seriousness with which the government of India approached the issue of the criminal-politician-bureaucrat nexus is evident from the brief given to the N N Vohra committee. The government order of July 1993 had stressed the 'links' between crime syndicates and bureaucrats/politicians in the wake of the Bombay blasts. Taking the cue, the committee has in its report faithfully highlighted the alleged link between Pakistan's ISI and the Indian underworld. It concludes that the Bombay blasts and the communal riots in Surat and Ahmedabad demonstrated how the underworld had been used by the ISI. The committee ignores altogether the larger political developments against which these events had taken place. For instance, there is no mention of the demolition of Babri masjid and the anti-Muslim carnages that had preceded the Bombay blasts. The suborning of the executive, the legislature and the judiciary had taken place on a much larger scale around the demolition of the Babri masjid. A more balanced exercise than that carried out by the Vohra committee would have, therefore, at least acknowledged that the ubiquitous ISI was able to exploit the underworld here for furthering its objectives only because of the circumstances created by the demolition of the Babri masjid and the killing of Muslims in Bombay and elsewhere in the country.

The perversity of the committee's terms of reference is also exemplified by the exclusion from the committee's purview of the nexus among bussiness, crime and government functionaries – as manifested in the 'havala' racket or the assassination of a popular trade union leader like Shankar Guha Neogi. Because those engaged in white-collar crime enjoy patronage and protection at the highest levels they are seldom, if ever, punished. By focusing attention on criminal gangs enjoying the patronage of 'local level politicians' the committee diverts attention away from the growing criminal activities of political and so-called 'cultural' organisations which are left free to pursue their objective of whipping up hostilities between communities. These organisations mask their crimes behind the pretence of righting 'historical wrongs' and target their activities at creating communal vote-banks. Their operations, therefore, deserve the most careful notice in any investigation of the criminalisation of political and social life.

It is ironic, but altogether apt, that the official agencies which are represented in the so-called 'nodal agency' set up following the Vohra committee's recommendations already stand compromised by their role in such landmark cases of large-scale governmental malfeasance as Bofors and the stock market scam, not to mention again the demolition of the Babri masjid. They have often deliberately prepared cases in such a manner as would not stand judicial scrutiny. Thus the ban on the RSS and the VHP after the demolition of the Babri masjid were conveniently linked to statements made years ago, scrupulously leaving out any mention of their role in the organised destruction of the mosque on December 6, 1992. There is also the more recent example of Iqbal 'Mirchi', who finds mention in the Vohra committee's report as an instance of the growth of a small-time functionary into a major crime syndicate. The CBI's three chargesheets against him are so flimsy and bereft of substance that they can be depended on not to secure his extradition, much less his conviction by an Indian court. However, despite their established incompetence, prejudices and malleability, these agencies continue to demand and to be granted extraordinary powers and additional resources. For instance, the IB told the Vohra committee that government should give "total freedom to the various agencies"; the CBI demanded wider powers of preventive detention, tapping of telephones and conduct of surveillance, establishment of new monitoring mechanisms at the central and state levels, summary trial procedures and review and amendment of existing laws to that end. And just as TADA has led to innocents suffering even as the graphs of crime and terrorism have risen dramatically, the setting up of the nodal agency, working outside the control of parliament, and conferring further draconian powers to agencies which have in the past proved unequal to the tasks entrusted to them are likely to aggravate the problem instead of providing solutions to it.

IRAQ

More than a Family Feud

A FALL-OUT of the Iraqi occupation of Kuwait in August 1990 was the imposition of a US-led economic embargo on Iraq. The relevant UN Security Council resolution stipulated that the embargo would be lifted only when Iraq had dismantled all mass destruction weapons systems under UN supervision in such a way that it would not be able to develop such systems in future. After its defeat in the Gulf war, Iraq had accepted this resolution in April 1991 and, ever since, had apparently complied with the requirements of the UN Special Commission (UNSCOM) which was to oversee the dismemberment of the weapons systems.

Thus, on the eve of the defection from Iraq of president Saddam Hussein's two sons-in-law, UNSCOM was on the verge of recommending the lifting of the embargo, an event eagerly awaited by Russia, China, France and others which are interested in resuming trade with Iraq. But the defection and the suspicion it has given rise to, namely, that Iraq is withholding information about its secret weapons systems, will further delay the lifting of the embargo.

While, on the one hand, this will greatly add to the suffering of the Iraqi people – the worst hit being children and the aged – who are being deprived of essential supplies from abroad, it will, on the other, help consolidate the domestic political opposition to the regime of Saddam whose own authoritarian ways have in no less measure brought hardships on the people of Iraq.

It is from this perspective that the defection of Saddam's sons-in-law, along with his daughters, and the subsequent US muscle-flexing on the borders of Iraq need to be viewed. As much as a power struggle within the ruling family, the defection represents the suppressed anger of a section of the people and elite of Iraq against Saddam who, in the last one decade and more, has led the country from one avoidable war to another and from one economic and political disaster to a greater one. While it would be a gross misrepresentation of the facts to blame Saddam alone for the present denouement in Iraq - given the well known role of the US and its allies in the Gulf war and in the Iran-Iraq war before that – it would be equally a mistake to ignore the undemocratic character of his regime which allows him and his advisors to take decisions which prove costly to the nation.

Observers sympathetic to Saddam - and their number is legion – gloss over certain of his actions by pointing to the allegedly socialistic orientation of his regime or by juxtaposing him as a third world David against a first world Goliath, the US. Yet no regime in which all political power is monopolised by one family or by a minuscule section of the elite can legitimately be called socialist. Nor does a third world government which flagrantly violates international law and basic human rights deserve much sympathy.

The sons-in-law of Saddam and his daughters have partaken of the bounty their former mentor made available to his family, and if their defection were merely a move in the power struggle within the family fold, then they should expect little support. Similarly, the US and its allies had no business engaging in troop movements along the Iraqi border if there had been no such moves from the Iraqi side. However, feuds in ruling families are rarely other than a symbol of larger stirrings in society and, if one were to go by what the defectors say, before the US, Jordan and Kuwait preponed their military exercises, Iraqi troops had already reached the 32 parallel which a UN resolution forbids them to cross.

BOSNIA

West's Game

THIRTY-SEVEN killed and a hundred injured in the latest artillery shell attack on the capital of Bosnia. The worst, we are told, in 18 months. And Sarajevo is supposed to enjoy UN protection which has lately been beefed up by NATO's rapid reaction force. This time, perhaps, there will be some response to this shell attack, from the ground or air or both. And perhaps the response this time will not be as timid as before. The risk of UN troops being taken hostage has nearly been eliminated – with practically all of them having been withdrawn from vulnerable spots.

Whatever the UN (read NATO) response, the basic question to ask is whether the Yugoslav conflict would be any closer to solution as a result. The west's approach right from the outset has been to let Yugoslavia splinter. The old imperialist formula of 'divide and rule' has been very much in evidence in its approach to this conflict and it is doubtful that today, after five years, there is any change in that approach, notwithstanding the responses to events as they occur from time to time. Already, Yugoslavia today stands divided between the Serbs who are orthodox Christians, Croats who are Catholics and Bosnians who are Muslims. A nation which professed and practised secularism for decades stands fractured on religious lines and is now led largely by racists and fanatics, not because people have been converted to fundamentalism and fanaticism but because the conflict thrives on these vile forces.

What is being currently canvassed as the Contact Group's peace proposal is nothing but a partition scheme. The ethnic cleansing that had been going on over the years of conflict will thus have been endorsed. But the wounds of partition thus inflicted will not easily heal.

The partition of Yugoslavia was never the right solution. Nor is the partition of Bosnia. A long-term solution will have to be sought in terms of a decentralised but unified Yugoslavia and within it Bosnia. The Muslims of Bosnia would certainly be feeling utterly scandalised at being bracketed with countries and communities practising and preaching fundamentalist Islam. But they are being pushed more or more into the arms of such countries. The same is possibly true of the Croats and the Serbs, at least of the majority among them. Why not tap these sane elements and build on their strength?

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BOMBAY DYEING AND MANUFACTURING

Riding the DMT Boom

ESTABLISHED in 1879, Bombay Dyeing and Manufacturing Company, India's largest producer of polyester raw material DMT, manufactures cotton textiles and non-woven fabrics and also carries out bleaching, dyeing, and sanforising. A 76 per cent increase in turnover, from Rs 524 crore to Rs 922 crore, an increase of around 80 per cent in total income and a rise of 92 per cent in profit after tax from Rs 51 17 crore to Rs 98 09 crore were some of the highlights of the company's performance for the year ended March 1995. Net profit could have been higher were it not for a tax provision of Rs 16.75 crore against zero tax provision in the previous year. The company has proposed a dividend of 55 per cent.

Exports by the company in 1994-95 rose to Rs 94 15 crore, up by 46 per cent from Rs64 31 crore in the previous year. A massive increase of around 221 per cent was seen in imports. Imports of raw materials rose from Rs 56 69 crore to Rs 220 09 crore, a possible reason being rise in the price of paraxylene, an important input for DMT. For every tonne of DMT produced, raw material consumption is 0 65 kg of paraxylene and 0 42 kg of methanol.

Bombay Dyeing has transformed its business from that of a textile major by diversification into manufacture of DMT. The DMT division's contribution to the company's earnings has gone up sharply, overtaking that of the textile division. The company has a 67 per cent market share in DMT, followed by IPCL and BRPL.

Bombay Dyeing's performance in 1994-95 comes against the backdrop of rising cotton and paraxylene prices, the main raw materials for the company's textile and DMT divisions. The prices of these items have more than doubled since mid-1994, putting a severe squeeze on margins. The sales turnover of the DMT division was Rs 588 56 crore against Rs 169.16 crore in the previous year. The division's contribution to the company's turnover crossed 50 per cent because of the expansion in capacity and the increase in DMT prices. Capacity increased from 43,969 tonnes to 1,13,733 tonnes. The increase in DMT prices was the outcome of a variety of factors. With a global shortage in PTM/DMT and no fresh PTA supplies coming up, polyester units having dual feed capacity shifted to DMT considering that supplies from Bombay Dyeing were at least assured. The cutting of supply of PTA (Purified Terepthalic Acid), the alternative to DMT by Reliance, its main competitor in the domestic market, because of captive consumption, also worked in the company's favour. Slashing of the import duty on paraxylene from 30 per cent to 10 per cent in the 1995 budget was offset by rising international prices of paraxylene which have moved up from $ 750 per tonne in January 1995 to around $ 1,800 per tonne. Reduction of duty on DMT also did not help because of rise in international prices, which were around $ 550 per tonne in January 1994 and doubled to $ 1,100 per tonne by January 1995 and at present are $ 1,500 per tonne. Bombay Dyeing being dependent on imported paraxylene, raised its price but still found its margins squeezed. Though the company has justified the hike in DMT price on grounds of rising costs of paraxylene, it seems that Bombay Dyeing has more than covered the increased costs. Paraxylene costs constitute nearly 30 per cent of the raw material costs of the company and, in view of the rising prices, the company is exploring the possibility of a tie-up with a public sector undertaking for the manufacture of paraxylene. It is also talking to Hindustan Petroleum Corporation for a tie-up for naphtha needed for the paraxylene project. All in all the DMT division has done very well, riding the petrochemicals boom.

The performance of the DMT division in 1994-95 cannot, however, be comparable with that in the previous year because then capacity expansion had led the DMT plant to be shut down for an extended period in May December 1993. The company, has a monthly capacity of roughly 13,000 tonnes of DMT. This might be expanded to 14,000 tonnes by November-December through debottlenecking of its plant at Patalganga in Maharashtra. The world demand for various petrochemicals, in particular DMT, has risen sharply and the company expects it to remain firm throughout the year and is therefore increasing its capacity from 1,12,000 tpa to 1,45,000 tpa in the current year and eventually to 1,60,000 tpa. According to D Alva, managing director, the company is one of the top 20 producers of DMT in the world.

The textiles division, traditionally the largest contributor, chipped in with a smaller share of 45 per cent in 1994-95. The division was not able to perform well because of many factors. Cotton prices were on the rise, more so between October 1994 and February 1995, leading to erosion of margins for the company from its textile operation. Cotton prices in November, the peak arrival season, were higher by about 80 per cent over those in the corresponding period of the previous year, thanks to a lower than expected cotton crop coupled with continued high demand for cotton and speculative pressures. This was coupled with an increase in infrastructure costs and government levies. The turnover of the textile division in 1994-95 was Rs 480 crore against Rs 400 crore in the previous year. Exports were Rs 165 crore.

The company spent Rs 75 crore on export-oriented textile modernisation to improve its global competitiveness. According to Nusli Wadia, managing director, "modernisation will, however, no longer be confined to equipment and will cover modernisation of work methods and management practices". The company is also holding talks with global textile leaders to bring in their brands and sell them through its 600 strong chain of retail shops. The company plans to go in for a new plant outside Bombay to manufacture towels to more than triple its existing capacity from 3 tonnes per day to 10 tonnes per day. Also on the anvil are plans to open more exclusive shops besides a major upgradation of the existing outlets in order to strengthen the domestic marketing network. According to Wadia, retailing in India will shift more and more to selling ready-to-use items.

Many plans for diversification into power, telecommunications, leasing/hire purchase, shipping and infrastructure development have been passed but no concrete projects have emerged except in the power sector. The company has short listed Rajasthan as a site for the power project.

The company plans to set up a plant to manufacture paraxylene which the company now imports. The company will face stiff competition when the PTA plant of ATV Petrochem and the PTA capacity expansion by Reliance Industries become operational by 1996.

SPECIAL STEELS

Higher Turnover

Special Steels (SSL), a former subsidiary of Tisco and a leader in the production of steel wires, has posted improved performance for the year ended March 1995. Turnover was up by 52 per cent from Rs 356 crore to Rs 541 crore. Income from investments rose from Rs 10 lakh to Rs 110 lakh. Interest costs moved up by 39 per cent and there was a 26 per cent rise in depreciation provision. Like in the previous year, the company has made no provision for taxes. There was a net profit of Rs 26.16 crore, up by 367 per cent from Rs 5.64 crore in the previous year. The results for the year under review take into account the assets and liabilities and income and expenditure of Tata Metals and Strips which was amalgamated with the company in March 1995. The company recorded production rises of 10 86 per cent in billets and around 12 per cent in wire rods.

(Rs lakh)

Financial Indicators	Bombay Dyeing and Manufacturing		Special Steels		Century Enka	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	92179	52372	54108	35578	27374	36197
2 Value of production	95482	52592	55846	36020	26646	37108
3 Other Income	4837	3176	759	449	1011	1346
4 Total income	100319	55768	56605	36469	27657	38454
5 Raw materials/Stores and spares consumed	53912	30516	37799	23258	15349	18401
6 Other manufacturing expenses	12053	6821	5548	4699	4087	4886
7 Remuneration to employees	7159	5653	4108	3104	1528	1374
8 Other expenses	4418	4519	3207	2539	1315	2029
9 *Operating profit*	22777	8259	5943	2869	5378	11764
10 Interest	7944	3252	2202	1587	1726	1833
11 *Gross profit*	15238	7834	3840	1529	3919	9964
12 Depreciation	3754	2717	1216	965	3033	4667
13 *Profit before tax*	11484	5117	2616	564	884	5295
14 Tax provision	1675	0	0	0	50	2950
15 *Profit after tax*	9809	5117	2616	564	834	2345
16 Dividends	1896	1023	793	488	564	1122
17 Retained profit	7913	4094	1823	76	270	1223
Liabilities/assets						
18 Paid-up capital	5513	3243	2642	1950	2366	2366
19 Reserves and surplus	46127	37785	16629	12422	23382	24514
20 Long term loans	42957	34316	6050	6408	10588	6102
21 Short term loans	25749	6500	10532	6589	2224	4154
22 Of which bank borrowings	1361	4820	6177	3796	787	1069
23 Gross fixed assets	71202	62433	28808	22473	54792	53922
24 Accumulated depreciation	26338	22748	8829	5089	34466	31525
25 Inventories	22156	14836	13680	6409	12122	10505
26 Total assets/liabilities	145480	95627	49196	33487	50013	48826
Miscellaneous items						
27 Excise duty	14497	4562	8262	2355	11434	17498
28 Gross value added	26757	17196	9739	6220	7337	12497
29 Total foreign exchange income	16807	14125	3575	5	585	101
30 Total foreign exchange outgo	28589.0	9746.0	5516.0	2908.0	2709.0	2898.0
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	63.4	54.8	110.0	106.2	54.7	74.1
32 Sales to total net assets (%)	76.6	64.0	150.9	130.0	71.0	97.5
33 Gross value added to gross fixed assets (%)	37.6	27.5	33.8	27.7	13.4	23.2
34 Return on investment (gross profit to total assets) (%)	10.5	8.2	7.8	4.6	7.8	20.4
35 Gross profit to sales (gross margin) (%)	16.5	15.0	7.1	4.3	14.3	27.5
36 Operating profit to sales (%)	24.7	15.8	11.0	8.1	19.6	32.5
37 Profit before tax to sales (%)	12.5	9.8	4.8	1.6	3.2	14.6
38 Tax provision to profit before tax (%)	14.6	0.0	0.0	0.0	5.7	55.7
39 Profit after tax to net worth (return on equity) (%)	19.0	12.5	13.6	3.9	3.2	8.7
40 Dividend (%)	55.0	40.0	30.0	25.0	22.0	48.0
41 Earning per share (Rs)	17.8	15.8	9.9	2.9	35.9	100.6
42 Book value per share (Rs)	93.7	126.5	72.9	73.7	1105.2	816.3
43 P/E ratio (based on latest and corresponding last year's price) (adjusted for revaluation) (%)	19.8	24.2	14.0	62.2	57.2	39.8
44 Debt-equity ratio (adjusted for revaluation) (%)	83.2	83.6	31.4	44.6	41.1	32.1
45 Short term bank borrowings to inventories (%)	6.1	32.5	45.2	59.2	6.5	10.2
46 Sundry creditors to sundry debtors (%)	150.6	149.6	63.3	56.3	93.5	78.3
47 Total remuneration to employees to gross value added (%)	26.8	32.9	42.2	49.9	20.8	11.0
48 Total remuneration to employees to value of production (%)	7.5	10.7	7.4	8.6	5.7	3.7
49 Gross fixed assets formation (%)	14.05	-	28.19	12.82	20.02	-
50 Growth in inventories (%)	49.34	-	113.45	8.42	15.39	-

Of high-value flat products, the company posted a production rise of 40 per cent.

Exports increased to Rs 35.75 against Rs 26.09 crore in the previous year. The company exported 16,900 mt of steel wires, 200 mt of wire rods and 3,500 mt of cold rolled strips. Exports of the cold rolling unit which began last year were further strengthened with new markets being located in South East Asia. Imports rose from Rs 27.89 crore to Rs 52.02 crore, an important reason being the import of finished goods worth Rs 10 crore. A dividend of 30 per cent has been recommended against 25 per cent in the previous year.

The company's Tarapur plant produces tyre bead wires, pre-stressed concrete wires and cold rolled sheets, while its plant at Borivli makes wires. The production at the cold rolling mill increased to 58,500 tonnes against 14,900 tonnes in the previous year, with the company catering to most of the leading players in the automobiles and appliances industry. Tata Metal Steel has its hot-rolling division at Sisodra and cold rolling facility at Navsari in Gujarat. The production of 57,200 tonnes of hot rolled strips at Sisodra was marginally lower than the production of 58,000 tonnes in the previous year. The unit at Navsari achieved a production of 19,600 tonnes of cold rolled strips which was higher by 20 per cent compared to the previous year. Reversal of the recessionary trends in the automobile sector augurs well for the industry and translates into a better market for cold rolled products.

The company is coming out with a rights issue of 14 per cent partly convertible debentures (PCD) of the face value of Rs 100 each to existing shareholders in the ratio of one PCD for every five equity shares held. Each PCD will have a convertible portion of Rs 50 to be converted into one equity share of Rs 10 at a premium of Rs 40, as well as a non-convertible portion of Rs 50. Ishaat Hussain, chairman, said the issue would be made by the end of this year and proceeds would go to part finance the proposed capital expenditure plan of the company.

The company's wire plants at Borivli and Tarapur have been accredited with ISO 9002 by RWTUV Germany, the certification covering the entire range of steel wires being produced by the company.

CENTURY ENKA

Rise in Raw Material Costs

Century Enka, a B K Birla group company manufacturing nylon filament yarn, polyester filament yarn, polymer resins, engineering plastics and tyre cord fabrics, has closed the year ended March 1995 with a dismal performance. Net sales have fallen by 24 per cent from Rs 362 crore to Rs 274 crore. Total

income came [illegible] 277 croe, a fall of 28 per cent. Lower provision for interest and depreciation could not prevent a sharp fall in net profit from Rs 23 crore to Rs 8 crore.

This lacklustre performance has been attributed by the management to a prolonged lock-out at the company's Pune plant. Added to this were the floods in July last year and the panic created by plague in September in Surat, the largest consuming centre for PFY, both of which seriously affected the working of the textile industry creating an adverse impact on the prices of PFY. The difficulties were compounded by the steep rise in the price of raw materials like DMT, PTA and MEG in the international and domestic markets and the benefit of the lowering of import duties in the 1995-96 budget were lost. Prices of raw materials like DMT , PTA, MEG and caprolactum are currently 50 to 80 per cent higher than those of March 1994. The company has nevertheless proposed a dividend of 42 per cent.

The company's exports increased from Rs 1 crore to Rs 6 crore, It achieved considerable success in export of polyester filament yarn and efforts in that direction are continuing. Imports came down from Rs 28 crore to Rs 24 crore in the year under review.

Polyester filament yarn is primarily used to produce synthetic fibre which is a substitute for natural fibre and when blended with natural fibre gives almost the same comfort and at a cheaper cost. Century Enka is one of the most established players in this industry. CEL operates on the batch processing system and manufactures polyester yarn from the chips stage. Due to the batch processing system and longer production runs, costs are higher compared to the other companies in the industry.

CEL derives 62 per cent of its revenue from PFY and about 30 per cent from nylon tyre cord and nylon filament yarn. With the increase in caprolactum prices, a major raw material for nylon tyre cord and nylon filament yarn, margins were under pressure. Further with a capacity of 31,400 tpa of PFY, the company did not enjoy economies of scale as the capacity was underutilised.

An expansion plan costing Rs 500 crore is on the cards, with schemes to increase the output of polyester filament yarn (PFY) and synthetic industrial yarn/tyre cord. One of the foremost industrial filament yarn manufacturers in the country, Century Enka has undertaken expansion of its polyester filament yarn plant at Mahad worth Rs 150 crore. The expanded capacity is expected to go on stream in the second half of 1996. The uncertainty in the availability of cotton at reasonable prices was the reason behind the expansion.

The company is hopeful of improving performance in the coming year because of the upturn in the automobile sector which has led to increased demand for tyres. This will increase the offtake of tyre yarn and tyre cord fabrics. The government's decision to abolish tariffs on polyester yarn has led to the shutting down of the company's in-house twisting and dyeing operations for texturised polyester yarn. The tariff is binding only on units whose operations are integrated in nature and independent twisters and dyers are exempt from the duty. With the abolition of tariff values for POY and texturised yarn, excise is payable on the selling price at 57.50 per cent *ad valorem*. Thus only POY and texturised yarn producers pay excise on POY and texturised yarn while those having integrated plants will be eligible to pay excise duty on higher price realised for twisted or dyed yarn. The government's move, it is feared, will retard the growth of the industry. Units in the industry will have to bear an additional levy ranging from Rs 5,000 to as high as Rs 23,000 per tonne on twisted and dyed polyester yarn at a time when the polyester yarn market is passing through a bad patch.

The company has promoted Rajashri Polyfil (RPL) to manufacture partially-oriented yarn which can be further processed to make texturised yarn (POY). RPL is setting up a 66,600 tpa plant at a cost of Rs 504 crore with facilities to manufacture 28,700 tonnes of PET chips and 37,900 tonnes of partially oriented yarn (POY). The company has 19 per cent equity participation in Centek Chemicals with Century Textiles and Industries and Akzo N V of the Netherlands holding 16 per cent and 40 per cent, respectively. Centek Chemicals has set up a plant to manufacture polymerisation initiators which are used for manufacture of polyvinyl chloride, low density polyethylene, polysterene, acrylic polymers, etc. The major users of these products are petrochemicals industries and the optical lens manufacturers. The plant was commissioned in July 1992 in Mahad in Maharashtra at a capital outlay of Rs 12.10 crore. Net sales were Rs 13.92 crore, higher than the projected estimate of Rs 10.60 crore. Net profit also surpassed the projections of Rs 2.70 crore and reached Rs 3.60 crore. The performance is attributed to improvement in technology that has come about as a result of constant effort at cost reduction.

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The annual inflation rate rose for the second successive week to 8.51 per cent in the week ended August 12. Net RBI credit to the centre has gone up again and the rise in the current fiscal year was Rs 18,479 crore on August 4 compared to Rs 1,037 crore in the same period of 1994-95. There was adequate liquidity in the system and call rates ruled easy in August. In primary floatations, yields on 91-day TBs have declined from 12.71 per cent to 12.58 per cent, while those on 364-day TBs came down significantly from 13.16 per cent to 12.87 per cent. Forward premium on the dollar has declined further and rarely did it cross the 5 per cent per annum mark in August. The havala rate, which had dipped below Rs 35 in July, continued in the Rs 34.70-Rs 34.80 range.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Aug 12, 1995	Variation (Per Cent), Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
All Commodities	100.0	294.7	0.9	8.5	10.2	3.3	5.1	10.4	10.8	7.0	13.6
Primary Articles	32.3	303.9	1.7	8.5	11.1	4.1	8.2	12.7	11.5	3.0	15.3
Food Articles	17.4	335.6	1.9	6.9	8.2	6.9	12.0	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	321.1	1.3	11.6	18.5	-0.8	2.7	15.5	24.9	-1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	-0.1	1.6	10.0	-0.1	0.6	2.4	13.1	15.2	13.2
Manufactured Products	57.0	291.5	0.6	9.9	9.8	3.6	4.3	10.7	9.9	7.9	12.6
Food Products	10.1	280.8	0.4	3.5	8.3	3.0	7.7	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	315.5	1.4	5.7	8.2	5.6	10.5	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Aug 12, 1995)	100.0	291.4	–	9.8	10.1	9.0	11.6	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent), Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1982=100)	306[6]	2.0	10.5	10.8	4.4	3.7	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	244[5]	0.4	9.9	8.3	9.9	8.3	9.9	8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1337[6]	1.6	12.4	12.5	2.8	1.2	10.6	11.6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	Aug 04, 1995	Variation: Over Month	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93
Money Supply (M_3)	542225	3996 (0.7)	11387 (2.1)	11707 (2.6)	78653 (17.4)	73307 (19.3)	50484 (15.4)
Currency with Public	107936	-3071 (-2.8)	7066 (7.0)	7139 (8.7)	18887 (23.0)	14170 (20.9)	7111 (11.7)
Deposits with Banks	426990	7583 (1.8)	372 (0.1)	3560 (1.0)	58941 (16.0)	57925 (18.7)	42945 (16.1)
Net Bank Credit to Govt	243083	265 (0.1)	23492 (10.7)	11802 (5.7)	14248 (6.9)	29508 (16.8)	17903 (11.3)
Bank Credit to Comml Sector	292168	902 (0.3)	2424 (0.8)	-3526 (-1.4)	45080 (18.4)	17161 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	73579	24 (0.0)	-2311 (-3.0)	11165 (21.2)	23264 (44.2)	27674 (110.9)	3747 (17.7)
Reserve Money	175953	-2808 (-1.6)	6979 (4.1)	9120 (6.6)	30303 (21.9)	27892 (25.2)	11274 (11.3)
Net RBI Credit to Centre	117392	-2104 (-1.8)	18714 (19.0)	91 (0.1)	949 (1.0)	1306 (1.4)	3586 (3.9)
Scheduled Commercial Banks							
Deposits	384081	5621 (1.5)	-2778 (-0.7)	4610 (1.4)	49271 (14.8)	52144 (18.6)	39017 (16.1)
Advances	212851	634 (0.3)	1291 (0.6)	-3877 (-2.3)	38784 (22.7)	11566 (7.3)	23757 (17.5)
Non-Food Advances	198392	1592 (0.8)	-894 (-0.4)	-6361 (-3.9)	37416 (23.4)	7402 (4.9)	21684 (16.6)
Investments	154011	2363 (1.6)	4757 (3.2)	11177 (8.3)	14172 (10.5)	28435 (26.7)	16820 (18.7)

For comparability, all monetary and banking data presented here are based on March 31 figures before closure of government accounts

Index Numbers of Industrial Production (1980-81=100)	Weights	Mar 1995	Average for Full Fiscal Years: 1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	301.6	250.6(8.4)	231.1(5.6)	218.9(2.3)	213.9(0.6)	212.6(8.2)	196.4(8.6)	180.9(8.7)	166.4(7.3)
Mining and Quarrying	11.5	321.9	245.8(6.3)	231.2(3.4)	223.7(0.6)	222.5(4.5)	221.2(6.3)	211.6(7.9)	199.1(3.7)	184.6(6.2)
Manufacturing	77.1	291.9	241.8(8.8)	222.3(5.5)	210.7(2.2)	206.2(-0.8)	207.8(8.9)	190.7(8.6)	175.6(8.7)	161.5(7.9)
Electricity	11.4	346.8	314.6(8.5)	290.0(7.4)	269.9(5.0)	257.0(8.5)	236.8(7.8)	219.7(10.9)	198.2(9.5)	181(7.6)

Capital Market	Aug 25, 1995	Month Ago	Year Ago	1995-96 So Far: Trough	1995-96 So Far: Peak	1994-95: Trough	1994-95: Peak	End of Fiscal Year: 1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3370 (-23.9)	3453	4431 (65.3)	3015	3557	3233	4604	3261 (-13.7)	3779 (65.7)	2281 (-46.8)
National Index (1983-84=100)	1551 (-26.0)	1599	2097 (67.1)	1482	1691	1572	2176	1606 (-12.2)	1830 (79.2)	1021 (-48.1)

Foreign Trade	June 1995	Cumulative for Fiscal Year So Far: 1995-96	1994-95	Full Fiscal Year Variations: 1994-95	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	7291	22514 (25.2)	17989 (11.9)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US $ mn	2289	7170 (25.2)	5729 (11.7)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	8635	25103 (32.6)	18932 (11.2)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US $ mn	2711	7995 (32.6)	6029 (11.1)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US $ mn	2224	6409 (34.6)	4761 (21.49)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-1344	-2589	-943	-6375	-3259	-9687	-3809	-10640
US $ mn	-422	-824	-300	-2018	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Aug 18, 1995	Aug 19, 1994	Mar 31, 1995	Variation Over: Month Ago	Year Ago	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
Rs crore	61929	55360	66028	-739	6569	-4099	7734	18402	27430	5385	10223
US $ mn	19113	17776	20816	-662	1337	-1703	2600	5640	8724	731	3383

Money Market Rates of Interest

(per cent per annum)

Weekended Fridays / Instruments	August 1995				July 1995				June 1995				
	25	18(RF)	11	4(RF)	28	21(RF)	14	7(RF)	30	23(RF)	16	9(RF)	2
Call money rate (weekly weighted average)	na	na	10.97	7 60	10.88	9.46	11.96	12.39	16.15	16.46	14.64	10.88	13.60
Call money rate (Range:weekly)	10.50-11.50	0.25-11.25	10.25-12.00	0 25-9.75	8.50-11.00	0.25-12.00	10.50-14.00	1.00-17.00	14.00-19.00	0.25-21.50	13.50-17.25	2.00-12.00	10.50-16.00
Treasury Bills:													
91-Day (On tap or *ad hoc*)	4.60	4.60	4.60	4 60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
91-Day (RBI Auction):													
Primary	12.58	12.63	12.67	12.67	12.71	12.97	12.97	12.71	12 58	12.50	12.37	12.33	12.33
Secondary: DFHI (mid-point of bid & offer)	12.10	12.10	12.10	12.10	12.55	12.95	13.15	13.18	12.85	12.75	12.60	12.38	12.05
All SGL trading (Weighted YTM)	12.49	12.46	12.32	11.78	14.46	...	...	14.71	12.96	...	7.60	11.35	13.22
364-Day (RBI Auction)													
Primary	*	12.87	*	13.16	*	13.16	*	12.71	*	12.60	*	12.52	*
Secondary: DFHI (mid-point)	11.45	11.45	11.45	11.40	11.55	11.73	11.85	11.90	11.60	11.50	11.40	11.30	11.10
All SGL trading (Weighted YTM)	11.14	11.26	11.74	10 97	12.24	13.03	13.68	13.91	14.01	13.90	13.51	13.30	13.37
Repo auctions (GOI securities): RBI	*	*	*	*	*	*	*	*	*	*	*	*	*
Secondary market	na	na	na	na	na	na	na	14.50	16.00	na	na	na	na
State Govt loans (Coupon rates)	-	-	-	-	-	-	-	-	-	-	-	-	-
All SGL trading (Weighted YTM)	13.90	13.74	13.86	13.85	13.32	13.97	13.08	...	12.08	13.11	12.64	11.77	12.14
GOI Securities:													
Primary Auctions	*	13.65 (3 year)	*	*	13.85 (5 year)	*	13.25 (2 year)	*	*	14.00 (10 year)	*	14.00 (10 year)	*
Secondary : All SGL trading (Weighted YTM)	11.89	10.21	10.98	11.96	12.46	12.51	12.72	12 96	13.96	13.44	13.51	13.74	13.64
PSU Bonds yield:-													
Tax free: NSE (traded, weighted)	10.58	11.55	11.52	11.71	11.65	11.61	11.69	11.99	11.70	11.65	11.30	11.63	11.64
NSE (Range: weekly)	10.65-11.62	10.72-11.62	9.98-12.52	10 68-11.99	10.-89 11.75	10.49-11.76	10.66-11.71	10.75-12.21	11.21-12.62	10.83-12.78	10.94-11.4	10.66-12.21	10.61-12.22
Taxable: NSE (traded, weighted)	16.04	16.27	16.01	16.84	16.48	16.84	15.35	16.81	16.54	16.50	17.75	16.67	17.91
NSE (Range: weekly)	15.62-16.25	15.88-16.75	15.16-16.47	16.04-17.59	16.05-16.63	14.34-17.50	13.87-16.55	15.04-18.31	16.5-18.04	13.13-16.71	16-18.08	13.16-18.17	16.85-18.29
Commercial Bills:													
DFHI (Rediscount rate)	14.50	14.50	14.50	14.50	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
CP:Primary market (90 days)	13.75-14.25	13.75-14.25	13.75-14.25	13.75-14.25	15.00-16.50	15.00-16.50	15.00-16.50	15.00-16.50	15.00-16.00	15.00-16.00	15.00-16.00	15.00-16.00	15.00-16.00
Secondary: DFHI (Discount rate)	15.50	15.50	15.50	15.50	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00	16.00
Secondary: market/NSE	13.50	13.84	na	14.50	13.75	na	na	14.50	14.64	14.94	14.40	13.67	14.58
CDs: Primary market (one year)	13.5-15.00	13.5-15.00	13.5-15.00	13.5-14.25	14.5-15.25	14.5-15.25	14.5-15.00	14.5-15.00	14.5-15.00	14.5-15.00	14.5-15.00	14.5-15.00	14.5-15.00
Secondary: DFHI (Discount rate)	14.50	14.50	14.50	14.50	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Inter-corporate deposits (30/90/180 days)	16.00-24.00	16.00-24.00	16.00-26.00	17.00-28.00	17.00-24.00	16.00-21.00	16.00-21.00	16.00-21.00	16.00-21.00	16.00-21.00	16.00-21.00	16.00-21.00	16.00-21.00
UTI-1964 Units (Week-end secondary market price in rupees)	na	na	na	na	15.05	15.05	15.02	15.13	17.81	17.81	17.81	17.80	17.80
Hundi Rate	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Memorandum Items:													
(i) Forward premia on the US dollar in the domestic inter-bank market (annualised in per cent per annum) (Weekly average)@													
Spot/Cash	4.23	-0.18	-1.09	0.58	1.96	2.11	4.37	1.85	14.09	8.07	6.47	2.76	1.31
One-month	2.60	1.73	1.62	1.80	3.62	4.77	5.56	4.70	5.05	5.53	4.25	3.48	4.10
Three-month	3.62	3.09	2.99	3.48	4.50	5.22	5.73	5.32	5.66	5.86	5.34	5.33	6.86
Six-month	4.83	4.53	4.42	4.81	5.54	5.84	6.13	5.82	6.08	6.21	5.86	5.95	6.62
(ii) Havala Rate (Rs/US$) (Dubai)	34.80	34.80	34.70	34.70	34.80	34.90	35.15	35.15	35.25	35.25	35.30	35.35	35.50

... no trading * no auction na not available (-) no floatation YTM = yield to maturity

RF means reporting Friday for fortnightly reporting of conditions of banking business and the fortnight serves as the reserve maintenance period.

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COMMENTARY

NEW DELHI

Using Planning Commission as a Political Pawn

BM

The prime minister's attempt to bring the Planning Commission back to life by calling a meeting of the Commission was part of his desperate efforts to win back lost popular support through populist gestures, but it backfired with the severe indictment of the economic reform programme in the Commission's mid-term appraisal of the Eighth Plan causing further embarrassment to the government.

THE prime minister found it expedient to pull in the Planning Commission from limbo after a whole year and convene a meeting on July 19. This was done as part of his feverish preparations for the coming elections to the Lok Sabha which are posing a threat to his survival in office. The move, like many other similarly inspired ones, however, boomaranged on him.

The proposed meeting of the full Planning Commission was not to be followed up by a session of the National Development Council. Nor was any serious review of the Eighth Plan performance intended. The National Development Council – headed by the prime minister and composed of chief ministers, some union cabinet ministers, including the finance minister, and full members of the Planning Commission – was set up to promote a national consensus on and provide political sanctions and administrative support to planning socio-economic development. Its importance has been enhanced now when a majority of the state governments are led by parties other than the Congress ruling at the centre. But Narasimha Rao did not want to associate the NDC with his latest 'planning' caper which was designed to serve his exclusive electoral purposes. He wanted to drag the Planning Commission into giving some respectability to his pre-election populist gestures and announcements.

Earlier a sub-committee of NDC had been set up. This was publicised as an initiative to associate state chief ministers with the planning process. The sub-committee had drawn up reports on some important policy matters, among them one on 'austerity' to improve government finances and boost national saving for investment. These reports were simply shelved by the Rao government. Rao was interested only in securing the endorsement of the Planning Commission for his 'special schemes' of employment generation when some members of the Commission showed concern for the policy conditions required to improve opportunities for gainful and productive employment which has begun shrink at a fast rate in the wake of the economic reforms, especially the open door policy towards foreign investment. Rao was not interested in these forebodings. The Planning Commission members were also concerned about the large shortfalls in the Eighth Plan's growth and poverty alleviation targets. All these matters surfaced sharply when the meeting of the full Planning Commission fixed for July 19 was postponed without much ado by the prime minister.

The prime minister has, however, found himself in an awkward position after the cancellation of the meeting of the Planning Commission. He belatedly realised shortly before the meeting was to take place that the Commission had finalised a mid-term appraisal of the Eighth Plan which had recorded sharply the lags and shortfalls in the implementation of the Eighth Plan. Aside from the lackadaisical functioning of the prime minister and his office, which the abrupt cancellation of the meeting of the Planning Commission has further emphasised, the episode has also exposed the total disregard of the Rao-led government for the Eighth Plan's commitments and targets. This obviously does not mean that the competence of the planners in Yojana Bhavan to draw up a development plan and monitor its implementation is under question, as is being suggested in some interested quarters, especially in the PMO. What is in question is the ability and readiness of the political and administrative set-up headed by Rao to implement the plan. In fact the professional members of the Planning Commission in Yojana Bhavan can claim that their planning exercises have become more detailed, meticulous and in-depth over the years. It is the Rao government which has made their labours infructuous. In the past also the planners have had problems because of the lack of appropriate policy and administrative decisions by the political leadership. However, what they have now to reckon with is that the very philosophy and rationality of planning had become irrelevant to the Rao government which has opted for a crude and infantile variety of *laissez-faire*. This is what its so-called economic reform programme is really all about.

The balance of payments crisis of 1991 is only the ostensible reason for launching the structural adjustment programme. The economic liberalisation and globalisation policy in fact means that planned investment and mobilisation of domestic resources, which have shrunk to dangerously low levels, are no longer among the government's concerns. Private enterprise is to be relied upon for economic growth. If the members of the Planning Commission still managed to write the Eighth Plan in such conditions and have now come out with a mid-term appraisal of the plan, they deserve credit for playing a useful role in an adverse political environment. The Planning Commission was reconstituted by the Rao government after the finance ministry had been made the pliant instrument to propagate and implement the readymade policy blueprints provided by the international financial institutions on behalf of India's foreign creditors to make the Indian economy abjectly subservient to and open for exploitation by foreign capital and a handful of its Indian collaborators among businessmen, professionals and politicians. The claim sometimes made on behalf of the government that development planning is still relevant is, therefore, misleading and cynical. The structural adjustment programme is geared to market forces to determine investment and production priorities. It puts private, especially foreign, corporate business on a pedestal and decisively rejects any role for the government as the agency for development, except as a sideline activity for the personal gain of bureaucrats and politicians.

The very idea of planning on the basis of social, economic and political-strategic priorities for strengthening the autonomy of India's development process and consolidating the country's political independence is condemned by those who call the shots. Ideas of social transformation, decentralisation of the political and administrative structures, protection of labour-intensive productive activity and assurance of gainful employment have ceased to have any relevance to the government's economic and social policies. The Eighth Plan noted "a declining trend in employment elasticity with respect to growth in GDP". This trend, instead of being halted, has now been confirmed in the mid-term appraisal to have accelerated as a result of the hi-tech, labour displacing economic growth which has been zealously pursued during the plan period. The idea that foreign trade and the services sector would generate employment on a massive scale – a target of 10 million jobs had been set in the plan – was clearly a fanciful one. The domestic saving rate

had turned stagnant "partly influenced by the larger availability of consumer goods", as the Eighth Plan document had pointed out, which was a shamefaced way of acknowledging the surge of consumerism among the upper classes, encouraged by fiscal and investment policies. The position in this respect has worsened under the "reform" policies and further eroded resources for development of the economy and people's welfare.

When Eighth Plan was being formulated it had been proclaimed by the government that under the scheme of structural adjustment of the economy, the primary role of public authority in the development process would be to promote the social infrastructural sectors such as health, education and family planning. The planners had shown more foresight and honesty in noting in the plan document that, in Indian conditions, responsibility for investment in the development of the material infrastructure, which is long gestating and gives low returns but widens opportunities for high profitability for private enterprise in the economy as a whole, would still rest in large measure on public authority and that private enterprise would take up this responsibility in response only to special incentives. Even for carrying out the tasks set for the public sector in the scheme of the Eighth Plan, therefore, the government would be required to raise resources on a massive scale. This position has now become stark and has been sharply presented in the mid-term appraisal of the plan. But any worthwhile corrective is precluded by the fiscal, pricing, production and trading policies pursued under the structural adjustment programme.

It was, therefore, a grand deception on the part of the Rao government to talk of reduction in poverty, increase of employment, vast expansion of the social infrastructure of education, health and family welfare when the Eighth Plan was drawn up. Under the new economic policy dispensation, the plan projections were entirely fanciful. The assumptions with regard to an inflation rate of between 6 and 9 per cent, a current account deficit no more than 1.8 per cent of GDP, a decline in the government's dissaving rate and an export growth rate of 13.6 per cent annually in the Eighth Plan could not possibly have materialised. The mid-term appraisal of the Eighth Plan is unquestionably a useful document insofar as it has underlined this situation, much to the discomfiture of the Rao government. With the planning hoax of the Rao government thus exposed, the government has landed itself in an embarrassing position in the pre-election year. It is treating the mid-term appraisal as 'confidential' in a desperate attempt to protect its economic policy pretensions. The mid-term appraisal has shown that the so-called reforms have failed miserably to promote either economic growth or social equity. The argument is being peddled that the performance of the government, indeed the achievements of its reforms, should not be judged in terms of the targets of the Eighth Plan. The 'positive' trends in the economy after the crisis year of 1991 when reforms were launched are being loudly stressed. The fact is being side-tracked that the Eighth Plan was finalised in 1992 and took into account the sorry state of the economy in 1991. The mid-term appraisal notes developments in the reform era in terms of various economic indicators – growth rate, poverty alleviation, current trade account and saving rate – and compares them with the position in the second half of the 1980s. The first three years of the so-called post-reform period show a sharp retrogression on all counts

With the step-by-step removal of the constraints on the free play of market forces and the pull of effective demand in the economy, investment flows, production structure and income distribution cannot conform to any meaningful and equitable socio-economic priorities. The attempt to obfuscate this truth cannot carry credibility. The leading forces at work in the socio-economic structure and the political-power superstructure with which the prime minister has identified himself have clearly no use for planning. The functioning of the Rao government in the last four years has clearly testified to this position. If the Rao government still maintained the charade of planning and kept the Planning Commission in place, it was the wily politician's way of fooling public opinion, especially since the results of the so-called liberalisation policy were bound to provoke strong popular protest. But, meanwhile, the ruling party, basking in the applause of the small affluent segment of the population and of foreign vested interests, has lost its mass support base. There is no way to retrieve the lost electoral-political support through empty populist gestures in the pre-election year. The attempt to activate the Planning Commission behind such an attempt too has misfired.

It is not surprising that as a concomitant of the economic deterioration in the wake of the scuttling of planning and the launching of the economic reforms, the much cheered political stability during the tenure of Narasimha Rao as prime minister has been found to be a surface phenomenon. The self-styled economic reformers and their publicists are embarrassed by the developments in the economic, social and political spheres. Matters have indeed come to a head for the prime minister's party, in fact for all political parties and personalities. Rao proclaimed at the Surajkund conclave of his partymen that he did not propose any more to join the forthcoming electoral battle on policy issues. The fight, on his part, would be for "who occupies the chair". The wild populist gestures and promises he is making are, therefore, designed explicitly to buy votes by hook and crook. What are being proposed are frankly doles. The estimates of expenditure on these doles which are being trotted out do not guarantee that such expenditure will be actually undertaken, let alone reach the selected beneficiaries. The leakages to officials and/or non-government agents and agencies of the ruling party, which will be associated with their implementation, are known to be large even in normal times. They will be exceptionally large in the pre-election year. The Rao government's tenure in office is coming to a close as five wasted years for the country in every way and on all counts.

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Fourth World Conference on Women

'Gendering' Development: Issues and Politics

Shobha Raghuram
Ruth Manorama

Women the world over are concerned that Beijing should not remain only as a meeting point in the history of women's struggles enhanced by the characteristic celebratory space, but also be the time for genuine and committed negotiations when governments will set in motion policies and actions which will secure the advancement of women as equal social and political citizens of their communities and nations.

OVER 30,000 women are expected to be in China for the UN Fourth World Conference on Women (September 4-15, 1995), and its parallel Non-Government Organisation (NGO) Forum (August 30-September 8, 1995). At the Chinese capital, government delegations will complete the final round of negotiations on the Platform for Action, the document which in its draft form has already undergone several rounds of negotiations, the most crucial one being at the 39th Commission on the Status of Women (CSW), in NY (March 15-April 4). While the not-so-long-ago World Summit for Social Development at Copenhagen focused on issues of poverty, unemployment and social integration, the Beijing Conference has as leitmotifs the themes of equality, peace and development. The agendas for equality include goals for equitable and sustainable development, demands for safeguarding women's human rights throughout their life cycles and commitments from governments to that end, and, also the agenda for upholding peace as an irreducible condition for development. When governments at Beijing adopt the Platform for Action and commit themselves to implementing the agendas, they will be doing so at an important juncture in history.

It is 50 years since the dark skies of Hiroshima and Nagasaki and we are on the eve of the 50th anniversary of the founding of the United Nations. We are two years near to 50 years of the idependence of India and we are 50 years after the great historical beginnings of the Quit India Movement. The crises in human governance continue to mark the politics of everyday living and they are reflected in survival indicators. Poverty continues to be progressive, undermining the full potential of various advancements in human endeavour and new forms of violence continue to be invented and executed. Chernobyl and Bhopal remain searing landmarks of large-scale human disasters. The prospects for the poor everywhere and women in particular are bleak, despite the great histories of social struggles and resistances. And the world remains as divided as ever. Africa contains 27 of the 41 countries with the lowest per capita income and the rest belong to Asia. Ever mounting debt, increased drug trafficking, lowering of environment standards as more polluting industries get relocated in the south, and an overall worsening of work conditions as large-scale migrations take place have all been serious setbacks for the efforts of governments and peoples' organisations during the last three decades to secure human rights in an economic, political, cultural and social justice agenda. Development efforts have not been able to resolve the dual realities of plenty and famine, health and disease, unparalleled advancements in knowledge and technology and growing illiteracy with child labour for many. The Social Summit concluded with issues being raised with concern and with no real commitments being made. Women the world over are concerned that Beijing should not remain only as a meeting point in the history of women's struggles enhanced by the characteristic celebratory space but also be the time for genuine and committed negotiations when governments will set into motion policies and actions which will secure the advancement of women as equal social and political citizens of their communities and nations.

For women, 'one half of the sky' and earth, much is at stake. They remain the prime architects and actors in preventing whole communities from collapsing. They remain the authors of a palpable struggle against the dehumanising trends of globalisation, of private accumulation and of untold violence against the poor, the disadvantaged, women and children. Women globally have struggled and will continue at Beijing to refuse to be treated as 'soft policy options', as beneficiaries, as appendix to documents, or as supplicants for some benefits. They have underscored at the earlier negotiating grounds their strong and uncompromising roles as:

> Full and equal participation in all spheres of public and private life, based on full economic, social and political citizenship...

They have asserted that social rights and entitlements are part of constitutional obligations.

Platform for Action

The Platform for Action is a lengthy document running to 121 pages including the proposed Beijing Declaration which accompanies the Draft Platform for Action. It comprises three sections: the Statement of Mission, the Global Framework, the second section outlining the critical areas of concern, strategic objectives and actions, and the last section devoted to institutional mechanisms and financial arrangements for promoting the advancement of women. This document succeeds the Forward Looking Strategies (FLS) Document agreed upon at the Third World Conference on Women in Nairobi in 1985. The proposed Beijing Declaration which precedes the DPOA contains a preamble that expresses concern about the situation of women and emphasises the need to act. On the goals

(a) the previous international instruments are reiterated,
(b) the global environment (descriptive) outlining world changes and the consequent changes for women is stated and
(c) so is the enabling environment (prescriptive) of empowering women and mainstreaming women in development

The Draft Declaration ends with calling for 'high-level' commitment towards implementation of the POA and the action required at the national and international level. The Statement of Mission and the Global Framework lays out the intent and the vision that inspire the women's movement. It also significantly underscores the macro frameworks in which women will have to fight for their equality. Key references include "accelerating the removal of obstacles to women's full and equal participation in all spheres of public and private life, based on full economic, social and political citizenship.... State policies were often indecisive and compromises were made in institutional and financial agreements, leaving many gaps in implementation. In the absence of mechanisms which could enforce accountability, it was difficult to hold institutions or the government responsible, the trend continued in favour of gender equality and violations and women's rights. Other factors were economic development trends and the concentration of power related to global fiscal restructuring. This has permitted governments to sacrifice the quality of life and fundamental rights of the people, particularly women".

The 12 critical areas of concern include:

(a) The persistent and increasing burden of poverty on women.
(b) Unequal access to and inadequate educational opportunities.
(c) The equalities in access to health and related services.
(d) Violence against women.
(e) Advance peace, promote conflict

resolution and reduce the impact of armed or other conflicts on women.

(f) Inequality in women's access to and participation in the definition of economic structures and policies and the productive process itself.

(g) Inequality between men and women in the sharing of power and decision-making at all levels.

(h) Insufficient mechanisms at all levels promote the advancement of women.

(i) [Lack of awareness of and commitment to [internationally and nationally recognised] human rights of women. [The enjoyment of all universal human rights by women]*.

(j) Inequality in women's access to and participation in all communications systems, especially the media; and their insufficient mobilisation to promote women's contribution to society

(k) [Lack of adequate recognition and support for women's contribution to managing natural resources and safeguarding the environment]*.

(l) [Persistent discrimination against and violation of the rights of the girl child]* [Survival, protection and development of the girl child]*.

Contested Areas

Each of the areas of concern carries with it a set of strategic objectives and actions. The sections on Poverty, Health, Economic Inequality, Human Rights, Environment and Girl Child have proved so far to be the most controversial areas of contestation. The European Union, the G-77, the Holy See (Vatican) and the US have been playing strong roles in influencing the document and gaining competitive advantage. Women from developing countries have challenged the already accepted presupposition evident particularly in the sections on Poverty and Economy Inequality. The strategic objectives and actions for *Poverty* are:

- Review, adopt and maintain macro-economic policies and development strategies that address the needs and efforts of women to overcome poverty within the framework of sustainable development.
- Revise laws and administrative practices to recognise women's rights to economic resources and to ensure women's access to economic resources.
- Provide women with access to savings mechanisms and institutions and to credit.
- Conduct research in order to enable women to overcome poverty.

And for *Economic Inequality* they are:

- Promote women's self-reliance including access to employment, appropriate working conditions and control over economic resources, land, capital, credit, technology and guarantee economic opportunities for women - Secure economic rights for women.
- Take positive action to facilitate women's equal access to resources, employment, markets and trade.
- Provide business services and access to markets, information and technology to low-income women.
- Strengthen women's economic capacity and commercial networks.
- Eliminate occupational segregation and all forms of employment discrimination.
- Create a flexible work environment - Better harmonisation of work and family responsibilities for women and men.

Both the areas accept the present global fiscal restructuring and assume that women must now find ways and means of mitigating the impact of liberalisation and find within civil society structures that will guarantee their 'minimum' conditions of survival. Women have condemned first, the ascendance of the market ideology which have promoted inequities and second, the unsustainable economic growth in industrialised regions which have jeopardised the quality of women's lives. While the European Union at the Commission on the Status of Women argued that "we need to underscore the positive impact of the structural adjustment policies on women" activists, economists and many members of the G-77 agreed that the negative aspects deserve emphasis. The demands in these two areas of concern for action include:

(1) The SAP must be reviewed. The impact of national and international programmes on women should be monitored. Gender disaggregated data should be made available.

(2) The reform of the multilateral landing bodies must be put back on the agenda. The transparency and accountability of the Bretton Woods institutions is high on the list of demands made to all governments and UN bodies

(3) Economic policies should be directed towards achieving sustainable development in the long run and not short-term economic growth.

(4) The implications of the new trade regime and the World Trade Organisation should be examined and information made available. The increasing roles for women in the service sectors and 'free trade zones' call attention to issues of hazards, work conditions, minimum wages, social securities and human dignity.

(5) Women from south countries and India in particular have demanded an international regulatory mechanism for all Transnational Corporations. This becomes urgent considering that the Centre for Transnational Corporations was closed down and the WTO opened. Within the UN structure, there must be a body that continuously monitors the impact of transnational corporations on women. This can be situated in the Economic and Social Council.

(6) Counting women's unwaged work needs the evolution of a global structure of work including unpaid work. Recognising and quantifying women's unremunerated work and including its value in the Gross Domestic Product (GDP) or a satellite account of the GDP emerged as a key issue. Women do two-thirds of the world's work, receive only 5 per cent of the income, own less than 1 per cent of the assets. Women remain at the bottom of the hierarchy of work and wealth. This is aggravated by the subtle and devastating problem of racism. "It shapes every aspect of women's reality, ranging from the impact of SAP on women in the south to lack of pay equality for women north and south, and determines how their lives are spent. Yet this reality is nowhere reflected in the GDP." This was pointed out by Juan Somania (Chile), Chair, World Summit on Social Development.

(7) Actions by governments require a constant social and gender audit so that the poor and women as a whole would not be burdened with victimhood. Women urged for all development projects to be transparent, accessible from the initial stages to institutions in civil societies so that there would be a reduction of the oft-heard story, 'the unintended consequences'.

(8) Low income countries should receive compensation for losses experienced as a result of GATT. Resources should be made available for social development.

(9) Debt reduction that go beyond existing packages must be reviewed. Debt cancellation as demanded at Copenhagen has to be renewed.

(10) Governments of developed countries must commit at least .7 per cent of the GDP to development assistance. Governments of developing countries need to provide information regarding the utilisation of aid women insist on accountable and transparent structures for aid utilisation and urge their governments to implement aid in a manner which does not erode the self-reliance of nations and their people.

(11) Women and food securities is a sectoral issue which will continue to receive sustained attention from all major women's organisations. The decline of investments in agriculture by the state especially in developing countries, coupled with slashing down public food subsidies has been a matter of growing concern to women globally. Women's organisations are mounting pressure on governments to play a decisively affirmative role in this regard and warning multilateral lending institutions to remove conditionalities which cripple the survival of the poor. Women's organisations at Beijing in the NGO forum will share models on how people in communities have developed their own foodgrain banks, etc.

We have looked at the DPOA and even a generous view does not dissuade us from believing that in the final analysis it fails to provide in essence the history of patriarchy and nation states and their continued influence in women not having rights over land and property. The document neither takes a hard look at the inherited social

* Bracketed and under negotiation as of May 15, 1995.

systems nor does it wish to challenge the global political economy which absorbs and reinvents the dominant structures in third world countries. Women's economic exploitation and the oppression and violence that ensues, according to the DPOA, requires only cosmetic and accommodative spaces of redressal in dominant, gender insensitive modes of economic transaction common to the command market driven economies.

The sector of health will continue to be a space of severe contestation. While south countries have insisted on strengthening peoples' access and affordability of health care (focus being on basic health care needs), the Vatican will insist as it has done at the CSW meeting to bring back the controversy on abortion which dogged the ICPD agenda This has been a tedious process and women's organisations from both south and some north countries have had to work overtime to project the problems of health care of poor women be it in area of basic and comprehensive health care services, human reproductive technologies or drug policies which do not cut off health care from being available to the poor 'Women's health in women's hands' will be a sister slogan to 'Health for all'

Human Rights Framework

Governments have also been asked to ratify the six core Human Rights Treaties. Women activists and several governments have demanded the use of the Human Rights Framework in the core areas of reproductive, economic, social and legal rights. The three existing UN Treaties which need to be recalled include the International Covenant on Economic, Social and Cultural Rights (1966), the International Covenant on Civil and Political Rights (1965) and the Convention on the Political Rights of Women (1953). In 1945 the UN Charter declared the principle of equal rights for all "without distinction as to race, sex, language or religion". Throughout the negotiations women have reminded governments that there is *no going back* on the hard won achievements of the earlier UN conferences. The World Summit for Children (1990), UNCED (1992) which recognised the skills and knowledge of rural and indigenous women, the protection of the environment and the management of resources, The World Conference on Human Rights (1993), ICPD (1994) which reaffirmed women's reproductive rights as human rights and the World Summit on Social Development (1995) which called attention to the pivotal role of women in addressing the problems of poverty, unemployment and social integration. At the same time one needs to be reminded of how long drawn the processes in the UN system are, leave alone how effective the UN is in enforcing nation states to abide by the treaties they ratify. In 1946 the Commission on the Status of Women was established by the UN Economic and Social Council. It took many years of work, from 1959 when the Convention on the Political Rights of Women took place, to 1981 when CEDAW came into force, for women to realise how painstaking and convoluted is the process of achieving rights for women among all the UN member states. While in 1985 at Nairobi the FLS for the Advancement of Women to the year 2000 was drafted and voted on, it was only in 1990 that the Commission on the Status of Women began work on reviewing progress towards implementation of the Nairobi FLS. In 1994 several regional preparatory processes for the Fourth Women's Conference took place especially in Indonesia, Argentina, Jordan and Senegal. In 1993 at the World Conference on Human Rights a Special Rapporteur on Violence Against Women was appointed and a preliminary draft of report was submitted at the CSW this spring Women from everywhere, at the CSW meeting reinvoked the ICPD achievements in underscoring the empowerment and autonomy of women as the basis for development and the Copenhagen Social Summit 1995 call for attention to the pivotal role of women in addressing the problems of poverty, unemployment, and social integration At the CSW NGO women insisted that Beijing must not only adopt and determine priority actions but also get down to mobilising women and men at both the policy-making and grass roots levels. Women have called for a restructuring of the UN system with much greater transparency and accountability. Women want a UN that offers and ensures global securities to civilians by way of strong institutional relations with member states. The UN continues in the post-cold war era and the post-year 2000 to hold out a few possibilities in this direction particularly towards providing governance in an unequal world, torn by armed and ethnic conflicts Women will also be asserting at Beijing that a primary component of comprehensive peace will be an acknowledgement that the security of all people is more important than the security of states They have called for a total elimination of all nuclear, chemical and biological weapons and a ban on arms trade. They will be calling for the UN to recover the original aims for which the UN was created and for the UN to reassert its original purpose: Being the most viable mechanism for guaranteeing peace and governance. It is no simple coincidence that the bracketed texts continue to be references to SAP, governance of multilateral lending institutions, TNCs, social and gender audit of all major development environmental projects, ban on arms trade, among others!

In the last one-and-a-half years during which time women the world over have been having regional meetings, negotiating with governments, etc, this question has been raised: 'Whose world is it and who will speak for whose world?' If nation states wish to continue with their existing geo-political rivalries and contentions, Beijing must not be the site for these longstanding rivalries. It is a tragic irony that the oppressed in whose name meetings are being held and vast amounts of money is being spent, should hardly matter or figure as central to the negotiations and discussions. If UN conferences are reduced to peer group meetings where governments will be present and united on making no commitments to the people under review, these meetings may as well be done away with. In the process of globalisation, women as agricultural workers, as construction labourers, as peasant women, as community workers, and as industrial workers in free trade zones, among others, are fighting to safeguard their resources, keep their communities and families from disintegrating as the global economic integration takes place. Women from south countries are quite clear in taking the stand that integration for the command economies and the elites everywhere could mean further social disintegration, increased migration, increasing number of female-headed households and even harsher working conditions for the poor everywhere.

Critical Juncture

We are at a critical juncture. Women the world over face the rightwing back clash. In the name of the 'family', for example in the US, the women's movement is being held responsible for the 'break up' of the family. Women everywhere need to assert their protest against all fundamentalism which destroy the broader social fabric on which alliances are built The pro-poor climate is certainly on the demise and neither the states nor the markets will assume responsibilities for the sacrifices and the social costs borne by the working classes, women and children in the informal sector, dalits, tribals, in effect all those who have the greatest moral and political rights for demanding the fruits of development and economic growth. What is the status of the Beijing Declaration and the Platform for Action? Will a moral agreement on a specific set of values, an open and agreed commitment to the set of values, objectives, and strategies for action *bind* governments to 'gendering' development and with political will create institutional mechanisms that work for the social good? While governments at Beijing will meet and decide on the final Platform for Action, women representatives both at Beijing and in their home communities will continue to insist on a minimum agenda of: Right to employment, regularisation of employment, minimum wages, maternity and paternity leave, right to association and collective bargaining, right to dignity, provision for safe and secure work environment, equal political representation at all levels, right to education, provision of constitutional guarantees and enactment of legislation to prohibit discrimination on the basis of sex and guaranteeing of full human rights to women throughout their life cycles, among others.

Uniform Civil Code

Implications of Supreme Court Intervention

S P Sathe

Different ethnic, religious and linguistic groups have different traditions and cultures and they are entitled to preserve them. Their personal laws are based on these traditions and cultures and therefore cannot be obliterated just for the sake of uniformity. A uniform law will have to accommodate such ritualistic diversities.

IN a recent case (*Sarla Mudgal*) where a Hindu had converted himself to Islam in order to marry a second wife while the first was living, the Supreme Court was provoked to ask the union government what it had done in pursuance of the directive principle of state policy contained in article 44 of the Constitution, which enjoins upon it to take steps for providing a uniform civil code. This has triggered a debate on this subject again. While uniform civil code as an ideal is doubtless laudable, the timing and the occasion for the Supreme Court's intervention was not opportune. Further, the speeches which the judges have made are likely to be misunderstood and could send wrong signals to various quarters. They could strengthen the majoritarian chauvinism on the one hand and minority fundamentalism on the other.

In fact uniform civil code, like the cause of Hindi as a national language has suffered due to overenthusiastic espousal by its crusaders. The minorities, including the Muslims might have been less resistant to modernisation of their personal laws, if the kind of arguments which are often made by its supporters had been avoided. Some such arguments were unfortunately aired out by the learned judges of the Supreme Court and this further complicated this issue.

One of the judges Justice Kuldip Singh said that a uniform civil code would strengthen national integration and that the minorities should give up their commitment to the two nation theory and agree to a uniform civil code. It was further said that the Hindus had accepted reforms in their personal laws and sacrificed for the national unity. The learned judge therefore exhorted the state to take steps to provide a uniform civil code. Now that the Supreme Court has observed that the above observations were not binding and were merely *obiter dicta*, they need to be carefully examined because even the obiters of the Supreme Court are worthy of greatest respect.

We already have uniform laws in matters other than family affairs such as marriage, divorce, maintenance, inheritance and adoption. The assumption that uniformity produces harmony and integration itself needs to be questioned. We have one law for the majority community and yet can we say that there is integration within it? There are disputes between the 'savarnas' and the 'dalits' and between various linguistic groups. Did peoples of Karnataka and Tamil Nadu not kill each other recently when they quarrelled over the waters of the River Cauvery? Such dissent does not disappear by the presence of a common law. Democracy admits dissent and since ours is a plural society any effort to regiment various ethnic and linguistic groups into a uniform mould could be counterproductive. Identity must be distinguished from separatism. Having distinct identities is not against national integration and they do not necessarily lead to separatism. Different ethnic, religious and linguistic groups have different traditions and cultures and they are entitled to preserve them. Their personal laws are based on such variety of traditions and cultures and therefore cannot be obliterated just for the sake of uniformity.

One does not necessarily subscribe to the two nation theory or multiple nation theory by insisting upon the preservation of the status quo. Within one nation there can exist a number of legal systems. In fact federal government means the coexistence of such multiple legal systems. Our Constitution places the plenary legislative power in respect of family, inheritance, adoption, etc, in the Concurrent List of the Seventh Schedule thereby implying that both the centre as well as the states can make laws on these subjects. This means that Maharashtra may have its own family law different from that of Karnataka. In the US, each state has its own matrimonial law.

Those who oppose changes in the personal laws are not necessarily anti-national, though we may call them status quoists and conservative. If you read the report of the Hindu Law Reform Committee chaired by B N Rau, you will see that various objections to the reform of the Hindu Law had been raised by leading members of the majority community and some of those objections were similar to those which the minority leaders raise today. Even Rajendra Prasad, who was the president of India was not favourably disposed towards the proposed reforms of the Hindu Law. Reform of the personal laws which is a precondition for the emergence of a uniform civil code gets delayed if one buttresses the case for it with such emotive arguments.

The Constitution doubtless visualises the emergence of a uniform civil code but does it mean a single law for all? Can we not have different laws for different communities provided they are based on uniform principles of gender and social justice?

Article 44 of the Constitution which contains one of the directive principles of state policy needs to be interpreted in consonance with the spirit of the Constitution. What the directive principle of state policy means is that there should be uniform laws but not necessarily a common law. The expressions 'uniform' and 'common' are often used interchangeably but they have different connotations. Extension of the majority community's law to all the minorities would doubtless make for a common law but would it make a uniform law? The word 'uniform' in article 44 means that all communities must be governed by uniform principles of gender justice and human justice. Each personal law therefore needs to be critiqued from the perspective of social and gender justice. It will mean the modernisation and humanisation of each personal law. A uniform law would mean not necessarily a common law but different personal laws based on uniform principles of equality of sexes and liberty of the individual. Let there be reform of each personal law so as to weed out gender injustice and outmoded traditions or practices. Article 44 of the Constitution must be interpreted in conjunction with article 14 of the Constitution which guarantees equality before the law and equal protection of the law. Article 14 allows classification of the people and traditions, cultures and even religion in conjunction with either or both of them could be the basis of classification. This was the essence of the decision given by the Bombay High Court in *Narasu Appa Mali*'s case in which two of India's most versatile judges namely, Chief Justice Chagla and Justice Gajendragadkar (who later became the chief justice of India) upheld the Bombay Prevention of Bigamous Marriages Act, 1946 on the ground that the prohibition of polygamy among Hindus was not a different treatment to the Hindus on the ground of religion but was because of the different traditions, history of social reform and cultures. Certainly there can be no discrimination on the ground of caste or sex and therefore such traditions which place women in subordinate position will have to be disregarded. Revision of the personal laws from such standpoint will ultimately take us towards a uniform civil code. Such uniformity can sustain the diversity of the laws. Uniform civil code should not be construed as a mandate for regimentation of

the laws because such regimentation smacks of totalitarianism

The central government, however, cannot be absolved from the charge of having neglected the welfare of the minority communities. On the one hand it took no steps to modernise and reform the law of marriage and divorce pertaining to the Christians in spite of several requests from that community. The Law Commission made a study of that law and gave its report (80th Report, 1980) and the Supreme Court as well as several high courts have exhorted the government for its inaction (*Shah Bano, Mary Roy* and *Swapna Ghosh* See Sathe 1991)

On the other hand it nullified whatever had been achieved through judicial process towards the mitigation of the gender injustice in the Muslim Personal Law through decisions such as *Shah Bano*. In that case, the Supreme Court held that a Muslim divorcee was entitled to maintenance under section 125 of the Code of Criminal Procedure from her husband even after the period of 'iddat' The passing of the Muslim Women's Right on Divorce Act, 1986 was the most regressive legislative intervention which boosted the morale of the Muslim fundamentalists and orphaned the Muslim divorcees

We feel happy that the union government is now taking up the reform of the Christian Matrimonial Law. This could be the beginning of the process of modernisation of the personal laws. The government should follow this up by a law of adoption for all the communities. Such a law is necessary because at present the facility of adoption is not open to the minority communities. Under the Hindu Adoption Law, only a Hindu can adopt and only a Hindu child, either born as a Hindu or brought up as a Hindu can be adopted.

Legislation for the Muslims cannot be indefinitely postponed. The argument that personal law is immune from the intervention of the sovereign legislature is not sustainable. The right to be governed by personal law was never considered as part of the right to freedom of religion guaranteed by article 25 of the Constitution. Moreover, freedom of religion guaranteed by article 25 of the Constitution is subject to "other provisions of this Part" which means it is subject to the provisions contained in Part III which contain guarantees of the fundamental rights. Even if freedom of religion comprehends the right to be governed by personal law, it does not cover the right to perpetuate denial of equality or personal liberty to a section of people who are governed by such personal law. Reform of the personal law would be for making these laws consistent with the fundamental rights of the women folk and would also be a measure of social welfare for which the state can legislate under sub cl (b) of cl (2) of article 25. Polygamy, unilateral divorce, absence of provision for maintenance for a divorcee are some of the curses which deserve to be weeded out.

The Indian Secular Society has published a draft Indian Marriage and Divorce Act prepared by the scholars of the ILS Law College, Pune. Another draft on the law of inheritance and succession is in the offing. A draft of the common law of adoption has also been prepared by some organisations. The draft on Marriage Law published by the Indian Secular Society is flexible enough to accommodate the diversities of traditions and culture prevailing among various communities in a uniform law. These drafts are intended to serve the purpose of providing a basis for a meaningful debate on the subject which will be free from acrimonious or chauvinistic overtones.

While making these drafts we realised how difficult it would be to arrive at a common law. Our draft therefore had to accommodate diversities that exist in the personal laws. For example, the rules regarding the prohibited degrees of relationship are different in the Muslim Personal Law from those in the Hindu Law. A Muslim can marry his first cousin or should a Hindu be permitted to marry a first cousin whereas such a marriage is totally forbidden for the Hindus. Should a Muslim be prohibited from marrying the first cousin or should a Hindu be permitted to marry a first cousin? Why should we really do that? Is it not better to allow each of these communities to follow their own traditions? A debate would take place on whether a person's right to dispose of his property by will should be restricted as is done under the Muslim law. It would be fiercely opposed by Hindus, Christians and Parsis who would say that such a restriction would go against individual liberty. The Muslim law provision on the other hand would doubtless ensure gender justice because daughters are often denied their inheritance by the willing away of the property.

Each community would like to enjoy its freedom regarding religious rites performed on a wedding. The insistence of the secularists that religion must be banished from all worldly affairs may be ideologically sound but practically not wise. Even the mighty Soviet Union did not succeed in banishing religion. The uniform law will have to accommodate such ritualistic diversities.

What is important is that the process of taking steps towards a uniform civil code should begin. So far this matter has suffered either from total neglect of the governments or aggressive postures of the majoritarian elements.

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Concept

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Kashmir: Autonomy Only Solution

Asghar Ali Engineer

Only steps towards autonomy backed by credible guarantees will provide a long-lasting solution to the problem in Kashmir.

THE Kashmir problem has caused so much bloodshed, yet there is no solution in sight. Punjab and Assam also saw long drawn struggles but now there is not much violence in these two states, although it is difficult to say that they are devoid of any problem. But in Kashmir violence still rages. Most of the Kashmiris I met claim that more than 40,000 people have died. The Charar-e-Shariet incident has further complicated the issue. Thus, the uppermost question is what could be done to resolve this tangle?

There is no doubt that the people of Kashmir have begun to realise that the gun is not the solution to their problem. When the movement began in 1989 it was thought that 'azadi' was round the corner. The whole atmosphere in the valley was tense due to the abduction of the then home minister Mufti Mohammad Sayeed's daughter. But such heroics lead nowhere. The Kashmiri militants have killed, beside innocent people, many of their own ranks – Qazi Nisar, Maulvi Farouque, and several others.

This is not to overlook, let alone condone, state violence. In fact, it is state violence which legitimises militancy in the eyes of the oppressed people. The day I reached Kashmir there was a general strike because the security forces had shot dead two engineers on mere suspicion. No one dared to say anything before the paramilitary forces. A truck driver was mercilessly beaten by the paramilitary forces before my eyes. Such acts further alienate the people. So long as army and paramilitary forces remain in the valley there is bound to be widespread violation of human rights. It is almost impossible for any government to stop it. In the case of Kashmir, it is all the more difficult as ISI of Pakistan is also playing its own game. The Jamaat-e-Islami-controlled 'Hizb-ul-Mujahidin' and the ISI-controlled 'Harakat-ul-Ansar' have vested interests in keeping the valley in turmoil. The state of turmoil ensures continuous flow of arms and money.

In the initial stages, militants came from middle class intelligentsia. They were committed to make sacrifices for 'azadi'. Some of them took to the gun thinking it to be the only way to achieve their goal. Some militants also came from the lowest rungs of society who envied their upper class masters. Many domestic servants also took to the gun and could dictate to their former employers. There have been cases where they tried to marry daughters of their former employers at gun-point. But soon lumpen and criminal elements took over the militant leadership. Some of them were drug-peddlers. Today it has become difficult to ascertain as to who is fighting for 'azadi' and who for their own or Pakistani ends. But one thing is clear. The people of Kashmir have begun to realise that militancy has led them nowhere, it has only ruined them. They have also realised that Pakistan cannot liberate them whatever its proclamations. It only aims to create turmoil in the valley for its own ends. Thus a peaceful solution which ensures dignity and honour to the people of Kashmir is being sought.

Here too there is no unanimity among the Kashmiris. Though the Indian government has lost its credibility in their eyes, all parties do not reject accession of Kashmir with India. Only the Hurriyat leaders and the militants challenge it. The National Conference, the Janata Dal, the CPI(M) and other groups in Kashmir do not want to reopen the issue of accession at all. All of them agree to a measure of autonomy to Kashmir. Even the governor thinks that without autonomy elections will not be effective in Kashmir.

For Pakistan

I interviewed almost the entire cross-section of Kashmiri society and their views ranged from "our legitimate accession could only be with Pakistan" to "Pakistan has ruined Kashmir". According to Lone, a member of People's League which is also part of the Hurriyat, atrocities by the army and the paramilitary forces have not stopped. They have committed more atrocities in villages than in Srinagar. He cited example of Mohammed Khan from Uri who was cut to pieces when he intervened on behalf of some villagers who were being beaten by the security forces. He admitted that the problem was extremely complicated and cannot be solved through guns. He was ready for negotiation and for reducing the defence expenditure of the two countries so as to keep south Asia free from the nuclear race. Lone did not lay down any conditions for starting negotiations.

Gilani of Jamaat-e-Islami (the main constituent of the Hurriyat) which controls Hizb-ul-Mujahidin maintained that India should declare Kashmir a disputed territory and fulfil its commitment to hold a plebiscite. "We can negotiate with India only on that basis. There is no question of accepting autonomy. We have sacrificed lives of more than 40,000 people and honour of our women for what? For autonomy? Certainly not. We will accept nothing less than plebiscite", was his refrain. On being asked whether he will demand independence for Kashmir, he replied that according to the UN resolution only two options are available: accession to India or Pakistan; there is no third option. When asked how does he expect 60 per cent of Hindus of Jammu and large number of Buddhists of Ladakh to join Pakistan, he pointed out that when Hyderabad and Junagadh were annexed through police action, the Muslim populations in those states had to remain in India, similarly, Hindus and Buddhists from Jammu and Ladakh can join Pakistan. On being informed that Muslims in Hyderabad and Junagadh states were not more than 7 to 8 per cent, he did not reply. Gilani was of the opinion that the Kashmiri pandits should return to the valley, though he cannot guarantee their safety when their own lives were threatened.

In Sopur shops were closed because security men on patrol duty had looted a few shops. The security forces had taken revenge since a grenade was thrown at them. Many people complained that their houses were forcibly occupied by the security forces. Sopur is a stronghold of Jamaat-e-Islami and Hizb-ul-Mujahidin and was at one time considered to be a 'liberated area'. For security personnel it is a hyper-sensitive zone. There are military bunkers all around and many houses are converted to military camps.

Abdul Ghani of Muslim Conference who resides in Sopur maintains that Kashmir belongs to Pakistan and if a plebiscite takes place he will vote for Pakistan. According to him the Kashmiris have been fighting for their rights since 1931 and took to the gun as a last resort. They know that gun cannot solve the problem but as in Ireland and in Sri Lanka it can lead to the negotiating table. Gani wanted the problem to be solved through the combined efforts of India, Pakistan and the people of Kashmir. He agreed that Jammu and Ladakh are not for merger with Pakistan. He wanted Chenab to be accepted as the dividing line, a proposition rejected even by the UN. Gani informed that there are 800,000 security forces in the valley but he had not given up hope and would not be subdued by the gun.

Muzaffar, a retired college principal in Sopur, has no trust in Indian government and finds Indian secularism a sham after the demolition of Babri masjid. An advocate from Sopur frankly admitted that though he is for Pakistan, the people of Kashmir are not for it. They prefer 'azadi'. He also admitted that armed struggle had ruined the economy of the valley but felt that had India fulfilled its commitments to Kashmir sincerely and invested in its development, disaster could have been averted.

In Baramula, a sensitive border town with a large Sikh population, a merchant considered both India and Pakistan responsible for their plight. He felt that mere

elections cannot solve the problem unless the basic issue is addressed. People may be forced to vote by the army but the government will not inspire confidence. The only solution according to him was autonomy and better economic opportunities for the youth.

For Autonomy

Farouq Abdullah, the ex-chief minister of Kashmir, was despondent and bitter that Narasimha Rao had not promptly responded to the Kashmir situation. For him the accession of Jammu and Kashmir to India was not subject of debate. But he wanted the 1952 accord between Nehru and Sheikh Abdullah to be honestly implemented to make elections meaningful. Abdullah also said that if autonomy is duly granted and elections are held, Kashmiri pandits will be able to safely return to the valley and this will enhance the prestige of the Congress in the country and enable it to win the general elections. But the Rao government is dithering. Further, any declaration of autonomy must be fortified with credible guarantees. The people of Kashmir have been repeatedly betrayed and the Indian government needs to act quickly and decisively to salvage the situation.

Peer Ghyasuddin, an ex-Congress minister and now a Janata Dal member, recently published a book on Kashmir. According to him, the Jamaat-e-Islami with its links with ISI is mainly responsible for provoking militancy in Kashmir. It was Mir Qasim who made an alliance with the Jamaat in early 1970s and strengthened it. The Jamaat took advantage and inducted its men into key positions. It also appointed hundreds of teachers from amongst its supporters and thus could get an opportunity to brainwash the students with its pro-Pakistan ideology. The Jamaat could influence a section of Kashmiri intelligentsia also. Ghyasuddin alleged that a large number of drug-peddlers are supporters of the Jamaat. Most of the militants are urban lumpen while some militants come from poor rural background. He did not hold the Indian government responsible for Charar-e-Sharief incident and viewed substantial autonomy as the long-lasting solution.

Zafar Iqbal, a noted journalist of *Chattan*, an Urdu weekly, found both the sides adamant. The Indian government by its insensitive dealings had deeply alienated Kashmiris. Yet people are equally disillusioned with Pakistan. They would prefer 'azadi' but it is not forthcoming.

The Janata Dal president of Jammu and Kashmir unit, Abdul Qayyum Ansari and M Yusuf Tarigami of CPI(M) blamed the Jamaat-e-Islami for ruining Kashmiri people. Kashmiri people are liberal and follow Sufi Islam. When the Jamaat did not succeed in spreading its influence among the masses, it inflicted militancy on them. If autonomy is promised peace can be negotiated. Both were of the opinion that even if army had not burnt Charar-e-Shariel it cannot wash off its responsibility for the incident.

Shabbir Shah spent more than 20 years of his life in Indian jails and yet is not bitter about it. His only demand is that let people of Kashmir decide their future. When he met Vajpayee at New Delhi, he told him that since the latter had improved India-Pakistan relations why is he ignoring the aspirations of the Kashmiri people by opposing article 370. Shabbir Shah also clarified that he stands for all Kashmiris. Kashmiri pundits are an integral part of Kashmir and it was Jagmohan, the then governor, who created a fear psychosis in their minds. Pandits were killed not because they were Hindus and pro-India but because they were part of the establishment against which Kashmiris are fighting. The Indian government wants to use them as pawns in their power game. When Kashmiri leaders complain about violations of human rights, Indian government tells the world what the militants have done to Kashmiri pandits. Most of the pandits have been given jobs and only poor pandits suffer in miserable camps, said Shabbir Shah Shabbir Shah squarely blamed the army for the destruction of Charar-e-Sharief. The people of Charar-e-Sharief have defence ordnance shells in their possession "How could Mast Gul possess such shells, if it is he who burnt it?", was his question.

Krishna Rao, the governor of Jammu and Kashmir, in an hour-long discussion gave the entire background of the Kashmir problem. He admitted that the Kashmiris have genuine grievances Elections were rigged in the past and there has been widespread corruption. Though the situation has improved still there are corrupt officials, some of them given to wine and women. This erodes the government's credibility Krishna Rao claimed that though the security forces have committed excesses, they have been considerably disciplined.

He did not agree that 40,000 people have been killed. He puts the figure as 10,000, with militants and civilians in equal number Out of 30,000 militants arrested 27,000 have been released, he informed. The governor is for holding free and fair elections. L K Advani wants to conduct elections only after militancy in the state is completely uprooted. But, Rao argued militancy can be better fought with the help of a popular government.

According to Rao, the army was not involved in the burning of Charar-e-Shariel. He informs that the shells with defence ordnance markings were launched to illuminate the darkness so that the army could spot the enemy in the night. Nevertheless, many Kashmiris believe otherwise. Something effective needs to be done to restore the government's credibility. Judicial inquiry should not be avoided, if the army has not played any role in burning down the Charar-e-Sharief.

The governor said that unemployment led the youth to join the ranks of militants. Therefore, he asked for 10,000 jobs to be created for the Kashmiri youth in various parts of India. "Can we not create 10,000 jobs in a big country like India?", he asked.

Conclusions

The overall conclusions reached after the visit to Kashmir can now be mentioned. Firstly, there is widespread feeling of alienation in the valley. The valley looks like a vast military camp. Secondly, the people of Kashmir are now looking for a credible solution. They feel they have been ruined by militancy. Thirdly, as pointed out by almost all, autonomy is the acceptable solution. Only a section of the Hurriyat might reject it. Announcement of autonomy might result in a division in the ranks of Hurriyat. Fourthly, autonomy should be announced before the elections are held and should be backed by credible guarantees. The people of Kashmir feel that they have been repeatedly betrayed and mere announcements may not satisfy them. Fifthly, various developmental schemes must be started with a sense of urgency and officers of proven integrity should be put in charge of these schemes. Lastly, the common people of Kashmir are, despite years of militancy, liberal and tolerant as they ever were. Many of them feel Indian secularism can provide a better alternative. But they are dismayed by the rise of Hindu fundamentalism

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New Banking Culture and Small Borrower

N A Mujumdar

The new banking culture nurtured by the economic reforms is alienating not only the small borrower but also the small saver.

THE reforms in the banking sector, introduced since mid-1991 initially as part of the macro-economic adjustment programme, have changed the profile of Indian banking, particularly of public sector banks. No longer, is it now possible to camouflage inefficiencies of banking under the garb of 'social banking'. Profitability has emerged as the single-most important criterion for judging the operational efficiency of individual banks. As the Reserve Bank of India (RBI) put it: "Improving the profitability of banks would have to be a major pre-occupation..." Recapitalisation of nationalised banks, introduction of a system of income recognition, asset classification and provisioning, a greater degree of autonomy to banks in the interest rate regime, reduction in the non-performing assets (NPAs), and in the Statutory Liquidity Ratio (SLR) – all these have changed the face of public sector banks. RBI deserves to be congratulated for transforming the profile of Indian banking in such a short span and so painlessly.

While all this is well documented and recognised, there is an aspect of change, which is in a way a by-product of reforms, but which has remained virtually unnoticed. The reference here is to what might be called 'the new banking culture' which has emerged. This brief article seeks to focus on the new culture because it has far-reaching implications for the future growth of the economy.

Most public sector banks today are attempting to cast themselves in the image of foreign banks and in the process there is a conscious neglect of priority sectors. Banks are there to cater to multinationals and the corporate elite and per chance to deal in derivatives – the lesson from Leeson is yet to be learnt! Let the small and tiny sector enterprises, the self-employed, the technocrat entrepreneur fend for themselves: they can approach the finance companies or the moneylender. Thus the new banking culture nurtured by reforms is reflected in shunning lending to priority sectors, exploiting fully opportunities offered by capital market-related activities, a nose for making an easy and quick 'kill' in terms of profits, making use of finance companies in preference to direct lending. This new culture is epitomised in the statement of the chairman of the State Bank of India who spoke of the "demise of traditional banking" in India. This approach betrays an innocence of Indian economic realities as we would seek to show.

The main theme of this article is to demonstrate that this new mind-set emerging among public sector bankers would be disastrous for the future growth of the economy, unless RBI takes concrete measures to make the new banking scenario compatible with small borrowers.

Let us begin with the positive impact that reforms have produced on public sector banks. Even the Narasimham Committee, no admirer of public sector banking, did recognise that during the last two decades or so since the nationalisation of banks in 1969, public sector banks have supported broad-based growth, mobilised larger resources, integrated the rural population into the financial mainstream and provided increased access to small industries, small farmers and weaker sections of the society. In terms of sustainability of viability, however, the system left much to be desired. Basically, the capital base – the ratio of paid up capital and reserves to deposits – of public sector banks was around 2.85 per cent in 1990-91. This was very low by international standards. The ratio of non-performing assets to total assets of the banking sector as a whole was as high as 22 per cent. Lack of proper disclosure norms had facilitated the process of pushing the problems under the carpet. The net profits of public sector banks after provisions and contingencies were no more than 0.18 per cent of working funds. All this has now changed. Indian banks with branches abroad were required to achieve a 'risk weighted' capital adequacy ratio of 8 per cent by the end of March 1995, while all other banks are required to comply with the 8 per cent norm by the end of March 1996. Out of 27 public sector banks, seven banks have achieved the 8 per cent norm and nine banks the 4 per cent norm as at the end of March 1994. Regarding the NPAs, for the system as a whole, NPAs are estimated to have declined from around 24 per cent in March 1994 to a little less than 20 per cent in March 1995. By the end of March 1995 all banks have fully met with the new provisioning requirements. Finally, the number of public sector banks showing operating profits has gone up from 19 to 21 in 1993-94. Although six banks continued to show operating losses, RBI's projections indicate that by March 1995 at least two of these would have begun to show operating profits. This turn-around is a tribute to the remarkable skill with which RBI has achieved the transformation.

Neglect of Priority Sectors

Let us now turn to the other side of the coin. The most conspicuous feature of the 'new culture' bred by reforms is the wilful neglect of priority sectors. The share of priority sectors in total net bank credit declined consistently from 40.9 per cent in June 1991 to 39.3 per cent in June 1992 and further to 35.9 per cent in June 1993. There are two disturbing aspects of the default. First, although the target for priority sectors remained unchanged at 40 per cent, RBI appears to have chosen to wink at the default. Not only is there any traditional exhortation by RBI to banks to fulfil the target, but RBI has maintained a studied silence on the default. The RBI's *Annual Report 1993-94* was content by merely presenting the data on sectoral deployment of credit; there was not even a routine mention of the default. The *Report on Trend and Progress of Banking in India 1993-94* goes only a step further: "As a share of net bank credit it (priority sector credit) increased by 1.9 percentage points from 35.9 per cent in June 1993 to 37.8 per cent in March 1994, against the stipulated target of 40 per cent". RBI's reports enjoy, and rightly so, a very high reputation for their analytical skills. Why is it then that this persisting and significant decline in the share of priority sector credit escaped RBI's attention? One cannot blame commercial banks if they interpreted RBI's studied indifference as a signal for condoning their wilful default. In sharp contrast to RBI's approach, the *Economic Survey, 1994-95* of the government of India provides a detailed discussion on this trend in priority sector credit. The explanation offered here may be an apology for an explanation but what commands admiration is its transparency. The second disturbing aspect of default is that such a decline in the share of priority sector has occurred in spite of the fact that the 'norms' of priority sector credit have been diluted substantially. For instance, direct and indirect advances to agriculture can now be clubbed for meeting the sub-target of 18 per cent of direct advances to agriculture. The definition of priority sector itself is widened: advances up to Rs 5 lakh for financing the distribution of inputs for agriculture and 'allied' sectors can now be considered as indirect advances to agriculture. The 'allied' activities include dairy, poultry and piggery and consequently advances for poultry feed and cattle feed are eligible for being included under this category. The decline in the share of priority sector therefore becomes all the more conspicuous and RBI's indifference inexcusable.

As the recent MS Shoes episode has demonstrated, the nose for an 'easy kill' had goaded banks to rush into areas where angels fear to tread. Both private and public sector banks were involved in such adventures: the disease is so contagious that even small banks the headquarters of which are situated away from the metropolitan centres were involved. It is high time that we realise that what may apparently appear good for the balance sheet of an individual bank may not be necessarily good for the growth of the economy.

Fortunately, RBI has acted quickly in this area. Two measures deserve to be specifically mentioned in this context. There has been a proliferation of finance companies during the last couple of years; and also an unduly large increase in credit from banks to such companies. Apart from the business of equipment leasing, hire purchase, car finance, etc, there is the apprehension that they lend, directly or indirectly, to support the capital market. It was in this context that RBI banned in September 1994 commercial banks and financial institutions granting bridge loans or interim finance to non-banking financial companies (NBFCs) against capital/debenture issues, etc. RBI reiterated in April 1995 that this ban should be strictly observed and that banks/financial institutions should ensure that this is not circumvented by provision of credit under different nomenclature such as temporary/short-term loan or working capital assistance. In addition, the overall limits of borrowings by NBFCs from banks/financial institutions have been reduced. RBI has also advised development banks to moderate their lending to NBFCs.

There is another dimension to such lending. Although bridge loans to finance companies are banned under the present guidelines, banks and financial institutions can together extend bridge loans to companies against public issues and/or borrowing from the market up to a maximum of 75 per cent of the amount actually called up on each occasion. From April 17, 1995 such bridge loans by banks/financial institutions to all companies including finance companies have been banned.

These measures taken by RBI have to be seen in the broader context of the unsavoury developments in the capital market, which have surfaced in more recent months. The unwary saver should not be taken for a ride by fly-by-night operators.

Anti-Poverty Image

If the reforms in the economy in the post-1991 phase have come to acquire an anti-poverty image, the financial sector reforms are also to be blamed for it. RBI went about systematically draining out the 'social content' from the banking system. Three measures can be mentioned to substantiate this point. First, concessionality in the interest rate structure, which was the bedrock of the interest rate regime, was virtually abolished. Even a small borrower today has to pay an interest rate of 12.5 per cent as against 10 per cent or so earlier. Secondly, provisioning has become essential even for small loans: banks are now required to provide an ad hoc 7.5 per cent on all advances below Rs 25,000. As a consequence, banks have become increasingly reluctant to lend to small borrowers. The decline in priority sector lending has already been discussed. The third point relates to resources of the National Bank for Agriculture and Rural Development (NABARD). It may be recalled that RBI used to contribute to the National Rural Credit Long Term Operations (LTO) Fund; this fund used to provide on a continuing basis resources of a sizeable magnitude at nominal cost to NABARD, which in turn was able to offer refinance facilities to banks and co-operatives at attractive rates of interest. RBI in its new-found market mythology, withdrew its support to NABARD from 1992-93 and hence the latter's ability to inject funds at concessional rates of interest in the rural sector has been eroded seriously. No wonder that capital formation in the rural sector has declined sharply.

In fairness it must be added that the RBI occasionally makes appropriate nosies on a social banking. For instance, C Rangarajan, governor, stated in January 1995: "Banks and financial institutions are legitimate instruments of social and economic change. Even as banks expand their activities to meet the diverse credit requirements attention must be paid to those sectors which may have special needs. Good banking should not be inconsistent with socially concerned banking". But the pity is none of the credit policy measures introduced in the post-1991 phase reflects this good intention! Ultimately, it was left to the finance minister to reinject the 'social content' into the banking system and restore the role of banks as catalyst of development.

In the Budget proposals announced by the finance minister in March 1995, two major programmes designed to promote broad-based growth and enlarge employment and income-earning opportunities for the weaker segments of the society were proposed: the establishment of a new Rural Infrastructural Development Fund (RIDF) and funding of the Khadi and Village Industries Commission (KVIC). What is interesting from the point of view of the theme of this article is that commercial banks are involved in both of these schemes. Banks which default in meeting the priority sector sub-target of 18 per cent of net credit to agriculture would be required to make the deficiency good by contributing to RIDF. This stipulation is likely to create a corpus of about Rs 2,000 crore for RIDF. Again, banks are also required to provide on a consortium basis Rs 1,000 crore to the Khadi and Village Industries Commission (KVIC) which will on-lend these funds to khadi and village industries enterprises, either directly or indirectly.

This raises a more fundamental question: Are we not promoting what can be called 'banking by proxy'? By surrendering some Rs 2,000 crore to NABARD and another Rs 1,000 crore to KVIC, are not banks running away from their legitimate responsibilities. In fact these schemes would be tantamount to saying 'If you cannot meet your priority sector targets surrender the amount to NABARD'. It is understandable why such an option is provided to foreign banks which suffer from certain infirmities like lack of a branch network, so far as lending to priority sector is concerned. But why equate domestic, particularly public sector, banks with foreign banks? In fact, commercial banks have a much better track record in the area of direct lending to small borrowers than either NABARD or KVIC. There is always an advantage in involving banks directly in implementing, supervising and monitoring the concerned projects.

In the urban sector, banks are finding it increasingly convenient to lend in bulk to NBFCs, as mentioned above. The small-scale industries, micro-business and other small borrowers are in fact being pushed into the arms of the NBFCs which charge lending rates of 25 per cent or even more. One begins to wonder whether we are reverting to the pre-nationalisation era when banks used to lend to 'multanis' or moneylenders, who were perhaps the only source of finance for small borrowers, they were charging usurious rates of interest. Are we elevating NBFCs to the status of the 'new multanis'? In a way this is the logical corollary of imitating textbook patterns of banking in a developed economy: transaction costs are lower if you lend to a small number of large borrowers, rather than if you lend to a large number of small borrowers.

Public sector banks have begun recently to imitate foreign banks in insisting upon a large minimum balance to be maintained by savings bank account holders: this is yet another fall-out of the market mythology. This is a retrograde step in a system where public sector banks could take legitimate pride in helping to raise India's saving rate to a respectable level, through the process of institutionalisation of household sector's savings.

This new banking culture thus alienates not only the small borrower but also the small saver!

Macro-economic compulsions demand that during the next 10 years or so there should take place an employment explosion, if a significant dent on poverty is to be made. Going by empirical experience the organised sector is incapable of providing the needed thrust to bring about such a massive expansion in employment. One has therefore to look to the informal sector – non-farm subsector, rural industries, small, tiny and service subsectors, market-related self-employment programmes, and so on. In fact, this is one way of looking at the decentralised and broad-based growth pattern envisaged in the Eighth Plan. If the banking system has to play the role of a catalyst of development, a new regime of credit delivery system has to be forged, perhaps involving voluntary organisations (NGOs) and self-help groups. A whole range of advisory services would have to be provided especially if the new hi-tech areas are to be fully exploited. Viewed against this macro-economic perspective, it is imperative that our banking system, particularly public sector banks should refocus their attention on lending to priority sectors, small borrowers, micro-enterprises in the hi-tech areas and so on.

WEST BENGAL

Warning to Left Front

Biren Roy

The CPI(M)'s attempt to take the offensive by organising a 'victory rally' notwithstanding the results of the Calcutta civic election, like those of the earlier municipal elections throughout the state, have been a setback for the party.

THE results of the Calcutta civic polls held on July 9 clearly reveal erosion of the influence of the CPI(M) and the Left Front in the city proper and adjoining areas. This was the third election held on the basis of the 1980 Municipal Act which has some unique features. It provides more power for the elected representatives. A cabinet type of constitution has been adopted with the provision of mayor-in-council led by the mayor vested with substantial executive powers.

In this election, out of 141 seats the Left Front got 70, the Congress(I) 66, BJP 2 and independents 3. Out of 3 independents, two have later on joined the Congress and one is still undecided. But in the 1990 election, the Left Front had secured 99 seats and the Congress(I) had won only 37 seats and the BJP 2. The CPI(M) alone had secured 71 seats, i e, a majority of the 141 wards. But this time, the CPI(M) secured 53 seats and other Left Front partners 17 seats, including three independents supported by the Front. In Calcutta proper consisting of 100 wards, the CPI(M) secured 34 seats, other Left Front partners 14, including one independent, whereas the Congress(I) secured 50 seats, having wrested 17 seats from the Left Front whereas the Left Front wrested only one seat from the Congress(I). The BJP won 2 seats in Calcutta proper. In Jadavpur area (adjacent to Calcutta), which is a traditional stronghold of the Left Front, that is of the CPI(M), it could maintain its influence by securing 13 out of 14 seats losing only one by a narrow margin, but in Behala, another stronghold of the CPI(M), it lost heavily; the Congress(I) secured 12 out of 18 seats. In the Garden Reach area predominantly inhabited by industrial workers and a Muslim minority, the CPI(M) won four out of nine seats. Here, an independent of dubious character defeated both the Congress(I) nominee and the Left Front candidate who was a CPI stalwart. The CPI's performance was dismal, it won only four seats out of 15 contested by it. An important feature of this year's election was that one-third of the total 141 seats, that is 47 seats, were reserved for women. The Left Front won a majority of these seats. The Congress(I)'s gain was spectacular despite in-fighting between the official PCC(I) and the Youth Congress(I) led by Mamata Banerjee, MP. The results demonstrated a negative vote for the Congress(I). Both the Congress(I) and the CPI(M) accused each other of resorting to unfair means in the election. But there is no doubt that the election this year was largely free and fair compared to the last election of 1990.

Different reports indicate that in many constituencies the Muslim minority and slumdwellers did not vote for Left Front candidates. This is an ominous sign.

In civic elections, besides national politics local issues also play an important part. On the whole Calcutta citizen's expectations from the mayor-in-council were not fulfilled. On top of all these, the high-handed behaviour of a section of CPI(M) activists and their alleged link with corruption made voters hostile to it. Being in power in the state for a long period of 18 years, there is no doubt that a section of CPI(M) cadres has become corrupt and self-seekers. There are allegations that factionalism inside the local CPI(M) have led to the defeat of the CPI(M) candidates in certain areas.

In its election campaign the CPI(M) failed to raise any significant slogan for improvement of civic services, except highlighting the 'megacity' project and industrialisation with high technology. The result showed that the citizens did not attach much importance to these slogans. On the other hand, the Congress(I) harped on corruption and partisanship of the administration. One has to appreciate that present-day youth, especially those between the ages 18 and 25 (the voting age has been lowered to 18 years), have no experience of the misdeeds of the Congress regime during the 1970s, but they experience the misdeeds of a section of the CPI(M) activists in their respective localities. This factor influences their decision.

The Congress(I) fared well also in the municipal elections held about a month ago in different municipalities. A significant aspect was that the CPI(M) lost in the industrial belts of Hooghly district and in Kharagpur, another industrial area, and also in certain semi-urban areas bordering the urban municipality. These areas were considered so long to be bastions of the CPI(M). There is no doubt that the result of the recently concluded Calcutta civic elections and other civic elections definitely shows a setback for the CPI(M). After the results were announced, there was jubilation in the Congress(I) camp and despondency in CPI(M) circles. But the CPI(M) sought to take the offensive by organising a victory rally on July 15.

It should be mentioned that Jyoti Basu, the most popular leader of the CPI(M) was absent during the whole period of civic elections. He was busy wooing the MNCs in the US and the UK. It is clear that his activities abroad did not enthuse the voters.

As the Congress(I) decided not to contest the mayoral post and in fact boycotted the election, a CPI(M) mayor was re-elected unopposed. The mayor-in-council has also been formed, though there is some bickering among the Left Front partners over allotment of portfolios in the mayor-in-council.

Prospects of improvement of civic services are not very bright especially in the face of Congress(I) resorting to obstructive tactics.

The CPI(M) will do well to self-critically analyse the causes of the setback in Calcutta and other civic elections and take corrective steps against degradations in a section of the party. It should publicly declare the shortcomings observed through such analyses.

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Sunil Kaul

The 1994-95 malaria epidemics in many parts of the country were undoubtedly a result of the breakdown of the administrative aspects of the National Malaria Control Programme. Yet, the new plan of action adopted recently introduces new technical features without tackling the administrative problems.

THE modifications made in 1995 to the National Malaria Control Programme's (NMCP) Modified Plan of Operations (MPO) and thus named Modified Action Programme have been clearly made in a hurry as a panic reaction to the large-scale deaths that took place in various parts of the country in the past one year. The diagnosis of the epidemic has been wrong; the remedy seems to be worse.

While the blame for the epidemic should be placed squarely on the medical administrative machinery, most of the changes that have been made are directed at the technical aspects of the programme while the administrative aspects of the plan have seen only cosmetic changes. Public health tenets have been shown the back door under the guise of a pragmatic approach to tackling malaria. On the one hand, there are important changes made in treatment schedules without assigning cogent reasons for the shift in policy; on the other hand, *status quo ante* is maintained about pill sizes and availability of syrups/sugar coated formulations of chloroquine for small children. What is really inexplicable is the silence on the issue of making humanpower and material resources available for the implementation of various modifications without which the plan may not work at all. To begin with MPO says that "Deaths due to malaria are only due to P falciparum infection" (para 3.2.1). This is too sweeping a statement and denies the victims of relapsing P vivax, like those who have severe anaemia and either abort or succumb to childbirth, a sensitivity that they deserve despite their low incidence. Further the presumptive treatment for areas where microscopic diagnosis is not available immediately is laid out to be chloroquine plus sulpha combination because "suplha combination has no action o P vivax". This fact that sulpha combination is ineffective against P vivax is not borne out by any of the standard textbooks of pharmacology and if there is some study available to the NMEP which proves this, it needs to be brought out of the wraps.

The action plan shows a table which indicates the radical treatment of P vivax, P malariae, and mixed infections, according to which an adult will have to take four tablets of 150 mg chloroquine and six of 2.5 mg primaquine on the first day and continue taking six tablets of primaquine for the next four days. The dosage for radical treatment of P vivax as per the WHO schedule still continues to be 10 tablets of chloroquine over three days and had been the same in the NMEP guidelines earlier The technical committee which has recommended a lower dosage must have done so only after having convinced itself of the efficacy of such a truncated dose by some studies which are contrary to the experience of many a doctor like myself working in the field. Obviously, we need to know more about such a study. Besides, the thought of swallowing 10 tablets at one go has always been very worrisome for most patients one encounters. NMEP could do well by making two different types of tablets of chloroquine which can be scored to make it easier to halve 600 mg and 300 mg tablets can do the trick for all ages and cases of malaria Similarly, 5 mg and 10 mg scored tablets of primaquine can do the needful for all ages and cases requiring the drug. This can reduce the maximum number of tablets at one time to only two and a half

Further on the action plan mentions 600 mg of chloroquine as sufficient for the radical treatment of P falciparum. This is once again questionable on the same grounds as earlier but needs double the attention because inadequate dosage schedules can worsen the chloroquine resistance situation already getting out of hand in the country. The higher chloroquine dosages (menioned in 3.2.3 (c)) which conform to the WHO schedules are recommended 'wherever feasible' but this falls short of what malaria conscious doctors would like others to prescribe

Also, there is no rationale of prescribing primaquine to patients with the P falciparum parasite because there is no persistent tissue phase to tackle. If it is given to prevent transmission, it can be justified as a public health measure only during epidemics because of its attendant risks of causing haemolytic anaemia. To expose all the patients at all times to the risks of this drug when it is of no benefit to the patient cannot be explained except in extreme circumstances.

Similarly, the treatment schedule for radical treatment of resistant strains of P falciparum for adults has been limited to 1,000 mg Sulfalene + Pyrimethamine although there should be some provision for 1500 mg Sulfalene + 75 mg Pyrimethamine for adults as per WHO recommendation (at least for those weighing more than 50 kg).

Earlier in the action plan document the conditions mentioned for identification of high risk areas in rural areas has no relation to the ABER, and thus there is every possibility of the surveillance going awry. The low ABER which has been the hallmark of our poorly supervised malaria programme can never provide reliable data for any programme. Hence formulae can easily be worked out to take into account the ABER of the particular PHC to avoid a situation where the monitoring may become meaningless on account of low ABER.

The voluntary link worker (VLW) which has been advocated by the scheme (para 3.1.3) may be in line with the latest thinking of involving the local community in tackling malaria, but it should be reserved only for areas other than high risk areas. Laying out the duties of VLW does not mean an ensured accountability for surveillance of a standard that is desirable for areas at a high risk. Further, there must be some provision for incentives (per slide collected) or honorarium payable probably by the panchayat to ensure continuity of the VLW.

With reference to pathological examinations only the JSB stain has been recommended for examining blood smears. This is frequently out of stock NMEP should have taken this opportunity to include the possibility of using Leishman's stain which can be used equally well to see the malarial parasite and is easily available for routine blood examinations. One has frequently seen malarial surveillance work stopping on account of non-availability of the JSB stain and the manual in its present form only reinforces the assumption that malaria smears can only be seen using the JSB stain. Further, the expectation that a lab technician can examine 100 fields in five minutes is too far-fetched especially because there are no assistants provided to the lab technicians.

Prevention

The malaria engineer (mentioned in para 4.1.3) needs to be described further because one has not heard of such a speciality in the engineering field. Maybe, NMEP is committed to run such a course. On the selection of suitable insecticide the manual fails to mention anopheles stephenis, one of the major urban vectors and the one responsibile for the epidemic of Rajasthan in 1994. The decision not to entrust the

insecticidal spray operations to "non-technical personnel like contractors, voluntary bodies, etc", is objectonable because voluntary bodies are in close contact with the village communities and this is the easiest of the antimalarial operations in which the villagers can contribute. Also, till the NMEP manages to get a large workforce, the spraying of the remote areas will continue to suffer.

Further, the report mentions that "Cattle sheds are not to be sprayed" in order to divert the mosquitoes from human dwellings to cattle sheds. This point was actually stressed upon earlier but in the reverse, in that cattle sheds were not to be left out. To reverse its earlier stance, the NMEP is now localising its sights only on human malaria. This may be understandable, but it losses sight of the fact that the most vulnerable population – that is women of childbearing age – enters these sheds precisely at the times of maximum activity of mosquitoes, that is, at dawn and dusk, and will get exposed to the mosquitoes, unless this directive is changed. What one is also sure of is a general resistance in the villages to such a selective spraying because animal sheds are associated with the mosquito menace.

The recommendation to monitor the cholinesterase levels regularly appears very ambitious because such facilities are not available anywhere in India except a select handful of cities. Mass surveys as advocated in the report must be avoided as they tend to encroach upon the busy schedule of the lab technician and adversely affect the slide examination rate.

Apart from the points highlighted above, there are many issues included in the manual either a bit prematurely, e g, biocide sprays which are as yet unavailable with the NMEP, or need to have been stressed upon but have only a slight reference, e g, the use of lavicidal fish for the control of malaria. One would have hoped for this facility to be made available at the PHC level but the manual does not recommend this. There is also a silence on the peripheral monitoring of insecticide rsistance of mosquitoes and of chloroquine resistance amongst plasmodium (one of the forms in the life cycle of the micro-organism). The earlier this is ensured so as to allow a prompt and decentralised action to be taken at the PHC level to encounter the resistance, the better it would be.

One more field where the NMEP can help is to encourage the use of mosquito net and other personal protective measures. In times of epidemics, serious thought can also be given to chemoprophylaxis for all the people or at least for children and pregnant women. Last but not the least there is a crying need to ensure that the system works. None of the plans will come to fruition unless there is accountability in the system. Random and surprise checks of prescriptions to see if they conform to rational or NMEP guidelines and of lab work and spraying activities in the field are necessary. Some exemplary and prompt punitive action may go a long way in preventing further epidemics because it is as clear as the light of the day that the epidemics of 1994-95 have occurred less due to faulty policies and more due to the total collapse of an unsupervised system.

UNITED STATES

Mending Medi(

AB

The relevance of the issues raised in the debate on mending the Medicare programme in the US extend beyond the US since they involve the question of how to harness the merits of the market in terms of offering a choice while guaranteeing a minimum to everyone.

NEXT to the trials of O J Simpson (the football celebrity who has been arraigned for the murder of his ex-wife and her boyfriend) and Susan Smith (the young woman who killed her two little sons to placate a reluctant lover), the subject that occupies the centre-stage of public attention in the US these days is the future of 'Medicare', the ambitious programme that was instituted 30 years ago to assure health care to the country's senior citizens and the incapacitated.

Created by the Democratic administration under president Lyndon Johnson, the programme runs a government insurance to pay the hospital and doctor bills of the elderly and has been acclaimed as a great success, benefiting 33 million Americans in the age group 65 years and above (together with 4 million disabled), the only group in the country to have universal coverage. Before its advent, any serious illness of a retired person could be ruinous for him and his family and eat up the family's entire savings. Many (more than one-third) went without any treatment as a result.

Despite its achievement and popularity – the longevity of the aged has perceptibly increased – the future of the programme faces a big question mark, the primary reason being its continuously escalating costs and the implications in terms of inter-generational inequity in the tax burden if it is to be maintained in its present form. While everyone agrees that the programme should continue, how to control its costs has been a matter of bitter controversy among politicians and policy-makers with strong ideological overtones.

In the absence of anything concrete from the Democrats as to how to go about the task – their plans to reform the health care system comprehensively having come a cropper last year – the debate has so far focused largely on the model offered by their opponents, the Republicans, that would transform the programme. What this alternative envisages is that the government, instead of paying the bills of doctors and hospitals, would contribute a fixed sum to a health insurance plan on behalf of each medicare beneficiary. As a recent page-long article in the *New York Times* put it, "In the argot of health policy, a defined benefit would be replaced by a defined contribution". The merits of the proposed scheme – commonly called the 'voucher system' – would, according to its proponents, permit the recipients to choose what they want and at the same time enable the government to control the costs which are currently multiplying at an unsustainable annual rate of 10 per cent. Under the new system the beneficiaries will choose from the plans offered by the health management organisations who provide this service to millions of the employed, but at a cost. What the fixed government contribution will mean is that a beneficiary will get a cash rebate if the plan he chooses costs less than the federal payment, but would have to pay the difference if it falls short.

The Democrats maintain that the Republicans' proposal would end the fundamental purpose of the programme, viz, entitlement to first class medical care for all elderly and incapacitated Americans as exercising a choice would expose them to the pitiless and perplexing medical market. "Vouchers are a cruel birthday present on the 30th anniversary of Medicare" said Donna Shalala, secretary of health and human services in the Clinton administration.

At bottom, the differences in the approach of the two parties over the issue – how to mend Medicare – reflect the gulf in their perceptions about how best to balance the budget and on the larger question of what is the proper role of government in matters like health care. What is being asked is, should the elderly be left with no alternative but to look up to a slothful bureaucracy that exclusive health care catering by the government means or can the market be trusted to provide all their insurance needs? The budget balance plan touted by the Republicans and approved by the Congress

promises to end federal deficits in seven years, relying on a spending cut of nearly $ 1 trillion of which $ 270 billion will come from saving on Medicare alone (and $ 180 billion from that on Medicaid, the programme that extends health assistance to the poor).

Relying on a new government analysis, released on the programme's anniversary day, July 30, president Clinton questioned the Republicans' claim that their model of managed care would offer a preferable alternative to the beneficiaries. The Republican plan to restrain the growth of Medicare, the study prepared by the department of health and human services has shown, would mean going under the poverty line for some 5,00,000 elderly Americans who already face difficulty in meeting their essential expenditures. Each of them would have to spend on an average $ 625 more annually than they do now if the Republicans have their way. Even more would be impoverished, the study further says, if block grants were to replace the government medical insurance scheme.

"These cuts would force their families to make choices between generations that no family should have to make", Clinton said in his weekly radio address on July 30. While acknowledging that Medicare needed to be saved from going bankrupt – the Medicare Fund Trustees have warned that the system will go under in seven years unless major steps are taken to change it – the president went on to say, "we do not have to bankrupt older Americans to do it". He claimed that his plan to balance the federal budget in 10 years would also reduce the growth of Medicare by $ 124 billion over the next seven years, but would avoid inflicting the kind of hardship that the Republican plan contemplates in order to finance tax cuts for the rich.

The idea of giving the beneficiaries more choice and greater financial stake in their choices which will result from the government providing only a fixed sum toward purchase of a privately managed medicare policy is endorsed by experts like Henry Aaron of the Brookings Institution and Rubir Reischauer, former director of the Congressional budget office. In order, however, that everyone gets the basic care they would like the government to lay down a package of minimum benefits that must be provided under every plan that the private health management organisations offer.

The Federal Employees' Health Benefit Programme offers a model for the system the Republicans are advocating. Under that programme the government contributes not just a flat sum, but 60 per cent of the average premium for the six biggest health plans. The incentives apparently work and, as the *NYT* article notes, federal employees shop avidly and many have moved into lower-cost plans.

The question that critics ask is does the voucher system mean more opportunities or, in reality, more coercion? If, as the Republicans want, the Medicare budget is to be shrunk by $ 270 billion or 14 per cent over seven years, given the growth of health care and private insurance costs, payment by the government for each beneficiary will grow less, implying an erosion of the value of the voucher.

Of course, the Republicans reject any such prognosis and maintain that their plan would not "shove the elderly into the cold" but would preserve all the benefits they enjoy at present. However, there can be no getting away from the reality that implicit in the Republican proposal is the presumption that those who choose the traditional fee-for-service Medicare facilities would have to pay more by way of higher premiums and their share of the actual medical bills ('deductibles' and 'co-payments').

Recent opinion polls suggest that while there are sharp differences among political parties and among different sections of the people – the wealthy and the indigent – support for sensible reform that would heed the retirees' needs and means has grown and is now large enough for politicians to deal with the basic problem without fearing for their re-election.

The debate over this as also the related questions of reform of 'welfare' and 'Medicaid' will almost certainly be carried over to the next year and will form a major issue in the presidential contest of 1996. The outcome however will have repercussions beyond north America. At bottom is the issue of government vs the market. Believers in the market – who now dominate the policy scene all over the world – will no doubt see in the swing from total government support for health care of the old to limited state involvement and allowing individual choice and management by the market a vindication of their faith. They would however do well to note that what is at issue here is not whether the government should involve itself in seeing that everyone among the old who needs medical attention gets it but what should be the extent and modality of the involvement. There is no question of the federal government reneging on the commitments it gave to the seniors 30 years ago. The search essentially is for ways in which the system can meet the demands it is going to face in the next decade as the aging population explodes and, equally importantly, in which the merits of the market in terms of wider choice can be harnessed while guaranteeing a minimum to everyone. Above all, America is mending and not ending Medicare, a shining symbol of a society's concern for the care of its elderly and incapacitated – a distant dream for a developing country like India where any medical care worth the name remains the privilege of a few.

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Resolving Centre-State Conflicts

Nirmal Mukarji

In the sphere of centre-state relations what we have now is an altogether new ball game. If there are lessons from the past they come from the way the 'exceptions' sector has been handled or rather mishandled – one, that civilised governance must rely more on democratic dialogue than on authoritarian militarism; and, second, that conflict in plural polities must be resolved without flinching from exceptional settlements that respect the aspirations of deeply troubled groups.

IN the discourse in India on centre-state relations three characteristics of the states are often lost sight of.

One is that, unlike in the US, the states in India are not indestructible. Most of the states that are there now were only states-in-the-making the other day. They were born out of processes that are still going on. Therefore new states may keep being created. The present political map of India bears no resemblance to the one at independence in 1947. For all we know tomorrow's map may be substantially different from today's. So when we in India talk of centre-state relations we talk of relations between an indestructible centre and not-so-indestructible states.

The second characteristic is that the states are units not of a federation but of a union, aptly styled a quasi-federation. 'Quasi' because, influenced by the trauma of partition, the constitution-makers opted for a strong centre, arguing that this would help to hold the country together. There is a federal scheme in the shape of division of powers between the centre and the states, but it is heavily skewed in favour of the centre. In practice the centre has become much more powerful than what the constitution-makers visualised. Centralised planning has contributed to this. So has the 'fuehrer' model adopted by the Congress Party, which has been in power at the centre for most of the time.

The third characteristic is the unevenness of the states in size, population and stage of development. Of the 25 states, Uttar Pradesh (UP) is the largest with a population of 140 million or so. At the other end is Sikkim with a population of less than half a million. The constitution treats all of them at par, in that all have to conform to the prescriptive provisions of the part dealing with 'The States'. So each state has a governor, a chief minister, cabinet, legislature, high court, even a chief secretary and a uniformly patterned bureaucracy. Within a state laws and policies apply uniformly to all people and regions. The reality, of course, is that states and regions within the larger states differ widely. When this reality is ignored there is trouble.

I have mentioned these characteristics at the outset because they have a bearing on what I have to say.

I

I shall take the liberty of including states-in-the-making in this presentation, and shall in fact deal with these first.

The plain fact is that the centre has had, and still has, more visible conflicts with this category than with already constituted states. Looking at the past, in most instances the centre refused to yield to the demands from this category until forced to do so. Potti Sriramulu's sacrifice, for instance, forced the centre to divide the old Madras presidency into two separate states of Telugu and Tamil speakers. It also compelled the setting up of the States Reorganisation Commission, which in turn led to a wholesale redrawing of state boundaries largely based on the linguistic-cultural principle. Even then Maharashtra and Gujarat could be constituted as separate states only after much blood was shed over the future of Bombay city, and Punjab only after long and sustained Akali agitations. In the north-east, Nagaland and Mizoram could gain recognition as states only after years of fierce insurgency by the people and fiercer counter-insurgency operations by India's armed forces.

The point to note is that in all such cases there was conflict or potential conflict between the centre and states-in-the-making. Resolution was obtained largely because demands were pressed through coercive means. In some cases the centre responded through its own coercive instruments. Therefore it can be said that, however unpleasant it may sound to a country that claims to be a democracy, it was coercion that eventually produced accommodation. Since ruling classes seldom learn from history the same may happen, and is in fact already happening, in the case of other states-in-the-making. Uttarakhand may well be the first of a new crop of states. It has the backing of two unanimously passed resolutions of the UP legislature. One was passed when the Bharatiya Janata Party (BJP) was in power and the other now when a coalition led by the Samajwadi Party is there.

The other point to note is that in all these cases what was involved was the assertion of group identity. Universal suffrage was expected to arouse the political consciousness of the voters. It did. But through a process of social chemistry still to be fully understood, it has led to people clubbing themselves in groups on some principle or the other. Where such groups have geographical bases they become highly identity-conscious and make demands in the general direction of autonomy and self-governance. Basically this creates bargaining situations where one side demands all and the other is not prepared to concede even an inch. Whether it is Bodoland or Jharkhand or any of the others in the queue, resolution has yet to be achieved. The Gorkha Hill Development Council of Darjeeling, worked out between the centre, the West Bengal state and the leaders of the movement for a separate Gorkhaland, has not worked well. Yet, for the centre as also for the concerned states, it has virtually become the cure-all model to contain the demands of the Bodos and others. 'The council' idea offers self-government well short of statehood. Whether it will succeed in its objective remains to be seen.

These are unresolved situations of conflict or potential conflict, all arising from this sector of states-in-the making and identity assertion.

II

What about already constituted states? In the early years after independence there was no conflict because the centre and all the states were ruled by the same Congress Party. Differences if any between the leaders at the centre and the states were settled within the party.

This happy state – happy for the Congress – ended in 1957 when Kerala elected the first non-Congress government. The dismissal of this Left government two years later on tenuous grounds set a pattern in which, during all the years that Congress ruled at the centre, non-Congress state governments were constantly made to feel uncomfortable and found the going difficult. Often they were toppled, by manipulation or by misuse of the constitutional provision to impose president's rule. Tolerating 'other party' rule has yet to become part of political culture in India. If some non-Congress governments

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survived for long periods, as in Tamil Nadu or West Bengal, it was because they acquired near-impregnable bases among the people.

The Congress centre's aversion to non-Congressism in the states was in tune with the slide of the Congress Party into the 'fuehrer' model. A 'fuehrer' neither brooks dissent nor shares power. But the model needs a charismatic vote-catching leader. There is no longer such a leader, and consequently state after state has been voting non-Congress. In this new situation the old game of state governments being toppled by an intolerant centre may be difficult to play, however great the temptation to do so. Electoral politics has, in a curious fashion, resolved this particular manifestation of centre-state conflict, at least for the present. The Congress centre seems to have become weaker and the states perhaps less weak than before.

The really enduring issue that generates differences in the centre-state arena is over-centralisation. Things have come to such a pass that, in addition to central subjects, the centre has become the dominant actor in the concurrent field and even in matters wholly the concern of the states, ranging from an item like the police to an all-embracing subject like rural development. Since there is little difference between the ruling elites at the centre and in most of the states, the phenomenon of over-centralisation has seeped into the polity widely. If the centre has been busy usurping the functions of the states, the states have been doing the very same thing with the functions of local governments. Governance as a whole has moved upwards and away from the people.

Inevitably there are reactions. The states, cutting across party lines, have on this issue turned against the centre; sub-state ethnic and other groups against both, and the people against the entire system. Conflict has become inherent in the totality of the polity, not just between the centre and the states. The underlying issue is how much autonomy the people can exercise in the making of decisions concerning them. To date this has remained unresolved. India saw a lurch towards near-total centralisation during the Emergency of the mid-1970s. It has still to see a genuinely significant move in the opposite direction of decentralised, accountable, people-based, democratic governance.

Put in another way, the issue is not how to resolve differences between the centre and the states. So long as the ruling elites at these levels remain much the same the fight between them, if any, will be only how to share the spoils of power. The real issue is deeper. It is between those who have ruled so far, whether at the centre or in the states, and those who have been ruled over and have been at the receiving end, between the ruling elites and the people.

III

Perhaps the truth is that by and large there have been no real problems between the centre and most of the states. One sees this in the way institutions for discussing centre-state issues have functioned. The Rajya Sabha, which somewhat like the Senate in the US was meant to be a council of the states, has become just another debating forum no more concerned about the states than the Lok Sabha. The National Development Council composed of the prime minister and the chief ministers of all the states meets now and then, set speeches are made and eventually a consensus announced broadly reflecting what the centre has already decided. Much was expected from the Inter-State Council constituted by the National Front government at the centre. It has only succeeded in disappearing from sight.

So we have to turn to the exceptions like Jammu and Kashmir (J and K), Punjab and the North-east which have occasioned tough conflicts. The demand in these places is expressed in evocative vocabulary, such as 'azadi' (independence), 'khud-mukhtari' (self-determination) and the like. The discourse goes way beyond listed powers. It compels thought being given to the hitherto unthinkable. Why should such states not be allowed to write their own constitutions for autonomy? They need be placed under only two constraints, one, that the centre must retain at least the minimum functions, defence and foreign affairs, and some aspects of communications and macro-economic management; and two, that the constitutions so written do not infringe the basic features of the Indian constitution. The doctrine that the national constitution has certain basic features that just cannot be amended, much less deleted, is one of the most creative contributions of the Supreme Court of India in recent years.

It needs to be borne in mind that the state of J and K already has its own constitution. It is another matter that J and K's autonomy has been steadily eroded by the centre in collusion with fraudulently elected governments in that state. What this suggests is that linking provisions tying state constitutions to the national constitution, like the famous Article 370 in the case of J and K, should be treated as unamendable basic features.

This 'exceptions' sector raises two issues. First, is there necessarily merit in insisting on a uniform package of devolution for all states? Should exceptional cases not be allowed specially packaged devolutions geared to their special circumstances? Second, should the extraordinary demands of this 'exceptions' sector be responded to militarily or democratically, through coercion or through dialogue?

On the first issue, as already mentioned, the principle of special packages for individual states was conceded in the shape of Article 370 for J and K. It was later adopted for several other states in a series of provisions stretching from Article 371 to 371G. But the contents of these special packages has been overtaken by militant discontent in some places. India has still to recognise the need for substantially larger special packages for the states undergoing acute problems. There are instead backlash forces in the so-called mainstream demanding the scrapping of even the modest special packages that exist at present.

On the second issue, the mainstream ruling elites spread over all the so-called national political parties seem to be united in support of using primarily the military instrumentality. Which not only constitutes a non-solution but in fact keeps worsening problems.

IV

Lastly, there are larger forces at work. Some sinister, like the rise of religious intolerance and extremism, which led to the destruction of the Babri masjid and the unspeakable outrages of Surat, Bombay and many other places. Others hopeful, like the coming together of countervailing elements amongst disadvantaged sections such as the backward classes and the minorities. These are tending to shake and render out of date the set-piece chessboard of the pre-existing polity configured by the centre and the states, for they cut across state boundaries and draw strength from deeper sources than what the ruling elites have been accustomed to deal with. India is in the midst of a churning process in which regressive and hopefully progressive forces are wrestling with each other. Obviously it is impossible to tell which side will prove to be the eventual victor. But there is the undeniable fact that the BJP which presided over the deplorable mosque demolition at Ayodhya was democratically thrown out of power come next election in UP by a coalition of the backwards and the minorities.

In the face of these new forces, it is doubtful whether there is much to be learnt from the past handling of centre-state differences in India. There is an altogether new ball game. If there are lessons from the past they come from the way the 'exceptions' sector has been handled or rather mishandled. The lessons are mainly two. One, that civilised governance must rely more on democratic dialogue than on authoritarian militarism. Second, that conflict in plural polities must be resolved without flinching from exceptional settlements that respect the aspirations of deeply troubled groups.

In Pursuit of Food Security

M H Suryanarayana

Increasing Access to Food: The Asian Experience edited by D S Tyagi and Vijay Shankar Vyas, Sage Publications, New Delhi, 1990; pp 455, Rs 250.

THIS book is based on the research work of Kellogg International Fellows from Asian countries. It provides a survey of select Asian country experiences in achieving both physical and economic access to food with special focus on government policy measures. That the objectives of food security have been achieved in the context of limited land availability, high man-land ratios and growing population makes these countries' achievements quite creditable. The countries considered are China from among the east Asian countries (China, Korea, and Japan), Indonesia, Philippines and Thailand from among the south-east Asian nations (Indonesia, Malaysia, Philippines and Thailand) and India and Sri Lanka from south Asia (Bangladesh, Burma, India, Nepal, Pakistan and Sri Lanka).

To facilitate a proper appreciation of different policies and their success in achieving food security the book begins with an introduction that provides the background in terms of the initial conditions and a review of the food situation in the recent past in these countries. Most of these countries, despite being predominantly agricultural with a disproportionately large labour force depending on this sector, have been food deficit due to low level of yield per unit of land. In addition they had to operate under constraints like high man-land ratio, growing population, weak infrastructure and mass poverty, the exceptions being Indonesia, Malaysia and Thailand which experienced increasing land-man ratios. Yet thanks to some of the appropriate technology-cum-price policy measures aimed at increasing domestic production and hence import substitution of foodgrains these countries could achieve near self-sufficiency in foodgrains. Foodgrain production exceeded population growth and domestic demand in many countries resulting, sometimes, even in sporadic surpluses of wheat as experienced by India in 1985 and of rice in Indonesia in 1984 and 1985.

The constraints faced, policies pursued and their consequences varied across countries. For instance, in India technology and price policies were instrumental in promoting physical access while a public distribution system combined with poverty alleviation programmes ensured increased economic access to foodgrains. Physical access to food, as measured by per capita availability of foodgrains, and economic access, as measured by proportion of per capita income required to buy a unit of food and relative increases in nominal per capita income and foodgrain prices, has increased in India as found by Tyagi. How the system of public distribution evolved in India and how far it has succeeded in meeting the different objectives of food security are examined by Bapna. The costs of the strategy for procurement of foodgrains for public distribution is much more than the direct monetary costs. For instance, there are costs due to suboptimal resource utilisation and inefficient production associated with price distortions resulting from zoning and inter-state foodgrain movement restrictions for procurement. Bapna examines some of the inadequacies of the public distribution system and finds it to be untargeted, irregular in supplies and expensive. The suggested remedies range from targeting by commodity reorientation in favour of coarse cereals to replacing the system by food stamps.

China has also succeeded in meeting the food needs of its population, which is about one-quarter of the world's population, with only 7 per cent of the world's arable land but by following a different strategy altogether as shown by Wen. Need for increased industrial and foodgrain production to ensure national security involved conflicting price policies like undervaluation of agricultural products to generate investible surplus for industrial development but overpricing foodgrains to reduce their imports by promoting production and curtailing consumption. This conflict was resolved by opting for a strategy of non-pricing policies like production planning based on institutional and technological innovations involving demolition of the rural power structure, land reforms, redistribution of draught animals, collectivisation and combined application of traditional and modern technologies. The price policy was resorted to only to increase rural incomes and influence resource allocation but after the economic reforms in rural China in 1978. As regards economic access, China relied on measures like rationing of basic necessities, confined largely to urban areas with the exception of rural areas designated as specialised industrial/cash crops producing/grain deficit areas, along with income subsidy and wage policies. As regards the rural sector, the emphasis was on self-sufficiency and self-supply of foodgrains which was achieved, of course, with a cost involving disappearance of the rural private sector and lopsided rural economy. The rural economic reforms of 1978 basically sought to undo such imbalances, set up a rural market economy and thereby achieve an economic structural adjustment in rural China. The study by Rui-Zhen examines how China went about securing such adjustment, its success and failures, implications for food security and the need to continue with such reforms.

Indonesia, on other hand achieved increased production of foodgrains, particularly rice, largely as a result of government policies towards production and marketing (Piggot and Treadgold). The policy towards production consisted of investment in research for high-yielding varieties, investment in rural infrastructure, investment in irrigation, price subsidy for inputs, and institutional arrangements (Syariel). Of course, the self-sufficiency in rice, though delicately balanced because of growing population and narrow dietary base consisting only of rice, has been achieved at heavy costs to the treasury in terms of price supports and an array of subsidies. One possible solution being considered at the policy formulation level is diversification of consumer preferences along with the development of the secondary food crops sector (Piggot and Treadgold). As regard food insecurity and malnutrition arising out of poverty, the Indonesian government emphasised the linkage of agricultural development with nutritional improvement and formulated a strategy of direct institutional intervention in providing health and nutrition services. For instance, the national Family Nutrition Improvement Programme, which was implemented at the grass roots level, monitored child growth and offered nutrition education, including training in home gardening to provide nutritional agricultural products, especially vegetables. As a result of all these efforts, infant mortality declined from over 200 per 1,000 live births to 90.1 and life expectancy

increased from 41 years to 54 years between 1960 and 1983-84. Given the multidimensional nature of the problem of poverty and malnutrition, and food and nutrition systems, involving socio-economic and cultural factors, the study pleads, in the context of Indonesian experience, for a holistic 'multidisciplinary socio-technological approach'.

Sri Lanka is another country, though with a per capita income of $ 400 in 1987 ranked among the poorest countries in the world, which has achieved remarkable social progress, thanks to the welfare policies of the government which were implemented vigorously till the economic reforms of 1977 (Pinnaduwage and Abeygunawardena). Like other Asian countries, Sri Lanka also followed a policy of increasing foodgrain production by measures like price support, irrigation investment and fertiliser subsidy schemes. But the major government intervention was with respect to increasing economic access to food through highly subsidised, sometimes even free, distribution of foodgrains. For instance, in 1969-70 rice subsidy contributed 63 calories per day towards per capita consumption of the population and 115 calories per day per capita of the poorest 10 per cent. It was in 1979, as part of the effort to reduce government expenditure and government intervention in the economy, that the four-decade old price subsidy scheme was replaced by a direct income transfer scheme, that is, the food stamp scheme, which option is currently being considered by India also. Hence the Sri Lankan experience should provide useful guidelines. However, barring facts such as that the food stamps were better targeted and the government expenditure on food subsidies declined by one-half, the study does not provide enough details to compare the food stamps with price subsidy schemes and draw policy conclusions.

Among the countries under review Thailand stands out as a success case in achieving food security by free trade policy market mechanism (Konjing). It is one of the six countries in the world producing surplus food for export where growing foreign market potential and market diversification played an important part in promoting domestic crop and livestock production and diversification. This was largely facilitated by a set of favourable government policies which aimed at increasing farm production and farmer's income through improvement of the marketing infrastructure and through market interventions like farm price supports and input price subsidies. As regards food security of low income people, the Thai government procured rice as reserved quotas from exporters and through bidding for distribution through fair price shops. In addition, it sought to improve the nutritional status of the population by specific programmes like nutrition education of mothers, the establishment of child-care, day care and health service centres, institutional feeding programmes such as school lunch programmes, and nutritious food production projects.

Finally, the study on Philippines by Ledesma brings out how important institutional reforms are in ensuring food security, particularly in a society where land-man ratios are highly unfavourable. Philippines is the 15th most populous country in the world. Farm area is highly concentrated with small farms constituting 68 per cent of all farms accounting for only 30 per cent of total farm area. About half of the farms occupying two-thirds of the total area are owner operated and the rest are rented or held under some other arrangement with tenancy arrangement being a major factor. It is against this background that the study dwells at length on the various legislative measures taken by the government for land reforms, but without any evaluation of their success and implications for food security. Instead, it expresses the hope that the reforms, if carried out with the requisite support services, may only provide the starting point for a strategy for transforming the Philippine rural society necessary for improving the food system.

Finally, the book ends with an excellent evaluation of the south Asian countries' experience, their constraints and long-term prospects by Vyas. The experience does not lend any support to the view that the prospect for international food security has improved. Notwithstanding the International Monetary Fund's Food Financing Facility, Food and Agricultural Organisation's Food Security Assistance Scheme, etc, there is need for an international food reserve which would be responsive to the need of poor countries. To ensure food security for the poor, ad hocism towards rural public works programmes, subsidised distribution of foodgrains and direct feeding programmes have to be replaced by a long term, selective and 'saturating' approach. In sum, the book contains some informative and analytical studies of south Asian government policies towards food security.

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Poor Attempt at Understanding BJP

Ashok Chousalkar

Hindu Nationalists in India: The Rise of Bharatiya Janata Party by Yogendra K Malik and V B Singh; Vistaar Publications, New Delhi, 1994; pp 262, Rs 275.

THE Bharatiya Janata Party has emerged as a major political force in Indian politics since 1988-89. It has given a new lease of life to Hindu nationalism which till now had a very limited influence on Indian politics. Hence a book on the policies and programmes of the BJP is welcome. The book is primarily written by Yogendra Malik; only a chapter on the electoral performance of the BJP is by V B Singh. Malik contends that the recent upsurge of Hindu nationalism is a reaction of broad Hindu masses against the Nehruvian model of nationalism developed by westernised and secular intellectuals. In its place, the BJP wants to put forward an alternative model of nation-building.

The BJP was established in May 1980 when the truncated Janata Party suffered defeat at the hands of the Congress(I) led by Indira Gandhi. After the electoral defeat the non-Jan Sangh members of the Janata Party wanted to finally resolve the issue of dual membership that dogged the party since its inception. The party passed a resolution disallowing dual membership. As a result, the former Jan Sangh affiliates quit the party and formed the BJP under the leadership of A B Vajpayee. The BJP did not reclaim its previous Jan Sangh ideology. Instead it proclaimed Gandhian socialism as its creed, though the rank and file did not believe in it. After 1985-86 the BJP abandoned its 'pseudo-secularism' and declared its commitment to Hindu nationalism.

According to Malik the Indian nationalists sought to distance themselves from the heritage of Hindu religion, while the Hindu nationalists drew upon Hindu cultural revival and social reform movements of the 19th century. He quotes from the writings of Vivekanand, Sri Aurobindo, Bankimchandra and Tilak to substantiate his point. He discusses the Hindu nationalist critique of the Nehruvian nationalism which asserts that a doctrine out of tune with the culture of the people is not likely to become part of their psychological setup. Malik holds that the reassertion of Hindu nationalism as an alternative ideology of Indian state is based on the claim that the majority in the country has a right to set the goals of the state. Hindu nationalism advocates the cause of a single homogeneous national identity, rejecting India's multi-ethnic reality.

It seems that the author has not correctly understood the historical roots of the rise of Hindu nationalism or of the Indian national movement. The 19th century social movements were in no way related to Hindu nationalism because the reform programme was an anathema to the latter. It is wrong to call Vivekanand, Aurobindo and Tilak as precursors of Hindu nationalism because their agenda was essentially anti-colonial and democratic. They used religious symbols in a given situation to democratise society, and not to use them against the Muslims. They wanted swaraj, both for the Hindus and the Muslims. The social reform movements led by the backward caste leaders struggled against the brahmanical order. The Hindu nationalist parties were established in the second decade of this century to stem the tide of these movements. They were supported by the upper castes who feared the emergence of democratic forces in India. Thus the RSS, which was established in 1925, had nothing to do with national independence, social reforms and democratic movements in the country.

On the one hand the author deplores Hindu nationalism since it encourages divisive tendencies in multi-religious society of India. He finds Deen Dayal Upadhyay's integral humanism full of contradictions. Yet, on the other hand, he hastens to add that India is the motherland and sacred land of Hindus. He maintains that symbols used by Hindu nationalists for internal cohesion and national unity are preconditions of modernisation. The author makes contradictory statements of this kind at many places.

The Jan Sangh, which was established in 1952, gradually spread its influence in north India. But it was during the Jaya Prakash movement, as the author rightly points out, that it spread its wings far and wide. In 1977 the Jan Sangh merged with the Janata Party. The empirical research conducted by the author shows that the BJP leadership has a narrow social base in no way reflecting India's cultural diversity. There is absence of leaders from the minorities and lower classes. Also, it does not have regional leaders with strong roots in their linguistic communities or castes.

Malik fails to take note of the anti-cow slaughter movement launched by the Vishva Hindu Parishad in 1966-67 to derive political benefits in the general elections of 1967. This movement helped the Jan Sangh to emerge as a major oppositional force. (The VHP's Ram Janmabhoomi movement was a repeat performance of the anti-cow slaughter movement.) After the formation of the Janata government in 1977, elections to different state assemblies were held. After the elections, the Lok Dal and the Jan Sangh factions forged an internal alliance and equally distributed amongst themselves the chief ministerships of UP, Haryana, Bihar, Himachal Pradesh, Rajasthan and MP. The Janata Party's fate was sealed when the alliance broke and Lok Dal chief ministers of UP, Bihar and Haryana were forced to resign. It is true that the Jan Sangh faction supported Morarji Desai at the time of the split in July 1979. But Malik is incorrect in saying that there was a competition between Charan Singh and Jagjivan Ram for the leadership of the Janata parliamentary party because by that time, Charan Singh had already resigned from the Janata Party launch his own party, the Janata(S). So Malik has messed up many details. In the BJP's leadership profile he includes upstart leaders like B D Mishra and T N Chaturvedi but does not mention important regional leaders like Kalyan Singh, Shanta Kumar and Keshubhai Patel.

After its formation, the BJP attempted different political strategies but failed to improve its position. It suffered a humiliating defeat in the 1984 parliamentary elections. As a result the party decided to jettison Gandhian socialism. The rank and file of the BJP looked upon Gandhi as a leader who partitioned India and appeased the Muslims. Malik regards that the RSS did not wholeheartedly support the BJP during this period. The Hindu revival was encouraged and promoted by Indira Gandhi to win the support of the masses against the backdrop of Sikh militancy. In 1985 the BJP reverted to the old Jan Sangh line of Hindu nationalism. The ideology of integral humanism replaced Gandhian socialism. L K Advani used the Ram Janmabhoomi card very deftly. In the 1989 parliamentary elections the BJP improved its position considerably. In 1990 assembly elections it formed governments in MP and Himachal Pradesh, and along with the Janata Dal in Gujarat and Rajasthan. The conflict between the Janata Dal and the BJP flared up on the issue of the implementation of the Mandal Commission and the construction of Ram temple in Ayodhya.

After the 1991 elections, the BJP supported Narasimha Rao's government but this policy was abandoned in December 1992 when the Babri masjid was demolished. Malik opines that the secularists displayed political and administrative ineptitude and lack of moral courage by pitting Ram against Babar. According to him Ram represents Hindu cultural tradition and is a national symbol. Narasimha Rao, V P Singh and Arjun Singh

adopted opportunistic -mix to consolidate their vote-banks but their actions carried little conviction. But immediately afterwards Malik writes that the BJP's actions have led to a sense of insecurity among the minorities and no party can rule India without winning the trust of the minorities. The author makes many such confusing statements. It is difficult to believe that Ram can be a symbol of national regeneration because the issue of identity formation in a plural society like India is complex one. Therefore, despite using the Ram card to the hilt, the BJP was able to secure only 21 per cent of total votes. Malik believes in the BJP propaganda that the Ram temple at Ayodhya was built by Vikramaditya and that it was destroyed by Babar a couple of centuries later. It is a well known fact that Vikramaditya belonged to the first century B C and Babar ruled in the 16th century A D. Thus there is a difference of 1,600 years between the two events. Malik should know that the Hindu nationalists deliberately try to blur the lines between myth and history.

The RSS has many frontal organisations, the BJP being one of them. Malik argues that K B Hedgewar, the founder of the RSS, developed an alternative model of nation-building, challenging the Gandhian and Nehruvian models. He mentions that Hedgewar was influenced by V D Savarkar's theory of Hindu nationalism. In fact, the two Savarkar brothers, G D and V D, developed two separate theories of Hindutva. The elder G D Savarkar was closer to the RSS and his theory of nationalism was based on Vedanta spiritualism and disputed superiority of the west. The younger V D Savarkar expounded the theory of Hindutva based on Darwinism. It aimed to harness western science and technology to acquire power. After Hedgewar's demise, M S Golwalkar, who became the sarsanghachalak of the RSS, was influenced by G D Savarkar's theory. V D Savarkar and Golwalkar never got along together.

Malik commits an error in saying that Golwalkar was disinterested in politics. In fact, Golwalkar provided an ideological substance to Hindu nationalism. He was deeply political in the sense that he desired to establish Hindutva hegemony in Indian politics. Yet, in spite of being a well organised body, the RSS cannot mobilise 20 million people at a call. These limitations were seen in 1975-76 and again in 1993 when it failed to put up a fight against the government. Therefore, its strength should not be overestimated.

The author finds BJP's performance in 1991 parliamentary elections startling, as the party doubled its voting percentage and secured 120 seats in the Lok Sabha. The author informs that though the BJP peformed better in the urban areas, it failed to enlist Muslim support. In constituencies where the Muslims are more than 40 per cent of the populace the BJP did well by communally polarising the voter. Yet, amazingly, the author aruges that the BJP's better performance in the urban areas was due to the voters' greater awareness of the minoritism of other parties. He is factually inaccurate in stating that before 1993 assembly elections the unified Janata Dal, the JD (Ajit), the JD (Bahuguna) and the SJP merged to form the JD. In fact, the JD(Ajit) and the JD(Bahuguna) merged with the Janata Dal in 1988-89.

The author considers the wrong policies of the Congress Party and the decay of Indian state as responsible for the rise of BJP. He sees the BJP and the Congress are two primary contestants for power at the national level. According to the author, the National Front is unlikely to emerge as a major player in national politics. Yet, it must be noted that since the NF represents political diversity and regional interests in India, it is wrong to rule it out completely. The NF-LF combine continues to occupy an important place in Indian politics. It needs to be pinpointed that since 1970 the communists had had no alliance with the Muslim League and it is the Congress that has allied with the latter.

Nevertheless, the author regards political unification of the fragmented Hindu society difficult. While doing so the BJP is likely to come under intense pressure from Hindu revivalist and lumper elements, forcing the party to adopt a belligerent approach on social and religious issues. The author finds it hard to predict the future of Hindu nationalism in Indian politics though he is of the view that it is not likely to disappear in the near future.

The book covers different aspects of BJP's politics and gives useful information about its recruitment and electoral performance. The major weakness of the book is the inability of the author to develop his own critical perspective. Therefore he makes contradictory statements which weaken the main thrust of the book, and at times gives the wrong message to the readers. The author lacks adequate information about the ideological underpinnings of Hindu nationalism. Hence, the book leaves much to be desired.

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Speech delivered by Shri T.S. Santhanam, Chairman

at the Fortysecond Annual General Meeting of Sundaram Finance Limited held on 11th August, 1995, at Madras

Ladies and Gentlemen,

I have great pleasure in welcoming you all to the Fortysecond Annual General Meeting of your Company. The Directors' Report and the Audited Accounts for the year ended 31st March, 1995, have been with you for sometime and, with your permission, I shall take them as read.

WORKING RESULTS

Your Company has achieved yet another impressive performance in 1994-95. Total disbursements of the Company during the year amounted to Rs.690 cr. as against Rs.550 cr in the previous year, registering a growth of over 25%. The cumulative receivables under Hire Purchase and Leasing reached a record level of Rs.1215 cr. as against Rs 953 cr., an increase of over 27%.

During the year, your Company mobilised fresh deposits to the tune of Rs.159 cr. and renewed deposits aggregating to Rs 131 cr., posting a gross mobilisation of Rs.290 cr as against Rs.167 cr. in the previous year. Total public deposits outstanding as at 31st March, 1995, amounted to Rs 431 cr. as against Rs.352 cr. in the previous year. Your Company continues to enjoy the highest credit rating 'FAAA' awarded by CRISIL. I wish to place on record my sincere thanks to over 4,50,000 depositors spread all over the country for the trust and confidence reposed in the Company and assure them of the highest level of safety of their hard-earned money and our efficient and personalised service.

The gross profit earned by your Company during the year was Rs.103.21 cr, an increase of 21% over the previous year. The profit after tax increased to Rs.34.38 cr. from Rs 26.65 cr. registering a growth of 29%. Taking into account the continued good performance of the Company, your Directors have announced the much awaited bonus issue, again in the ratio of one for one, making it the third such bonus issue within a decade. Besides, the dividend has been increased to 50% for the year, the highest distribution so far.

The Prudential Norms prescribed by the Reserve Bank of India (RBI) for Non-Banking Finance Companies (NBFCs) came into effect from 31.3.95. Your Company has adhered to the above norms in presenting the accounts for the year ended 31st March, 1995 and met all the requirements comfortably. You will be happy to note that the capital adequacy ratio as on 31.3.95 is 15.25%, well above the prescribed minimum of 6%, thanks to the conservative policies adopted by the Company since inception. The standard assets i.e performing assets, as per RBI's new classification, were at the highest level of 99.3% of the total business assets.

ECONOMIC SCENARIO

The performance of the Indian economy during 1994-95 was reasonable and satisfactory in many dimensions. After having grown at the rate of 4.3% per annum during 1992-93 and 1993-94, the economy registered a growth of about 5.5% during 1994-95. It was after a lapse of over 3 years that an overall growth rate exceeding five per cent has been registered. Both agriculture and industry, with growth rates of around 4% and 8.4%, have contributed to this impressive performance. Of particular significance to your Company was the spurt in the output of the capital goods sector: at over 24%, this stands in shining contrast to the decline of 5% in the previous year (1993-94), and in this context, the key role played by the automobile industry, particularly the commercial vehicle segment, merits special mention.

The outlook for the current year, again, appears quite bright with exports rising, foreign currency inflows continuing, industrial output increasing and agricultural production in full swing in the wake of yet another good, though delayed monsoon. However, there are a few problem areas and weaknesses that must needs be mentioned.

The fiscal and price situations are two major sources of concern. Though the fiscal deficit in 1994-95 was distinctly lower than in the previous year, it still exceeded the budgeted level. The need to prune this deficit has become all the more urgent in the light of the difficulties experienced by the Central Government in its borrowing programmes during the first half of the current calendar year. If this is not done and if the level of Government borrowings is not moderated, the upward pressure on interest rates could get further accentuated. And this could result in adverse knock-on effects over a wide front in the economy, causing a setback to the commendable progress made in fighting inflation, thanks to the RBI's policy measures.

Inadequate infrastructure, particularly in critical areas like Power, Telecommunications, Road network and Ports, is increasingly becoming a major hurdle in sustaining economic growth.

NBFCs - ROLE AND REGULATION

The RBI, while announcing its slack season policy in April 1995, lowered ceilings on bank lendings to all NBFCs and advised financial institutions to moderate their lendings to them on similar lines. Unfortunately, this has also affected the availability of funds to those NBFCs focussing on asset-based financing to priority sectors like road transport, infrastructure development and industrial machinery. These NBFCs have generally played a complementary role to the banking system and the financial institutions: many of them have established an enviable record as cost-effective and profitable intermediaries with a high degree of economic efficiency. Even in the process of mobilising public deposits, they have earned a sound reputation as reliable and efficient repositories with acceptable credit ratings obtained well before this was made mandatory. I appeal to the RBI to reconsider the credit restrictions recently imposed in respect of such registered NBFCs with high credit ratings, engaged in asset financing, who have complied with all the prudential norms and whose end use of funds in the priority sector is properly established.

Likewise, in regard to mobilising public deposits, a level playing field needs to be maintained as between regulated NBFCs and other types of deposit taking entities. One increasingly comes across several such new entities aggressively advertising and canvassing for public deposits, offering rates almost double the maximum rate stipulated by the RBI for regulated NBFCs. Some of the 'innovative schemes' that these entities come up with are also highly risky and detrimental to the interests of unwary depositors. It is, therefore, imperative that the legal and regulatory framework should cover all these types of financial activities also, including prescription of ceiling on interest rates.

During the year 1994-95, the production and sale of commercial vehicles grew by 37.9% and 31.7% respectively. This trend of robust growth has continued during the first quarter of the current year also in all segments of the automotive industry. With the vehicle manufacturers having ambitious targets for capacity expansion and volume growth, the prospects for the automotive industry for the current year remain bright.

Road transport has come to occupy a dominant position in the country's transportation system. The share of road transport in freight traffic has risen from 11% to 60%, and in passenger traffic from 26% to 80% over the last 4 decades; this trend is bound to continue.

The development of roads, however, has not kept pace with the demands of traffic. The increase in the number of vehicles has put tremendous pressure on the road network. The inadequacies of the road network result in heavy loss for the economy in terms of energy consumption, wear and tear of vehicles and time delays. National and State Highways which constitute 10% of the total road length account for 70% of the total traffic. It is estimated that over the next 10-15 years a sum of Rs. 1,52,000 crore will be required for upgrading the current network of National and State Highways and adding 10000 kms of National Expressways to cope with the increase in traffic. However, the total budgetary allocation to this sector is grossly inadequate at less than Rs. 3000 crore per annum.

The recent amendments to the National Highway Act, 1956, should help attract private sector participation in road development. This can, however, play only a supplemental role. The Central/State Governments have to substantially increase their outlay on laying new roads and maintenance and improvement of the existing ones.

The abolition of octroi is another measure that transport operators have been clamouring for since long. The West Bengal Government have recently taken the bold step of doing away with this harsh levy. I earnestly hope that other state governments would soon follow suit in the larger interests of accelerating inter-state movement of goods and putting an end to a costly and inefficient way of collecting revenue that can easily be replaced by other means.

PROSPECTS

Your Company has written an aggregate business of Rs. 267 cr. in Hire Purchase and Leasing in the first four months of the current financial year as against Rs. 175 cr. previously. Although the entry of banks and financial institutions in Hire Purchase and Leasing has intensified the competition, with the good overall growth in the economy, your Company is confident of achieveing a reasonable growth in Hire Purchase and Leasing business this year also by adopting suitable funding strategies and expanding geographically.

India Equipment Leasing Ltd. recorded a good performance during the year and made a profit after tax of Rs. 366 lakhs and declared a higher dividend of 20%. The Company issued bonus shares in the ratio of 1:3 in June 1995 which was followed by a rights issue in the ratio of 1:4 at a premium of Rs. 25/- per share. The rating of the Fixed Deposit programme of the Company has been upgraded to 'MAA+' by ICRA signifying high safety for depositors' funds. The Company also proposes to go in for a public issue later this year.

Sundaram Finance Services Ltd. also performed well during the year and made a profit after tax of Rs. 110 lakhs. This subsidiary declared a maiden dividend of 10%. Sundaram Finance Securities Ltd. performed satisfactorily in its first eight months of operation in stock broking business.

Your Company has also decided to enter Mutual Fund operations in collaboration with M/s Newton Management Ltd., a leading investment management group in the United Kingdom. An Asset Management Company is proposed to be incorporated for the purpose. Your Company also has plans to obtain membership on the National Stock Exchange of India Ltd., to widen its stock broking activity.

Your Company still awaits Government's response to the recommendations of the Malhotra Committee on reforms in the insurance sector before drawing up specific plans for diversification into general insurance business.

SUNDARAM MEDICAL FOUNDATION

Your Company has always endeavoured, in fulfillment of its social responsibilities, to contribute its mite to the well-being of the community wherefrom it draws its own growth and sustenance. The latest and most noteworthy example of this is **Sundaram Medical Foundation**, a non-profit trust, set up by Sundaram Finance and its associates, with the objective of providing quality medical care to the community at affordable cost. A 100-bed well-equipped community care hospital has started functioning in Anna Nagar, Madras since September 1994 under the auspices of this Foundation. The capital cost of this hospital has been funded largely by donations made by your Company and its associates. I am happy to say that this community care hospital has already emerged as a "centre of excellence" in its field of activity.

On behalf of the Board of Directors and on my own behalf, I take this opportunity to thank our depositors, customers, bankers, financial institutions and all the shareholders for the co-operation and assistance extended to your Company and look forward to their continued support. I also place on record my appreciation of the good work done by all members of staff both in the field and in the office.

Note : This does not purport to be the proceedings of the Annual General Meeting of the Company.

Economic Reforms and Rate of Saving in India

Premachandra Athukorala
Kunal Sen

This paper contributes to the current debate on the decline in the domestic saving rate in India in the aftermath of the liberalisation reforms initiated in 1991. It is found that the decline in the saving rate has predominantly originated in household physical saving, the main subcategory of saving which is common to both saving and investment estimates prepared by the CSO. Given that the persistent decline in household physical saving has occurred in a context where private corporate investment has exhibited strong growth and that there is no evidence of an intrinsic bias in the new policy regime against the unorganised sector, we suspect that the decline in the saving rate is a statistical artefact resulting from an underestimation of total gross domestic capital formation.

I
Introduction

THE behaviour of domestic savings has been one of the key issues in the current debate on the process of adjustment in the Indian economy following the market-oriented policy reforms initiated in 1991. An important objective of the reform process is to improve India's balance of payments position without sacrificing output growth. The attainment of this objective depends crucially on an improvement in the savings performance of the economy. As the development experience of the Asian newly industrialising countries clearly demonstrate, rapid and sustained economic growth is consistent with external equilibrium only if the economy can domestically generate an increasing share of investible funds needed for such growth. Viewed in this context, the emphasis in the current debate on the behaviour of domestic savings since the reforms is entirely justified.

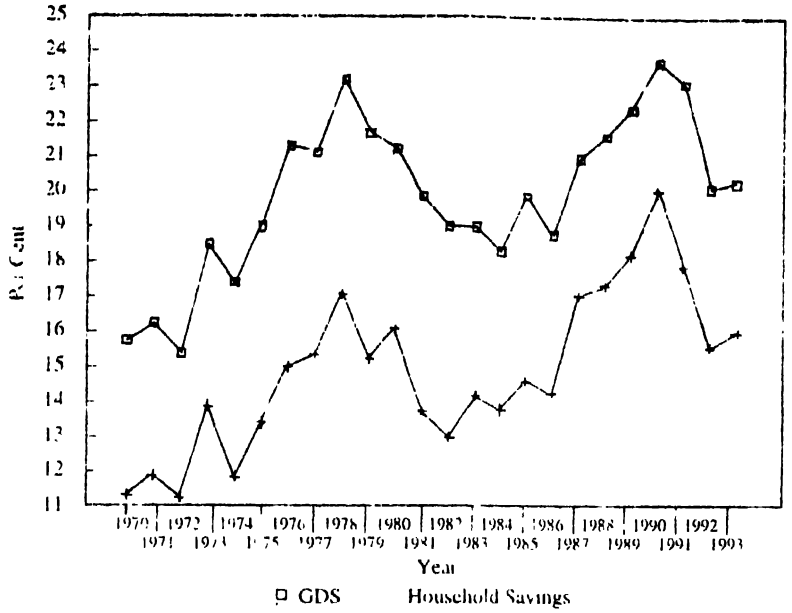
The official data on domestic savings (generated by the National Statistical Organisation, CSO) point to a decline in the saving rate (the ratio of gross domestic savings to GDP) since 1991. This decline can be seen as a reversal of the upward trend in the savings rate since the mid-1980s. Two schools of thought have emerged to 'explain' this disappointing saving performance in the post-reform period. One view as expressed in *The Economic Survey 1994-95* (which we can call the 'official' view) takes the position that the decline in the savings rate is possibly 'spurious' as it is not consistent with economic fundamentals. This view, therefore, calls for a review of the 'methodology for estimating savings and capital formation in the economy" (*Economic Survey 1994-95*, p 3). A second view holds that the decline in the savings rate is in fact 'real' and is an unintended consequence of the reform process [Rao 1995; *EPW* 1995, *EPW* Research Foundation 1995]. For instance *EPW* Research Foundation (henceforth EPWRF) argue, "it is beyond doubt true that the definitive thrust of new economic policy is to promote higher economic growth by promoting consumption by the very middle and high-income classes" [EPWRF 1995 1040]. EPWRF further argues that there is an upward bias in the measurement of household financial savings in recent years and this, if corrected, will further accentuate the fall in the reported savings rate. The persistent fall in the savings rate and the belief that conspicuous consumption among the rich and middle class in the post reform economy has contributed to this fall have provided breeding ground for a powerful lobby against proposed loosening up of quantitative import restrictions on consumer goods [Duncan 1995 16].

The purpose of the paper is to contribute to this debate through a careful analysis of disaggregated saving data while paying attention to measurement issues and economic fundamentals which underpin saving behaviour. In Section II, we provide an overview of the salient features of behaviour of savings in the recent past highlighting certain key aspects of the data that has been overlooked in the current debate. In particular, we note that the decline in the savings rate since 1991 has been driven by the fall in household physical savings. Since household physical savings is obtained from the capital formation accounts, we argue that the answer to the savings decline must necessarily lie either in the behaviour of household capital formation or in its measurement. In Section III we explore to what extent the apparent decline in household capital formation is real or a 'statistical artefact'. In Section IV, we critically evaluate EPWRF's claims that household financial savings are 'over estimated'. Section V concludes.

II
Savings Behaviour: An Overview

The key features of the behaviour of the gross domestic savings rate in the recent past are well known by now and can be briefly summarised [for further discussions, see Rao 1990, Roy and Sen 1991; EPWRF 1995]. Firstly, the savings rate increased over the second half of the 1980s to a peak of 23.7 per cent in 1990-91. It then fell sharply in the next two years to 20 per cent in 1992-93. It remained around that level in 1993-94. It is important to note here that the decline is observable only when the comparison is made with the last three years of the 1980s (Table 1). Secondly, the fall in the savings rate has been mostly due to the fall in the total household savings rate (Figure 1.) The household savings rate has fallen from a peak of 20 per cent in 1990-91 to 15.9 per cent in 1993-94. While the public sector savings rate has shown a negative trend over much of the 1980s and 1990s, the contribution of public sector savings to total domestic savings (around 1-2 per cent of GDP in late 1980s) has not been large enough to explain the sharp downturn in the gross domestic savings rate. The corporate savings rate, on the other hand, has increased steadily over time. A point worthy of mention here is that there was a dip in the gross domestic savings rate in the early 1980s (similar to what one is witnessing in the early 1990s) — a feature of the behaviour of savings in the Indian economy that has remained an unresolved 'puzzle' in the literature [on this, see Roy and Sen 1991]. We shall return to this point in a later section. Thirdly, the data clearly indicates that the decline in the total household savings rate has been due to a corresponding decline in the rate of household physical savings (Figure 2). There has been a significant fall in the latter from a peak of 11.3 per cent (of GDP) in 1990-91 to 5.6 per cent in 1993-94, that is, a halving of the household physical savings rate in a space of three years. Household financial savings as a percentage of GDP has, on the other hand, increased over time to a peak of 10.3 per cent in 1993-94. Since household savings in physical assets contributed approximately half of the total domestic savings in the entire economy in

FIGURE 1: GROSS DOMESTIC SAVINGS AND TOTAL HOUSEHOLD SAVINGS
(as a per cent of GDP)



the late 1980s, clearly the sharp decrease in the household physical savings rate is the most important factor behind the recent decline in the savings rate. Therefore the explanation of the decline in the savings rate in the Indian economy in the recent past must necessarily lie in the behaviour of household savings in physical assets.

To set the stage for the ensuing discussion, it is necessary to gain a clear understanding about the way household physical investment is measured in CSO saving/investment estimates. The household sector, as defined by the CSO, is highly heterogeneous in character and is virtually synonymous with the unorganised sector of the economy. Apart from the 'household proper', it includes non-government non-corporate enterprises, unregistered small-scale household industries, and non-profit charitable institutions. Given this heterogeneous character, household savings in CSO data (which account for 60 to 80 per cent of total domestic saving) is a residual derived by deducting public and corporate savings (directly estimated from public and corporate accounts) from total saving.

The starting point of the procedure for estimating household saving is the estimation of gross total domestic fixed capital formation using the commodity flow method [for details, see RBI 1982, Rakshit 1983; CSO 1989]. Household physical saving is then derived as a residual by subtracting government and corporate physical capital formation (directly estimated using government and corporate financial statements) from total physical capital formation. The component of household physical saving (savings in total physical assets) in Indian saving data is therefore identical to the component of household investment in physical assets in domestic investment data. The household sector's financial saving is arrived at by deducting the government and corporate sector's holding of financial assets from the total of such assets in the economy. Thus in the cases of both physical saving and financial saving any error in estimated totals and the estimates for the other two sectors are eventually reflected in the estimates for the household sector. However, in the case of financial saving this is not considered a serious problem because both the other two components and the total are based on fairly reliable primary data. This is not so in the case of physical saving. While investment estimates for the public sector and corporate sector may be considered reasonably reliable, estimates of total investment (from which the former two components are deducted to derive household physical saving) is subject to significant biases and errors arising from the nature of the commodity flow method used in estimating that aggregate [see RBI 1982, Rakshit 1983 and Srinivasan 1994 for details]. Since household physical savings is obtained as a residual, any biases and errors in the measurement of gross domestic capital formation (as well possible biases in investment estimates for the public and corporate sectors) would be reflected in the estimation of household physical savings.

In this context, one can offer two possible explanations for the observed decline in household physical savings — one, that the decline in the latter is 'real' and related to the process of adjustment in the Indian economy since the onset of reforms in 1991, and the other, that this decline is a 'statistical artefact' and is due to the possible measurement errors arising from the estimation of gross domestic capital formation (GDCF). We examine each of these explanations in turn in the next section.

III
Decline in Household Physical Savings: Real or Statistical Artefact?

As noted, the decline in the household saving rate in post-reform years has predominantly come from the decline in the rate of household gross domestic capital formation (= household physical savings rate). Interestingly, this significant fall in household investment rate has occurred in a context where the private corporate investment rate has recorded an impressive increase by any historical standard (Table 2). The latter increased from 4.7 per cent in 1990-91 to 6.8 per cent in 1993-94. While there has been a marginal fall in the public sector investment to GDP ratio, the fall in the gross investment rate, which is similar in magnitude to the fall in the saving rate, has predominantly originated in the fall in the ratio of household gross capital formation to GDP.

This intriguing inverse relationship between private corporate capital formation and household capital formation in the Indian economy as revealed by the CSO data is not a peculiar post-reform phenomenon. It is an important 'stylised fact' of the sectoral

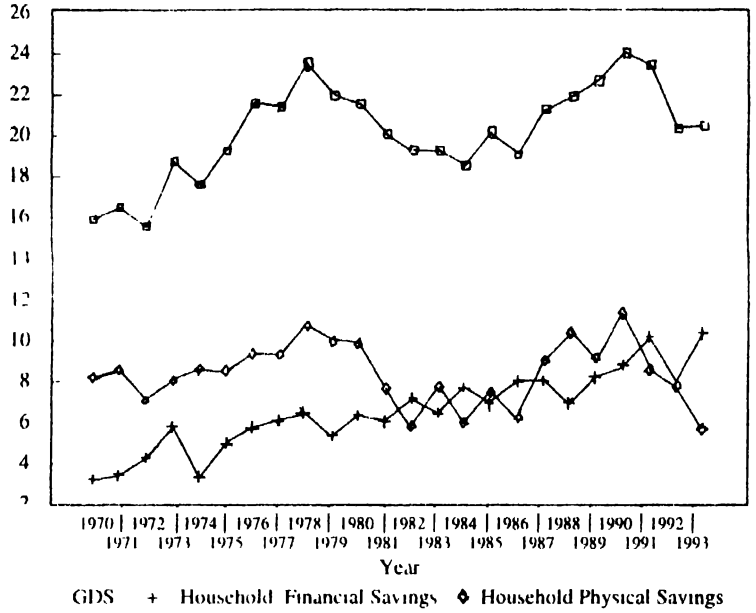
TABLE 1: GROSS DOMESTIC SAVINGS AND ITS SECTORAL DISAGGREGATION
(as a per cent of GDP)

Year	Household Sector			Private Corporate Sector	Public Sector	Gross Domestic Savings
	Physical Savings	Financial Savings	Total Savings			
1985-86	7.5	7.1	14.6	2.0	3.2	19.8
1986-87	6.2	8.0	14.2	1.8	2.7	18.7
1987-88	8.9	8.0	17.0	1.7	2.2	20.9
1988-89	10.4	6.9	17.3	2.2	2.0	21.6
1989-90	10.0	8.1	18.1	2.6	1.6	22.3
1990-91	11.3	8.7	20.0	2.7	1.0	23.7
1991-92	7.8	10.1	17.8	3.2	2.1	23.1
1992-93	7.7	7.8	15.5	3.0	1.5	20.0
1993-94*	5.6	10.3	15.9	4.0	0.2	21.2

* Quick estimates.

Sources: Central Statistical Organisation (1994, 1995) *Economic Survey 1994-95*

FIGURE 2: GROSS DOMESTIC SAVINGS AND HOUSEHOLD SAVINGS, FINANCIAL AND PHYSICAL
(as a per cent of GDP)



behaviour of capital formation in India as revealed by the official national account statistics [Joshi and Little 1994:315]. This is most clearly seen in Figure 3. Given the method of estimation used, this stylised fact provides the first indication that there may be errors in the measurement of household physical savings. To return to our point earlier about the savings puzzle of the early 1980s, Figure 3 clearly shows that the sharp decrease in the household physical savings rate in this period coincides with an increase of similar magnitude in the corporate investment rate. It can be hypothesised at this stage that there may be a common explanation behind the savings behaviour of the early 1980s and 1990s and this has essentially to do with the measurement of GDCF.

As noted, the term 'households' as used in national accounts is a misnomer. The household sector includes not only individuals but also non-government unincorporated enterprises such as proprietorship and partnership firms and the unregistered small-scale industrial sector. Moreover as we will see later in this paper, the distinction between the 'household' sector and the corporate sector in terms of their domains of operation has gradually disappeared due to various factors emanating from the regulatory system. In theory, the same set of economic factors should drive investment decisions in the private sector, whether they be private corporate firms or unincorporated enterprises.[3] As the Raj Committee aptly put it, 'Investment behaviour in the unincorporated enterprises has to be viewed in [the] wider context as part of the growth of private business enterprises within the economy' [RBI 1991].[4] The negative relationship between the two investment rates is, therefore, difficult to explain in terms of economic behaviour. Since the estimates for private corporate investment can be considered to be more reliable (obtained as they are from the balance sheets of the RBI's sample of firms), one can expect that in a context where corporate investment exhibits an increase (decrease) any underestimation of gross domestic capital formation by the commodity flow method in a given year would result in a spurious downward (upward) movement of household capital formation (and therefore household saving in physical assets) in that year. The sharp decline in the rate of household physical investment (= household savings in physical assets) during the period since 1991 can, therefore, be considered real only if we have sufficient reasons to believe that the incentive structure and the institutional setting created by the new (post-1991) policy regime embodied an intrinsic bias in favour of corporate investment and against non-corporate and household investment.

There is no evidence of the existence of such a situation during the post-1991 period. In fact, the new trade liberalisation and industrial delicensing policies have been designed in such a way that the performance of unincorporated and small-scale production units are cushioned against adjustment pains in the process of economic opening, reflecting a continued adherence to the age-old tenet of 'small-scale reservations' in Indian development planning [Bhagwati and Srinivasan 1993; Duncan 1995]. Even though imports of capital goods and of intermediates have been largely liberalised compared to pre-1991, imports of consumer goods are severely constrained by quantitative restrictions (QRs), coming principally under the so-called Negative List under the Import Policy. The tariff structure too still has a bias against consumer goods (as does the QR policy structure), though in a much diminished fashion. These features of the trade regime suggest the effective rate of protection (ERP) (protection to a process of production or to 'value added' in an activity) for the so-called household sector production activities would have in fact increased as compared to that for private corporate sector production during the post-reform years. At the same time, entry barriers in many product sectors where small-scale units tend to show a greater concentration remain virtually intact; over 800 items, including most consumer goods, are reserved for the 'small-scale' sector — companies with an investment of less than six million rupees [Duncan 1995:16]. In consistent with this small-scale bias in the policy regime, most industries in the consumer goods sector have in fact performed better than the average for the manufacturing sector, in particular in the year 1993-94 (Table 3). Several of these industries have found to be small establishment oriented [see Ramaswamy 1994] and their performance provides indirect evidence on the relative performance of small-scale firms in recent years.

EPWRF (1995) pays attention to a decline in household financial liabilities in recent

TABLE 2: GROSS DOMESTIC CAPITAL FORMATION AND ITS SECTORAL DISAGGREGATION, CURRENT PRICES
(as a per cent of GDP)

Year	Household	Private Corporate Sector	Public Sector	Total	Errors and Omissions	Adjusted Total
1985-86	7.5	5.5	11.2	24.2	-2.0	22.2
1986-87	6.2	5.3	11.7	23.2	-2.3	20.9
1987-88	8.9	3.6	9.9	22.5	0.5	22.9
1988-89	10.3	4.3	9.9	24.5	0.1	24.7
1989-90	9.0	5.2	10.0	24.2	0.8	25.0
1990-91	11.2	4.7	9.7	25.7	1.4	27.1
1991-92	8.5	5.2	9.2	22.9	0.7	23.6
1992-93	7.7	6.7	8.9	23.3	-1.3	22.0
1993-94*	5.6	6.8	8.9	21.3	0.9	20.4

* Quick estimates

Source: Central Statistical Organisation (1994, 1995).

years as a potential explicator of the decline is household physical investment (saving). This view implicitly assumes a close positive relationship between household financial liabilities (essentially bank loans to the household sector) and household physical investment (savings), a relationship which is yet to be established empirically. While this may be true on a secular basis, it would be misleading to draw conclusions about the behaviour of household physical savings from movements in household financial liabilities (which arguably is relatively 'free' of measurement errors). As is clear from Figure 4, there have several years in the recent past when the direction of change in these two variables have not coincided - for example, the years 1990-91 and 1992-93. In any case, as Roy and Sen (1994) argue, it is household investment in machinery (and not total physical assets) that should be more closely related to household financial liabilities.

Economic policy reforms opened up opportunities for increased participation of foreign investment in the corporate sector of the economy. However, while the new policy has certainly created increased interest of foreign investors in Indian markets, "this has not yet translated into substantial acceleration of foreign direct investment (FDI) involving actual increases in productive capacity" [JM 1994:463]. Most of private capital inflows have taken the form of portfolio investment. Of the relatively modest volume of FDI inflows, the lion's share has gone to the purchase of existing productive assets rather than to expand the productive capacity in the corporate sector [Chaudhuri 1995]. In any case FDI participation only serve to provide an explanation for the increase in the corporate investment rate, not for the decline in household saving rate. (There is no plausible trade-off between FDI inflow and household investment!).

As EPWRF (1995:1023) correctly points out, the reduced incidence of corporate taxation would have contributed, to some extent, to the recent improvement in corporate saving and investment. While it is difficult to quantify the magnitude of this influence, it is unrealistic to place too much emphasis on it in explaining the distinct investment performance of the corporate sector compared to the household sector.

It is evident from the above discussion that the apparent decline in the household investment in physical capital (and hence household savings rate), which has in turn reflected in a significant decline in the total savings rate in the economy since 1991, has largely, if not entirely, emanated from an underestimation of GDCF in recent years. Why should there be a systematic downwards bias in the measurement of GDCF? Put in another way, has there been any specific

FIGURE 3: PRIVATE CORPORATE INVESTMENT AND HOUSEHOLD PHYSICAL SAVINGS
(as a per cent of GDP)

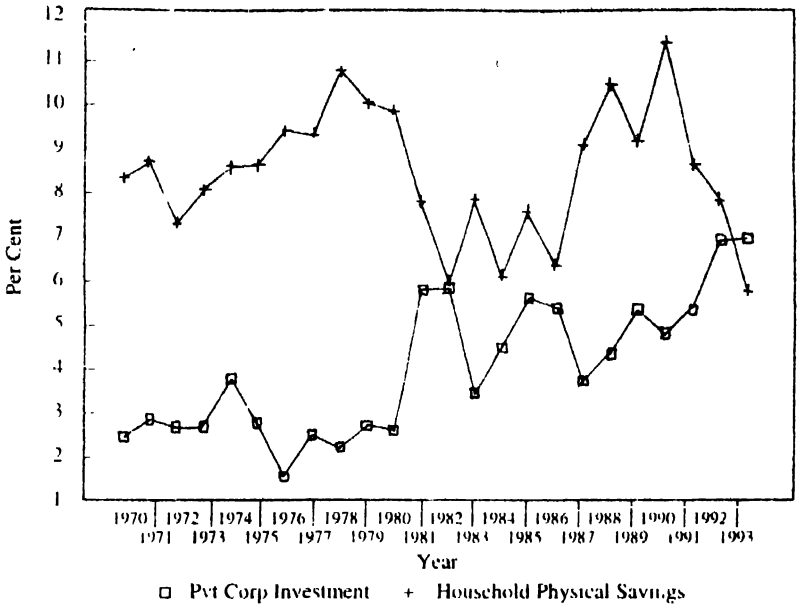


FIGURE 4 HOUSEHOLD PHYSICAL SAVINGS AND FINANCIAL LIABILITIES
(as a per cent of GDP)

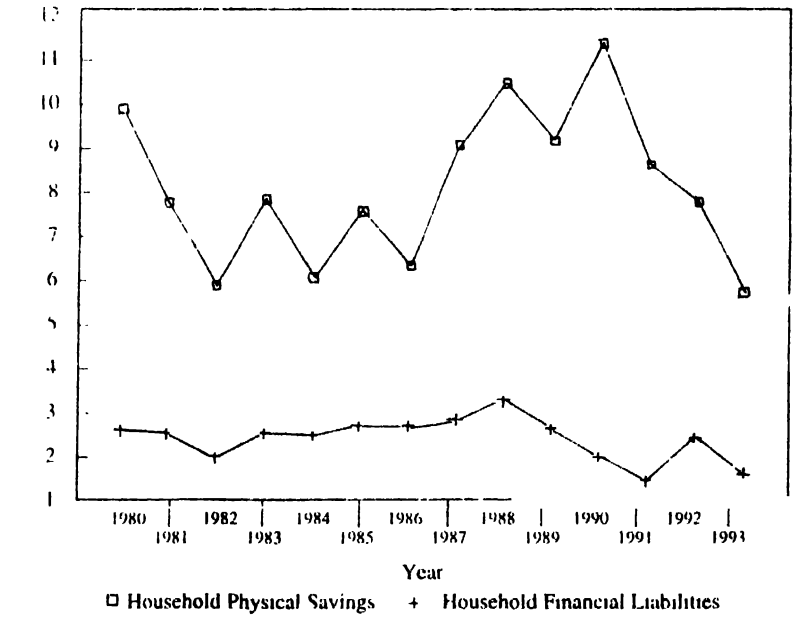


TABLE 3. GROWTH IN PRODUCTION, SELECTED INDUSTRIES

Industry	1991-92	1992-93	1993-94
Food products	4.9	-1.5	-10.2
Beverages, tobacco and tobacco products	2.9	6.0	21.2
Cotton textiles	8.0	8.0	2.8
Wood and wood products	-6.8	3.0	4.4
Paper and paper products	2.6	3.9	6.5
Leather and leather products	-6.6	3.5	5.8
Non-metallic mineral products	6.2	1.9	3.4
Total manufacturing	-0.9	2.1	-.3

Source: RBI Bulletins (1993, 1994)

FIGURE 5: HOUSEHOLD FINANCIAL SAVINGS, NET AND GROSS, AND LIABILITIES (as a per cent of GDP)

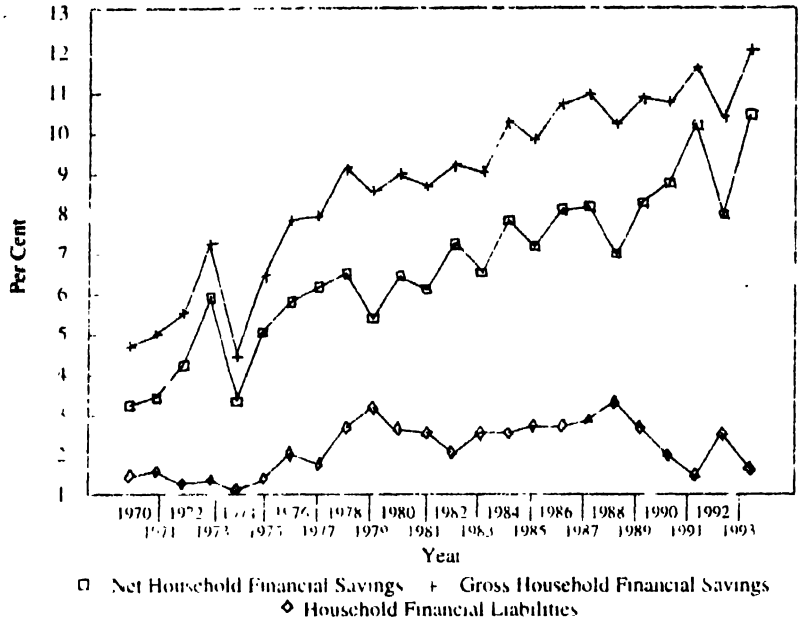
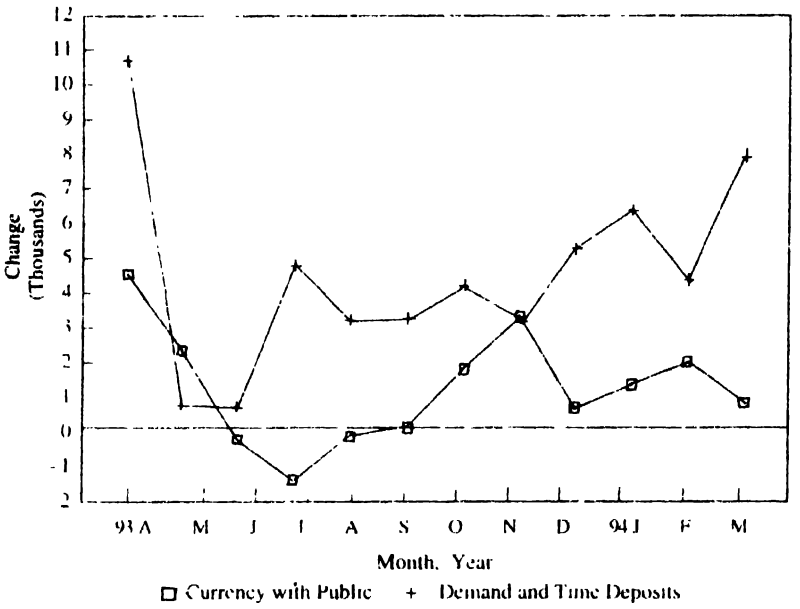


FIGURE 6: CURRENCY WITH PUBLIC AND DEMAND AND TIME DEPOSITS, APRIL 1993 TO MARCH 1994



developments in the Indian economy since 1991 that render the old methodology of measuring capital formation vulnerable to measurement errors?

This issue can be meaningfully resolved only through a careful study of the estimation procedure adopted by the CSO in generating its saving and investment data, in particular the key aspects of the commodity flow method of investment estimation, while paying attention to possible inconsistencies between the procedures used and changing patterns of production relations in the economy. However, in the light of readily available evidence, we can suggest two possible explanations. The first explanation relates to the ongoing process of 'informalisation of the Indian industry since the early 1980s, largely in response to stringent labour legislation and other institutional constraints (such as stringent closure restrictions) [RBI 1982; Ahluwalia 1991; Duncan 1995]. The informal (unorganised) sector comprising unincorporated firms and household production units in manufacturing has continued to grow mostly at the expense of the relative importance of the private corporate sector during the period, since the early 1980s. To quote Ahluwalia (1991:14),

> Admittedly small industry is the home of unrecorded growth...Some of the growth may have been growth displaced from the large-scale sector because of the competitive (small vs large) nature of policies. There is reason to believe that some protectionist policies for the small-scale sector have led to the fragmentation of some large-scale units into small ones in order to gain from such protection.

This process of informalisation of domestic industry would have perhaps intensified following policy reforms in 1991 for two reasons. First, as discussed, the incentive structures seems to have changed in favour of manufacturing sectors suited for the profitable operation of small-scale units. Secondly there is some evidence of a new emphasis on export-oriented production activities which requires greater flexibility in labour relations to maintain international competitiveness [Duncan 1995]. In a context where the relative contribution of informal sector production units continue to grow at a rapid rate, estimates based on the commodity flow method are likely to understate domestic capital formation, unless the estimation procedures are revised on a continual basis in order to capture construction material, machinery and other investment goods produced in the unorganised sector.

Our second explanation relates to rapid growth of capital (and intermediate) goods imports as a result of import liberalisation initiatives since 1991. The index (1978-79 = 100) of machinery imports increased from 441 in 1990-91 to 572 in 1992-93 and then to 696 in the second quarter of 1993-94 (CSO, *Monthly Bulletin of Statistics*,

TABLE 4: GROSS SAVINGS OF HOUSEHOLD SECTOR IN TOTAL FINANCIAL ASSETS AND IN CURRENCY AND BANK DEPOSITS (as a per cent of GDP)

Year	Gross Savings in Currency	Gross Savings in Bank Deposits	Gross Savings in Total Financial Assets
1980-81	1.2	4.1	8.9
1981-82	0.6	3.3	8.5
1982-83	1.1	3.7	9.0
1983-84	1.3	3.8	9.1
1984-85	1.3	4.3	10.2
1985-86	0.8	4.0	9.7
1986-87	1.1	4.6	10.5
1987-88	1.4	4.4	10.8
1988-89	1.1	3.7	10.1
1989-90	1.7	3.2	10.8
1990-91	1.2	3.1	10.6
1991-92	1.3	3.4	11.5
1992-93	0.9	3.6	10.3
1993-94	1.7	4.4	11.9

Source: EPWRF (1995)

October 1994). This rapid import growth in the post-reform economy implies a continuous increase in the share of imported capital goods in total domestic availability of capital goods. Given the time lag involved in the compilation of trade data, it is likely that the estimates of total fixed capital formation obtained by using a historical ratio of imported to total available capital goods understate increases in capital formation based on imported capital goods in the post-reform economy, at least in the most recent year for which data is reported.

IV
'Overestimation' of Financial Savings: An Evaluation

In the current debate on the recent behaviour of savings in India EPWRF (1995) has argued that there is an overestimation of household financial savings in 1993-94 and this overestimation if corrected will show up a further fall in the savings rate. This argument takes as its starting point the sharp increase in household savings in currency and bank deposits, the latter increasing from 0.9 per cent of GDP in 1992-93 to 1.7 per cent of GDP in 1993-94 while the former increased from 3.6 per cent of GDP in 1992-93 to 4.4 per cent of GDP in 1993-94. EPWRF (1995) argues that this significant increase in household holdings of financial assets can be attributed to two factors which are transitory in nature: (a) massive purchases of local stocks and shares by foreign institutional investors in the aftermath of policy reforms, and (b) rapid increase in foreign remittances to the household sector mainly in response to the significant depreciation of the rupee as part of policy reforms.

Before we critically evaluate EPWRF's arguments, two salient features of household financial savings behaviour over the past two decades should be pointed out. Firstly, there has been fairly stable upward trend in gross financial savings (what ERF calls savings of pure households) (Figure 5). In this context, the behaviour of financial savings in 1993-94 cannot be considered as an outlier. Secondly, there has been considerable fluctuation in the ratios of household savings in currency and in bank deposits as a per cent of GDP, the former fluctuating within the range 0.6 to 1.7 (as per cent of GDP) in 1980-94 and the latter fluctuating between 3.1 to 4.4 per cent of GDP in the same period (Table 4). Therefore, given the historical pattern of behaviour of these two variables, the data does not indicate that household savings in currency and bank deposits in 1993-94 has been 'abnormal'. These two points should be kept in mind when considering the savings performance of the household sector in 1993-94.

According to EPWRF (1995: 1030), the injection of money to the economy though FII purchases of local stocks and shares was "essentially the [main] factor that contributed to an expansion in currency and also to an extent in bank deposits in 1993-94 which as result of the methodology of estimation of household savings, got reflected in higher financial saving in the form of these very financial assets". EPWRF argues that there are two possible sources of overestimation. Firstly, the use of historical ratios for apportioning household portion in currency and deposits which are not valid in the current context, and secondly, the estimation procedure not taking into account the dissaving of households in their sale of shares and debentures to Foreign Institutional Investors (FIIs).

There can be no argument with EPWRF's assertion that historical ratios derived from an earlier period may not be valid in the current period. However, it would be misleading to infer from this that there has been an 'overestimation' of total domestic savings in India in the recent past. While use of past historical ratios may incorrectly ascribe the increase in currency and bank deposits to go to households, it can only lead to an overestimation of household financial savings, not of total domestic savings. Since the holding of currency and bank deposits is a combined portfolio decision of all agents in the economy, these two assets will have to be held by some sector in the economy, whether it be households, the corporate sector or the government. Therefore, an overestimation of household holdings of currency and bank deposits will lead to an underestimation of the financial savings of some other sector and will only affect the composition of savings. ERF's argument would only be valid if there is a bunching of the increase in currency and deposits towards the end of the financial year (since estimates of savings in currency and bank deposits are based on data for the end of the financial year). Presumably the implicit argument here would be that such a situation is one of 'disequilibrium' in agents' portfolio and consumption decisions with actual holdings of currency and deposits not reflecting desired holdings. Yet as Figure 6 makes clear, there does not seem to any indication in the behaviour of currency with the public and total demand and time deposits that there has been a surge in these two assets towards the end of the financial year 1993-94.

The possible impact of sizeable foreign inward remittances by Indian expatriates on the growth of household saving in the form of money balances was discussed for the first time in the Raj Committee Report [RBI 1982: Appendix VI]. The comment by Rakshit (1983: 761) on this issue in his splendid critique of the Raj Committee report is equally relevant for an assessment of EPWRF view on transitory increase in financial savings. To quote Rakshit,

> There are fallacies galore in this 'explanation' of the rise in the financial saving ratio of households. It is true that... foreign inward remittances initially raise moneyholdings of households, but so do money wages or any other type monetary receipts of households. The fact that some receipts initially raise money balances is of no importance in explaining why households find it advantageous to hold a larger fraction of their savings in the form of currency and bank deposits.

Even if we (falsely) believe that remittances are fully translated into household financial savings (i.e, marginal propensity to save out of remittances is unity), increase in remittances could account for only about 0.7 percentage point increase in the average rate of household financial saving in 1991-92 and 1993-94 over the average level for the preceding three years [calculation based on Table 7 in EPWRF 1995].

Conclusion

In this paper we have attempted to contribute to the current debate on the decline in the domestic saving rate in India following the liberalisation reforms initiated in 1991. In search of sources of decline in the official (CSO) saving rate we carefully analysed disaggregated saving data while paying attention to measurement issues and economic fundamentals which undergird saving behaviour.

It is found that the decline in the saving rate has predominantly originated in household physical saving, the main subcategory of saving which is common to both saving and investment estimates prepared by the CSO. Household physical saving is derived as a residual by deducting directly estimated public and corporate investment from total capital formation estimated using the commodity flow method. Given that the persistent decline in household physical saving thus derived has occurred in a context where private corporate investment have exhibited record growth, we suspect that the decline in domestic saving rate as reflected in official data is a statistical artefact resulting from an underestimation bias in the estimation of total gross domestic capital formation. Relating to this point, there is neither a sound economic reasoning nor empirical evidence to argue that the reform process has been specifically damaging to the investment performance of the household sector. We also failed to find any convincing evidence to suggest that there has been an

overestimation of total domestic savings emanating from an abnormal (transitory) increase in the rate of household financial saving during the post-reform era

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RESCHEDULED DATES

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Planning for Delhi and National Capital Region

Review of Plan Formulation and Implementation

V Nath

This paper reviews the current status of urban and regional planning for Delhi and the national capital region, against the background of socio-economic and demographic changes that have occurred during the last three decades.

I
Introduction

IN an earlier paper published in this journal [Nath 1988] the present author had reviewed the status of planning for the national capital region (NCR) (see the figure). The review referred to the constitution of the NCR planning board (NCRPB) in 1985 and presented a summary of the objects, strategy and principal recommendations of the interim development plan and the draft regional plan (DRP) for the NCR that had been prepared by the board before the preparation of the 'Regional Plan 2001' (RP). The latter was finalised and approved by all the governments concerned – of UP, Haryana and Rajasthan, the union territory of Delhi and the centre – in July 1988 and became effective in January 1989. The draft second master plan for Delhi had been prepared by the Delhi Development Authority (DDA) in 1985 but it had to be revised because it was not approved either by the government of Delhi or by central government. Since the NCRPB had been constituted in the same year and had started preparation of the RP, the central government wanted the master plan for Delhi to conform to the objects, strategy and policies of the RP. A revised master plan (MPD-II) was prepared along these lines; it was approved by both governments and was enforced on August 1, 1990 [DDA 1990:15].

The interval of almost a decade between the termination of the first master plan of Delhi, 1962-81 (MPD-I), and the beginning of MPD-II has been a major factor in the unbalanced spatial expansion of the Delhi urban agglomeration (DUA), particularly its growth into the areas around the built-up area of Delhi in 1962, which had been designated in MPD-I as the green belt. Incursions into the green belt have been maximum in two locations: (a) along the highways connecting Delhi with its satellite towns, Ghaziabad, Faridabad and Gurgaon, and (b) into the Aravali ridge, which had been designated in MPD-I as a nature preserve. Large parts of the ridge, located within the DUA, have been built over so much that the original woodland is hardly visible.

The interval contributed also to the further growth of a large number of unauthorised colonies, squatter settlements and slums. They had been mushrooming even during the period of MPD-I for two reasons:

(i) large in-migration into Delhi with the great majority of the migrants being poor, and

(ii) freezing of all land for urban development in the union territory by its government.

Hereafter, the DDA alone would have the right to acquire and develop land for residential, commercial, industrial or other uses. The decision was taken to ensure that all development within the UT was according to MPD-I. It did achieve this object, but it also had the unforeseen result mentioned above. The process has continued until it is estimated that "about two-thirds of Delhi's housing stock is located in squatter colonies, other unauthorised and sub-standard settlements and notified slum areas. Estimates show that Delhi's squatter households have increased seven-fold between 1961 and 1991 from 40,000 to 300,000" (interview with C Noronha, member-secretary, NCRPB).

The object of this paper is to review the current status of urban and regional planning for Delhi and the national capital region. The review is presented against the background of the changes – demographic, other socio-economic and in spatial expansion of the DUA and of the satellite towns of Delhi – that have occurred during the last three decades. It analyses the nature, objects and strategies of both plans and explains the relationship between them. It focuses, in particular, on the adequacy of the two plans in meeting the objects.

The paper is divided into seven sections. The growth of the population of Delhi since 1961 and changes in its economic structure are described in Section II. Section III contains a brief review of plan formulation and implementation during the three decades 1962-91 and a comparison of RP and MPD-II. The implementation of both plans is discussed in Section IV. This section contains also a brief description of the construction programme of DDA. The steps taken to restructure and reform the DDA are described in Section V which provide the background to some of the recommendations made in Section VII. The prospect for the decade 1991-2001 is discussed in Section VI. Section VII contains a number of recommendations. These relate, in particular, to restructuring of the DDA and reform of other organisations which provide essential services to the DUA. It should be mentioned that several recommendations are in line with accepted policies of the central and state governments.

The appendix is devoted to:

(i) description of growth of population during 1971-91, economic structure, development problems and projects being implemented or planned to alleviate them in the six DMA and eight priority towns/cities located within the NCR, and

(ii) evaluation of the prospect of the town/city reaching by 2001 the population assigned to it in RP. It may be added that NCRPB proposes to revise the assigned populations for all the 14 towns/cities in 1994.

II
Demographic and Related Socio-Economic Trends

Growth of Population

Data on growth of population of the union territory of Delhi during the three decades 1961-91 are given in Table 1. The total population increased from 2.66 million in 1961 to 9.42 million in 1991, or by 255 per cent. The growth rate during individual decades varied within a narrow range of 51 and 53 per cent. But there were large differences in the inter-decadal rates of growth of the urban population, on the one hand, and the rural population on the other. The growth rates of the urban population ranged between a low of 46.9 per cent during 1981-91 to a high of 58 per cent during 1971-81. But the growth rate of the rural population declined abruptly from almost 40 per cent during 1961-71 to 8 per cent during 1971-81 to jump back to 110 per cent during 1981-91. The reasons for these sharp fluctuations need to be investigated. The sharp fall in the growth rate of the rural population during 1971-81 could be due to incorporation of a large number of villages within the municipal corporation of Delhi (MCD) as a result of extension of its boundaries, while the high growth rate in the next decade could be due to the large number of people, working in DUA, using the villages as dormitories because of lower rents than near their work places located within the DUA. It may be added that almost the entire deficit in housing (the difference between the number of households and

number of occupied houses) in 1991 was in urban Delhi [Registrar General and Census Commissioner 1991a:26]. Accordingly, it is safer to use the total population of the union territory, 90 per cent urban, for any analysis, than the urban or rural populations separately.

Data on the growth of population of Delhi during the four decades 1951-91, and the contribution of migration to this growth, are given in Table 2. The population increased by more than 50 per cent in every decade. Data on the number of migrants into Delhi, which are available only for the three decades 1951-81, indicate that in two of them migrants contributed more than half of the increase [NCRPB 1988: 137].

Although data on the income levels of the migrants are not available, there is considerable indirect evidence to indicate that the great majority of them are poor. The evidence consists principally in: (a) proliferation of slums and squatter colonies because of the migrants' inability to afford better housing; and (b) increase in employment in the informal sector in which wages/earnings are low.

Work Participation Rate

The work participation rate (main workers only) in Delhi was 31.4 per cent in 1991 (Table 3). It was lower than the national average of 34.2 per cent but higher than the proportions in the adjoining states of Punjab (29.9 per cent), Haryana (28.1 per cent) and UP (29.7 per cent) [Registrar General and Census Commissioner 1991b:12]. In all these states, the WPRs are low because of the low proportion of workers among females: the proportion for males, 51.6 per cent in Delhi and in the 47 to 53 per cent range in the adjoining states, are close to the national average of 50.6 per cent.

Data on the distribution of the workforce by industrial categories in 1991 are given in Table 4. It will be seen that the proportion of workers engaged in agricultural and allied activities was only 3.4 per cent and the remaining 96.6 per cent of the workers were engaged in various non-agricultural activities, of which manufacturing and processing including household industry (29 per cent), trade and commerce (21 per cent) and other services (31 per cent) were the most important. This may be expected since Delhi is predominantly urban. RP aims to deflect a total population of 2 million from Delhi to the DMA towns and priority town complexes by 2001. But, as indicated by the data presented in Table 5, the deflection would not alter significantly the distribution of workers by industrial categories. In other words, even after the deflection Delhi would remain a major industrial, commercial and financial centre with about half of the workforce engaged in these activities. It will be noticed also from this table that between 1951 and 1981 the proportion of the workforce engaged in manufacturing increased steadily from 17 to 29.2 per cent. The increase was almost exclusively at the expense of 'other services', which includes public administration. A reversal to the position of 1951 is not expected, however, as a result of deflection of the population. The principal reason for this is that growth of manufacturing industries in the DMA and priority towns would be due to the location of new industrial units in them and not to shifting of the units now located in Delhi. The shift, if it does take place, would only be in the case of non-conforming industries. A total of 24,000 industrial units need to be relocated [DDA 1990:185]. Shifting of markets would also not reduce the proportion of workers engaged in trade and commerce because except for the market for fruit and vegetables, which is proposed to be shifted from Azadpur in the union territory to the new town of Kundli proposed to be built in Haryana, the shifts would be from their present crowded locations within old Delhi (Shahjahanabad and Paharganj) to new locations on the periphery of DUA.

III
Comparison of MPD-II and NCR (RP)

Both MPD-II and RP have the same termination date, 2001. The principal object of both plans is to reduce the growth of economic activities and of population in the DUA by diverting the growth to a limited extent to DMA towns but mainly to priority towns in the NCR, so that the population of the union of Delhi would be 11.2 million by the year 2001. However, the two plans have different projections of population by 2001 without the deflection. Whereas MPD-II has projected the population at 12.8 million, RP has projected it at 13.2 million.

The agreement between the two plans on the principal object, the strategy for achieving it and the termination date greatly assists in their implementation, because financial and other resources needed for their implementation can be allocated with the assurance of agreement between them. The agreement is possible because both the DDA and the NCRPB are under the ministry of urban development of the central government. But it should not be taken for granted; it could be difficult to achieve if the DDA is transferred from the central government to the government of Delhi sometime in the near future.

In both plans, targets in different sectors and subsectors are need-based and do not make any reference to requirements, either of finance and professional and managerial manpower, or of the time needed for formulation and implementation of projects and achievement of the targets. RP makes it clear that implementation plans which specify these would be prepared within its framework by the state governments and by the central ministries. This may be assumed also in case of sectors other than land development and housing for low and middle income groups, which are not within the purview of the DDA.

MPD-II is essentially a land use plan which specifies the use of land in the union territory of Delhi for residential, industrial, commercial and other uses. Secondly, it specifies in great detail the floor area ratios (FARs) for lands reserved for different uses and for residential lots of different sizes,

Table 1 Growth of Population, 1961-91, Delhi

(Numbers in 000's)

Population	1961	1971	1981	1991
Total	2658	4066	6220	9420
Rural	299	418	452	949
Urban	2359	3647	5768	8471
		Growth Rates (percentage)		
Total	53.00	53.00	51.45	
Rural	39.93	8.10	109.86	
Urban	54.57	58.16	46.86	

Source: Registrar General and Census Commissioner (1991a: 96)

Table 2: Population and Migration into Delhi, 1951-91

Year	Population (000's)	Net Decadal Increase (000's)	Per Cent	Total No of Immigrants (000's)	Percentage of Immigrants in the Decadal Increase in Population
1951	1744				
1961	2659	915	52.3	544	59.5
1971	4066	1407	52.9	525	37.3
1981	6220	2154	53.0	1229	57.0
1991	9421	3201	51.5	na	na

Source: Figures for 1951-81: NCRPB 1988: 137, Table 3.1
Figures for 1991: Registrar General and Census Commissioner, India (1991b: 96).

located along roads of different widths. It contains also a review of the implementation of MPD-I. The review brings out that in the case of most sectors the projections of needs proved to be under-estimates because growth of economic activities and of population in Delhi was higher than the projections of MPD-I. The expansion of housing and infrastructure was lower still, creating a huge deficit between needs and supplies.

The two exceptions to the latter were supplies of water and electricity in case of which the achievements were 121 and 100 per cent of the targets. However, keeping in view the persistence of shortages of both, particularly in Delhi's severe summer, MPD-II takes the view that the requirement of water was under-estimated in MPD-I and suggests a higher standard – 80 gallons per day per capita – instead of the 50 gpd adopted in MPD-I. It does not indicate, however, a higher standard for calculating the requirement of electricity. The latter is essential, however, because of explosive growth during the last three decades in the number of air-coolers, air-conditioners and various electrically operated kitchen appliances. The revised standards for both water and electricity should be accepted both by the government of the union territory and the central government and arrangements should be made to meet them.

In sharp contrast to the not too unsatisfactory achievements in respect of water and electricity, there is the dismal achievement of 35 per cent of target in case of sewerage. The principal unsewered areas are: (a) Shahjahanabad and parts of its extension into Paharganj and Karol Bagh, (b) unauthorised colonies and (c) slums. In the case of the first two, night soil and other garbage is removed by headloads. The slum dwellers squat and throw garbage in open spaces nearest to them.

It is recognised in MPD-II that some of the policies of MPD-I were unrealistic and needed to be changed. The most important policy changes recommended by it are two: (i) Permission of non-residential activities in residential premises which had been prohibited in MPD-I. The change had to be made because of the high prevalence of mixed land use not only in old Delhi but also in most of the residential colonies that have come up since 1961.

(ii) Significantly higher FARs than those in MPD-I. This change has been made keeping in view the high price of land in Delhi and the consequent pressures for adoption of higher FARs. Both changes have contributed, however, to the increase in congestion, high levels of pollution of water and air, and shortage of basic services in DUA.

The review fails to mention the change in the role of the DDA from an organisation concerned primarily with formulation, overseeing implementation and enforcement of master plans, to one concerned primarily with land development and construction of houses for middle and high income groups and tenements for the low income group (LIG). During the course of the two decades 1970-90, the DDA has become the largest land development and construction organisation in India.

There were three reasons for the transformation: (a) the decision of the government of the union territory of Delhi to freeze all land within Delhi to ensure land development and construction of housing according to MPD-I; (b) the acute shortage of housing in Delhi due to rapid growth of its population; and (c) the need to resettle tens of thousands of poor residents of slums and squatter colonies.

One disturbing finding of the review of implementation of MPD-I is lack of progress in shifting of non-conforming (highly polluting and hazardous) industrial units or of markets from their old locations to new ones that had been recommended in MPD-I. On the contrary, new units have come up within the high density residential areas of the DUA, both during the period of MPD-I and thereafter. The location of polluting industries contributes to the pollution of air and water. Metallic effluents such as mercury and nickel from industries such as electroplating pollute water for long stretches of the Yamuna, thus affecting the quality of drinking water available to communities located downstream of Delhi. The presence of hazardous industries is an immediate threat to life and limb of their workers and those living in their neighbourhood. There are frequent reports of accidents in such industrial units causing deaths or injuries to workers and neighbours. As mentioned earlier it has been estimated in MPD-II that 24,000 non-conforming industrial units need to be shifted.

Some of the reasons for continuation of the non-conforming industries in their present locations have been mentioned by Mehra in his study of Shahjahanabad [Mehra 1991, Chapter 4]. However, a fuller investigation covering the entire DUA is

TABLE 3. WORK PARTICIPATION RATE OF MAIN WORKERS IN DELHI AND ADJOINING STATES IN 1981 AND 1991

	Persons		Males		Females	
	1981	1991	1981	1991	1981	1991
Delhi	31.93	31 39	52.47	51.32	6.52	7.37
Haryana	28 35	28 12	48.94	47 07	4.69	6.45
Punjab	29 35	29.89	53.15	52.74	2.27	4.17
UP	29.23	29 74	50 31	48.68	5.40	8.24
Rajasthan	30.48	31.59	49.92	48.26	9.32	13.34
India	33.48	34.19	51.62	50.62	14 07	16.48

Source Registrar General and Census Commissioner (1991b: 22).

TABLE 4: DISTRIBUTION OF MAIN WORKERS BY INDUSTRIAL CATEGORIES 1991, DELHI

	Agriculture and Allied Industries (I-III)	Mining and Quarrying (IV)	Manufacturing and Processing (V a+b)	Construction (VI)	Trade and Commerce (VII)	Transport and Communications (VIII)	Other Services (IX)	Total (I to IX)
				(Numbers in 000's)				
Total	77	7	731	232	710	246	965	2968
Rural	46	4	62	24	37	25	74	273
Urban	31	3	667	208	673	221	891	2676
				Percentages				
Total	3.39	0.42	28.64	6 23	21.16	9.0	31.16	100
Rural	32.83	2.79	20.53	3 88	5.35	8.04	26.58	100
Urban	1.35	0.26	28 20	6 39	22.26	9.07	31.47	100

Notes: 1 Manufacturing and Processing (categories V a+b) include household industry also.
2 Discrepancies between numbers and percentages due probably to typographical errors.
Source: Registrar General and Census Commissioner (1991b: 146-47)

TABLE 5: DISTRIBUTION OF THE WORKFORCE BY THREE INDUSTRIAL CATEGORIES, DELHI

Categories	1951	1961	1971	1981	1991	2001 (Projected)
Manufacturing and Processing	17.0	22.4	23 9	29.2	28.6	29.0
Trade and Commerce	22.8	19.3	21.6	22.3	21.2	22.0
'Other Services'	43.7	46.0	37.8	31.5	31.2	31.5
Others	16.5	12.3	16.7	17.5	16.9	17.5

Sources: Data for 1951-81 - NCRPB 1988: 36.
Data for 2001 - NCRPB 1988: 144.
Data for 1991 - As in Table 3.

needed as a first step towards preparation of an effective plan for shifting the industries; it should include both financial incentives for, and administrative sanctions against, shifting.

IV
Implementation of Plans

Regional Plan NCR 2001

During the first five years (1989-93) of RP the principal activities of the NCRPB have been the following:

(i) preparation of a financial plan for the period of the eighth five-year plan 1992-97;

(ii) co-ordinating land development and other development activities within the NCR with the governments of the participating states in order to ensure that they are in accord with the strategy and policies of RP; and

(iii) serving as the nodal agency for preparation of projects included in RP. This includes attracting external financial and technical assistance for formulation and implementation of projects.

The financial plan envisages a total investment of Rs 38.13 billion. Its distribution by states and central sectors is as follows:

States' sector – Rs 19.67 billion

Central sector – Rs 18.46 billion

Investment in the states' sector will be primarily for building eight 'priority town complexes' for industrial, commercial, public administration and residential uses alongside selected priority towns. The complexes will be the growth points within the NCR to which a total population of two million would be deflected from Delhi. A sum of Rs 2 billion has been allocated by the Planning Commission for the NCRPB for the Eighth Plan period. It, together with internally generated funds of Rs 500 million, will provide seed money for building the complexes. The remaining funds are expected to be provided by public financial institutions such as the Housing and Urban Development Corporation (HUDCO), Unit Trust of India (UTI), the Life Insurance Corporation (LIC) and the General Insurance Corporation (GIC), the state governments, the private sector and bilateral and multilateral aid agencies. Investment by the state governments will match the loans advanced to them by the NCRPB. The financial plan states,

> The townships to be developed should be centred around core economic activities in the manufacturing, commercial or public administrative sectors. Industries, markets and office complexes would be shifted from Delhi as part of the overall dispersal strategy, or else developed as green-field projects of the state/central governments. Higher order social facilities of regional or national importance such as educational/medical/engineering institutions, universities, hospitals, sports complexes, tourist centres may also be among the activities to be promoted in these townships [NCRPB 1992, ii:3-4].

Investment in the central sector will be primarily for expansion/improvement of regional infrastructure such as construction of expressways, broadening and improvement of the railway lines by conversion from metre gauge to broad gauge and single track to double track and expansion/improvement of telecommunication facilities.

Table 6: DMA and Priority Towns/Cities: Growth of Population, 1971-91 and Populations Assigned in Regional Plan (NCR) for 2001

(Population figures in 000's)

Town/City	Population				Growth Rates (Per Cent)		
	1971	1981	1991	2001 (Assigned)	1971-81	1981-91	1991-2001
1	2	3	4	5	6	7	8
UP							
DMA towns/cities							
Ghaziabad-Loni	128	287	520	1100*	124.9	81.9	112.0
NOIDA	—	—	167	550	—	—	229.0
Priority towns							
Meerut	373	537	847	1550*	44.3	57.7	83.0
Hapur	72	103	147	450*	44.3	42.7	169.0
Bulandshahr	59	103	127	500*	73.8	23.3	293.7
Khurja	50	67	80	300*	33.6	19.4	275.0
Haryana							
DMA towns/cities							
Bahadurgarh	26	38	57	200*	45.2	52.0	250.9
Faridabad-Ballabhgarh	123	331	614	1000	169.4	85.5	62.9
Gurgaon	58	101	135	700*	76.5	34.6	418.5
Kundli	—	—	—	150*	—	—	—
Priority towns/cities							
Rohtak	125	167	216	500*	33.7	29.5	131.5
Panipat	88	138	191	500*	56.8	38.4	161.7
Palwal	36	47	59	300*	30.7	25.5	408.4
Rewari	44	52	75	110	17.5	46.8	46.7
Dharu Heda	—	—	11	75	—	—	552.2
Rajasthan							
Priority towns							
Alwar	100	145	211	500	45.3	45.5	137.0
Dhiwadi	—	—	15	115	—	—	666.7

Notes — These towns/cities did not exist in these years.

* The assigned populations are considered too high for these towns/cities.

Sources Figures for 1971, 1981 and 1991 Censuses of India, 1971, 1981 and 1991.

Figures for 2001 Regional Plan – 2001 NCR, 137 and 139

Table 7:

Type of Dwelling Unit		1970-71	1980-81	1990	Total Increase 1970-71 to 1990
Permanent					
I	Land development by DDA				
	i) Individual housing on regular plots (HIG)	58945	82378	149871	90926
	ii) Co-operative housing (HIG and MIG)		1000	20000	19000
	iii) Employer housing (HIG to LIG)	51598	72119	90000	38400
II	Construction by DDA				
	i) Group housing (EWS to MIG)	5608	65867	180000	17439
	ii) Resettlement colony units (EWS)	34952	197684	237000	202048
III	No participation by DDA				
	i) Traditional housing (MIG to LIG)	74400	876060	84000	9600
	ii) Unauthorised housing (MIG and LIG)	59154	143970	255000	195846
	Sub-Total	294134	657189	1035871	741737
Semi permanent					
	i) Traditional declared slum houses (EWS and LIG)	49600	52440	56000	6400
	ii) Unauthorised houses (EWS and LIG)	19718	47990	85000	65282
	Sub-Total	69718	100430	141000	71282
Temporary					
	Squatter	62594	98709	240000	177406
	Total	426046	856328	1416871	990825

Note Categories of beneficiaries are mentioned in brackets.

Source Paper prepared by the DDA for presentation at the Third International Housing Training Seminar – March 14-26, 1991, Nagoya, Japan, 32.

assistance from aid agencies would be sought for implementation of some of the projects...

The NCRPB will set up a captive financial institution called the National Capital Region Development Finance Corporation (NCRDFC) under the Companies Act, 1956. This institution will act as the apex authority to raise additional resources through market borrowing and loans from various public financial institutions. It may also invite equity support from participating states and their agencies. It will thus be the nodal financial institution for the large-scale town development projects envisaged in the NCR investment programme...

Furthermore, the NCRPB will promote joint stock companies for development of the new townships. Fifty-one per cent of the equity in the companies would be by the participating states, the NCRPB and the public financial institutions; while the remaining 49 per cent may be left for private sector investment. A certain portion of the share capital would be reserved for those whose lands are acquired for development of such projects.

Each participating state government may create a revolving fund with the seed money provided by the board (through NCRDFC) and the respective states, on a matching basis, for developing the new townships. The surpluses generated by the projects should be credited into this fund for further development [based on information in NCRPB 1992, II:5-6].

Details of progress in building the priority town complexes as also of the role of the NCRPB in co-ordinating various developments by the participating governments and serving as a nodal agency for attracting external assistance are given in the appendix. It may be mentioned that the development of priority town complexes is most advanced in Bhiwadi and Alwar (Matsya Industrial Area) in Rajasthan, Panipat in Haryana and Meerut in UP. The two Rajasthan complexes are being developed for the location of new industries, while Meerut and Panipat will begin with shifting established industries from their present congested locations within the cities to industrial estates developed outside them.

Strategy of RP

The stated strategy of RP is to allow limited growth of population in the DMA towns and to divert the growth principally to the priority towns. The strategy is aimed at achieving balanced development of the NCR and reducing pressures on the infrastructure and natural resources, particularly water, of the DMA. The strategy is not reflected, however, in the populations assigned in RP for various towns for 2001. The figures for this year, given in Table 6, indicate that all the DMA and priority towns, except Faridabad-Ballabhgarh and Meerut, would experience rapid growth during the 1990s. Such growth is envisaged for both new industrial-residential townships, such as Dharu Heda in Haryana and Bhiwadi in Rajasthan, and for old towns, such as Palwal and Rewari in Haryana and Khurja in UP, which experienced slow growth during the previous decades. This author is of the view that the populations assigned for 2001 are too high for two-thirds (11 out of 17) of the DMA and priority towns. The shortfalls would be particularly large in Palwal, Rewari and Khurja. This is because most of the projects relating to building of priority town complexes and expansion/improvement of regional infrastructure are still being prepared. After their preparation, there would be gestation periods of two to four years during which the projects would be evaluated, revised, approved and allocated the finance and manpower needed for implementation. The institutional structures needed for implementation of the projects would also be built during this period. Consequently, most of the projects would begin to be implemented only during the latter part of the 1990s. Building of priority town complexes near the selected priority towns, which is the principal project for shifting of industrial and commercial activities from Delhi, could extend well into the next decade, 2001-2011. The effects of the projects in terms of growth of economic activities and population would also be felt in this decade or later.

This is the principal reason for the recommendation made in Section VII that the period of RP should be extended by 11 years to 2012. If this recommendation is accepted, the NCRPB should prepare, in collaboration with the governments of the participating states, projections of growth of population, workforce and its distribution by industrial categories to 2011. It should prepare also new projects or second phases of earlier projects to meet the demands generated by the growth of economic activities and of population during 2001-2012.

Implementation of Second Master Plan of Delhi (MPD-II)

The nine-year period between the termination of MPD-I and beginning of MPD-II was devoted by the DDA to land development and construction of housing, mainly for MIG, and development of resettlement colonies for the LIG and EWS who were living in slums. These activities have continued under MPD-II. But while the DDA had earlier developed neighbourhoods of limited size at various locations within DUA, in recent years it has developed sizeable townships which provide housing, shopping and other facilities for tens of thousands of residents. The principal townships are Rohini in north Delhi, Patparganj in east Delhi, Vasant Kunj in south Delhi and the planned

Table 8B: Increase in Registered Motor Vehicles in Four Megacities – 1984-1989

(Number in 000's)

Year (as on March 31)	1984	1985	1986	1987	1988	1989
Bombay	404.1	431.8	480	524	557.1	588.2
Calcutta	285.9	285.9	321	351	396.6	424.4
Delhi	750.1	841.3	961	1112	1284.2	1465.6
Madras	138.8	201.0	288	373	419.8	465.0

Source: Motor Transport Statistics of India 1987-88 to 1988-89, Ministry of Transport.

Table 8A: Registered Motor Vehicles in Four Megacities as on March 31, 1989

(Number in 000's)

Year	All Vehicles	Two Wheelers	Three Wheelers		Cars	Jeeps	Taxis	Buses	Trucks	Tractors	Trailers	Others
			Passenger	Goods								
City												
Bombay	588	222	25	15	236	13	34	7	33	1	–	2
Calcutta	424	168	3	13	170	(A)	17	12	32	4	–	5
Delhi	1466	1009	55	(B)	293	(A)	9	17	83	–	0.4	–
Madras	486	339	6	1	107	0.3	7	2	17	–		0.5

Note: (A) Included in cars
(B) Included in trucks

Source: Motor Transport Statistics of India - 1987-88 and 1988-89.

township of Dwarka in west Delhi. As a result of the DDA's preoccupation with land development and housing, enforcement of the plan has been relegated to the background. On the other hand, the construction programme has enabled the DDA to make a major contribution to land development and construction of housing for the rapidly increasing population of DUA. During the two decades 1970/71–1990 the housing stock of Delhi increased by almost one million. Of this total, 75 per cent consisted of permanent dwelling units and the remaining 25 per cent were semi-permanent and temporary units which can also be called slum units. The DDA contributed 64 per cent or nearly two-thirds of the permanent dwelling units. Details of the type of dwelling units, the contribution of the DDA to their addition and their beneficiaries are given in Table 7.

It may be added that: (a) the real beneficiaries of many programmes have higher incomes than those indicated in the table; (b) despite the large scale of its housing activities, the DDA has made no attempt to modernise construction techniques; (c) the allottees of flats or tenements built by the DDA have to spend considerable amounts of money to make them suitable for living; and (d) there is little room in the flats or tenements for increasing living space for meeting the needs of increase in size of the family.

The DDA constructed a total of 2,35,000 dwelling units for the low income groups in its various resettlement colonies. The number of units completed was the highest during 1971-81 and within it during the three years of the emergency, 1975-77, when tens of thousands of slum dwellers were evicted from their slum dwellings and resettled in colonies developed for them. The rate of resettlement has been slower after this period for three reasons:

(i) change in priority in national planning from slum clearance and resettlement to slum improvement;

(ii) the memory of the unpleasant and disruptive experience of slum clearance and resettlement during the emergency. It should be mentioned that much force was used to evict and resettle the slum dwellers in the colonies built for them. Not enough attention was paid to the genuine difficulties of those being resettled. The resettlement colonies were located at long distances from their former places of living and work. Access roads from the colonies to the city and bus and other transport services also were not developed. Furthermore, physical and social infrastructure within the colonies was also underdeveloped. As a result, they had to face much difficulty in day-to-day living and in travelling from their homes to their jobs.

(iii) influence of vested interests (slum lords, underworld dons and others) who are interested in continuation and proliferation of slums. The slum dwellers provide tidy, steady income to the slum lords. For the underworld.dons, the slums constitute safe havens for illegal activities. For politicians, the slum dwellers are vote banks. Many slum dwellers themselves contribute to expansion of their slums by increasing the size of their huts or building new ones. Thus, they would rent out a part of their hut to a migrant or another person who is in need and use the cash and other savings to add to their dwelling or construct a new one next to it.

Freezing of land within the union territory of Delhi has made a major contribution to effective implementation of MPD-I and MPD-II. It has enabled the DDA to acquire and develop large areas for housing and for construction of industrial, commercial and community service centres as envisaged in the plan. Large colonies have been developed by co-operative group housing societies or by the construction wing of the DDA itself which provide residential accommodation to tens of thousands of people of various income groups. Furthermore, it has enabled the DDA to reserve large green areas between its flats within the colonies and also to develop parks at the district level. Without it, the green areas would have been much smaller and congestion and pollution within them much higher than at present. In most of the colonies developed by commercial developers during the 1950s and 1960s, the green areas are much smaller and roads and other circulation areas are narrower than in the colonies developed by the DDA.

The freezing of land is not regarded by DDA officials as a significant factor in the steep increase in the prices of land in Delhi. The principal reasons for it according to them are: (a) rising cost of land acquisition and development, and (b) speculation in land.

Reform of DDA

The first major step towards structural reform of the DDA was taken in September 1992 when its slum improvement and resettlement wing was transferred to the municipal corporation of Delhi (MCD). A decision to transfer construction of dwelling units on lands developed and sold by the DDA to co-operative group housing societies, private developers and individual owners had been taken as far back as 1987, but it has yet to be implemented. It is expected, however, that the DDA's construction programme will be wound down progressively as projects in progress are completed. Thereafter a small unit could continue for some years to remove structural and other defects in the dwelling units built and sold by the DDA.

With these changes the DDA will be a leaner and, hopefully, more efficient organisation concerned principally with acquisition, development and sale of land, and formulation and implementation (including enforcement) of master plans.

It remains to be seen whether the transfer will be of benefit to the slum dwellers. There are two main reasons for the doubt. First, the MCD is a very large, almost unwieldy organisation, and since slum improvement and relocation of squatters would be one among its numerous functions, it is possible that adequate attention is not paid to it. Second, as two recent statements issued by it to the press, extracts from which are given below, indicate, its policy on slums and squatters is still being evolved:

> Conferment of ownership rights on nearly one million residents of 2,50,000 hutments located in 44 colonies, which were established during the years of the Emergency (1975 to 1977), by relocation of slums located within the then DUA. Two-thirds (31) of the colonies are located in east and west Delhi; the rest are in various other locations. The hutments are built on plots of 25 sq yards each. The properties would be given on lease but can be converted into free-hold by paying a fee to the MCD. MCD will charge the prevailing market rate for the conversion which would not exceed Rs 900 per sq yard of land that the DDA has been charging. It proposes to raise Rs 1 billion from the sale of the properties [*The Times of India*, June 4, 1993].
>
> Development of 14 special squatting zones located on the urban fringe, mainly in north and west Delhi, for resettlement of about 1,00,000 people who have moved into Delhi after 1990. In each zone, a plot measuring 10 sq mt would be allotted to a household. MCD will provide basic services to ensure clean living but only 'kutcha' (mud and thatch or corrugated iron sheet) structures would be allowed to be constructed. Furthermore, contractors would be employed to collect all dues from the households. The object of the scheme is to release valuable vacant lands that are likely to be encroached upon by the ever-expanding unauthorised colonies [*The Times of India*, June 7, 1993].

The proposals have been sent for approval to the ministry of urban development. They could be rejected. The second proposal could be vigorously opposed by the slum dwellers for three reasons.

(i) The squatting zones would be at long distances from places of work of those being relocated so that they would have to undertake long, time-consuming and expensive journeys between their homes and places of work.

(ii) Allowing construction of only kutcha structures, which are liable to be burnt in Delhi's hot summer or suffer severe damage during dust for thunderstorms, on plots as small as 10 sq mt, would result only in creation of planned slums.

(iii) Employment of contractors to collect dues from the slum dwellers for services provided by the MCD would give it the income projected only if there is effective supervision of the contractors. Otherwise, it would lead to exploitation of the residents, besides poor receipts to MCD due to leakages.

The only merit of the proposal is that it would send a signal to would-be migrants to Delhi that they would be treated much less generously than the migrants of earlier years have been treated. The long-term solution to the problem of squatting in Delhi, however, is to deflect employment from it to the DMA and priority town complexes (and sub-regional centres), as has been recommended in RP. This is because:

> The principal reason for migration into Delhi in the last three decades is rapid increase in employment in new industries, especially small-scale, and expansion of trade and commerce. 'Employment' and 'family movement' accounted for 73 per cent of all the migrants in 1981 from the five adjoining states [NCRPB 1988, I:15].

VI
Prospect for 1991-2001

The principal features of the prospect for the decade 1991-2001 can be summarised as follows:

(i) *Growth of population.*

The total population of the DUA would not be much less than the 13.2 million projected by the NCRPB; it could even exceed the figure and reach 14 million since most of the villages, which are semi-urban already, could be reclassified as urban. Many of them would become part of the DUA as a result of its rapid spatial expansion. The principal reason for not expecting any deflection of the population to the DMA and priority towns is that most of the projects for achieving the deflection would bear fruit only during the decade 2001-2011.

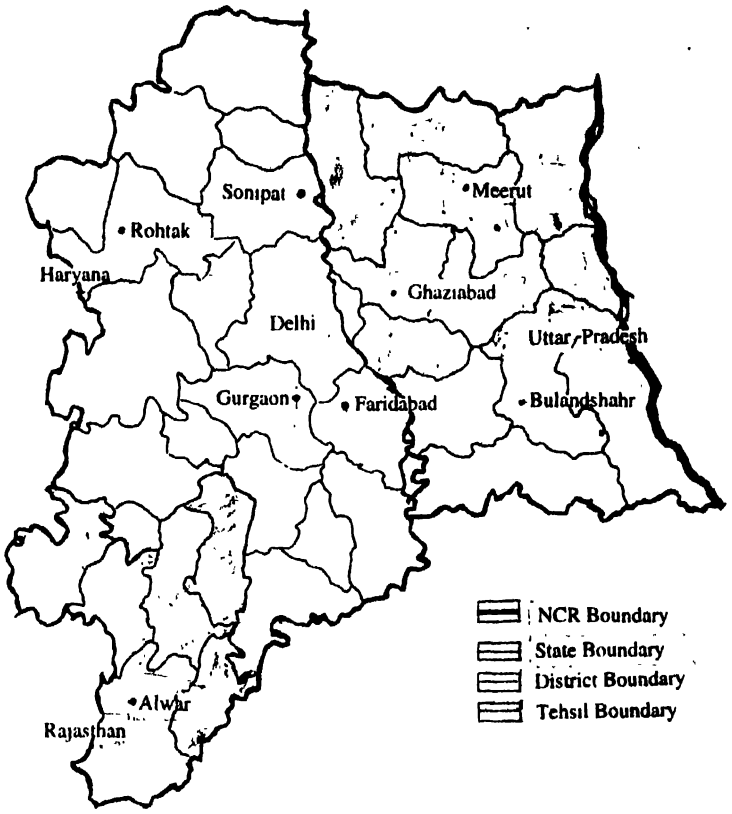
(ii) *Delhi will remain a major industrial centre.*

The proportion of its workforce engaged in manufacturing industries would not only not decrease but could increase. The principal reason for this is that the government of the union territory which was elected in December 1993 is not interested in shifting industries from Delhi to the priority towns/ cities in the NCR. On the contrary, it is interested in encouraging further growth of industries and relaxing anti-pollution control over them.

(iii) *Proliferation of slums and unauthorised colonies.*

Because of continuing increase in jobs in the industrial and service sectors, large-scale migration into Delhi will continue, with most of the migrants being poor.

FIGURE: NCR CONSTITUENT AREAS



Furthermore, the government of the union territory has promised to provide all slumdwellers with electricity connections and to regularise all the unauthorised colonies, numbering about 600, which had existed on March 31, 1993 [*The Times of India*, December 14, 1993, pp 1, 13].

(iv) *Pollution of air and water and traffic congestion.*

Pollution will worsen greatly because of: (a) continuing growth of manufacturing industries, and (b) rapid increase in the number of motor vehicles: "According to surveys conducted by the Central Pollution Control Board and the Indian Institute of Petroleum, Delhi tops in pollution among the five metropolitan cities; it is followed by Bombay, Bangalore, Calcutta and Ahmedabad in that order. Motor vehicles discharge 870 tonnes of pollutant in Delhi compared with 550 tonnes in Bombay and between 245 and 255 tonnes in Calcutta, Bangalore and Ahmedabad" [*The Times of India*, September 13, 1993: Capital I].

The principal emissions are carbon monoxide, hydrocarbons, oxides of nitrogen and lead compounds which are injurious to the health of both human beings and animals. Emissions from motor vehicles contributed 50 to 60 per cent of the air pollution. The number of motor vehicles, 70 per cent of which are two- and three-wheelers, increased three-and-a-half times during the seven years 1984-89 (Table 8), and the rate of annual increase may be expected to be similar during the decade 1991-2001. The increase in pollution would lead to rapid increase in the incidence of respiratory diseases, such as asthma, among children.

Construction of a mass road transport system (MRTS) could reduce growth in the number of vehicles. But the cost of the system estimated at Rs 90 billion according to the latest study conducted by RITES, is so high that a central government which is committed to reducing budgetary deficits, would not finance it. It would involve massive investment and the rate of return on it would probably be negative because of the need for subsidising its operation. Fares for travel on the system would need to be kept low because most of the travellers would belong to low and medium income groups.

(v) *Increase in shortage of water and electricity.*

The present shortages will worsen unless supplies are increased adequately and in time to meet increasing demands. The shortage of water could be overcome by obtaining larger supplies from UP, Haryana

and Punjab. To overcome the shortage of electricity, facilities for generation, transmission and distribution will need to be greatly expanded. The central government could be expected to finance projects for expansion of water supplies, but those relating to electricity would need to be financed largely through market borrowing by the Delhi Electricity Supply Undertaking (DESU), which is proposed to be privatised. It may be added that as a result of poor operational and financial management, which includes large-scale pilferage of electricity, poor maintenance of facilities, low electricity rates and lack of a proper system of accounting, DESU incurs large losses every year in its operation. A number of steps are being taken to reduce the losses and make the undertaking financially viable before it is privatised.

(vi) *Ribbon development along roads.*

Particularly the Delhi-Gurgaon-Dharu Heda and Delhi-Faridabad roads could be completely lined with housing colonies, small and medium sized industrial units, repair shops and storage facilities of companies based in Delhi and housing colonies. The Delhi-Ghaziabad-Meerut road is lined already and construction of a six-lane expressway to divert traffic from it is included in the transport component of RP.

VII
Recommendations

These recommendations are aimed at making planning for Delhi and the NCR more effective. They focus, therefore, on improving the planning functions of the DDA and the NCRPB and strengthening co-ordination between them. They begin with the DDA, whose original functions of formulation and overseeing implementation of long-term development plans for Delhi have become marginal to its main activity of land development and construction of housing for LIG and MIG and resettlement of slumdwellers. The two functions take, according to a senior official of the DDA, almost all its resources of finance and management. Furthermore, most of its top officials are constantly engaged in fire fighting operations related to the above-mentioned functions. Keeping this in view, the author reiterates the proposal for division of the DDA into the following three autonomous or semi-autonomous agencies:
(i) Delhi land development and housing board,
(ii) Delhi board of slums and squatter colonies, and
(iii) Delhi planning authority.

(i) *Delhi land development and housing board.*

The board should have responsibility for land development and construction of flats for the middle income group. Construction of houses/flats for people of the high income group on land developed by the DDA should be left to co-operative group housing societies (CGHS) or to individuals. The board should have a strong consultancy organisation in order to improve quality and reduce costs of land development and construction. These will greatly reduce the innumerable complaints by purchashers of the flats built by the DDA about their poor quality including structural defects. Furthermore, keeping in view Delhi's climate, especially its long hot summers and familial and social life of the residents, it should keep even larger green spaces between buildings than it does at present.

(ii) *Delhi board for slums and squatter colonies*

The board should have three main functions:
(a) improvement of slums and squatter colonies which have acceptable locations by improving sanitation in them and providing essential physical and social infrastructure (access roads, filtered water, surface drains, electricity, primary schools, health centres, etc). The layout of the colonies should also be modified to the extent possible within the constraint of their present location. Confirmation of secure tenure on the residents/owners would provide them a strong incentive for self-help in improvement of the dwellings.
(b) shifting residents of slums and squatter colonies that have unacceptable locations, such as along pavements of roads, lands reserved for location of public facilities – educational institutions, health centres, parks or other recreation facilities – or poorly drained lands, which are liable to floods during the monsoon and have pools of stagnant water through most of the year. The resettlement colonies should be as close as possible to the former dwellings of the residents so that they face minimum dislocation in their lives and do not have to travel long distances between their new homes and places of work.
(c) providing site-and-service and core housing to the people who are being resettled. The cost of land development and providing core housing would undoubtedly need to be subsidised, but emphasis should be on self-help by the residents. The resettlement colonies should be properly laid out and provided with basic service facilities. Individual plots within them should not be smaller than the present approximate 21 sq mt for those who can can pay a part of the costs of land development and construction of core housing. It may be added that their number would not be small since the costs would have to be paid in instalments extending over a period of 15-20 years.

Both the Land Development and Housing Board and the Board for Slum and Squatter Colonies should establish strong relationships with public financial institutions such as the Housing and Urban Development Corporation (HUDCO), the Life Insurance Corporation (LIC) and the General Insurance Corporation (GIC) in order to raise funds for their land development and construction programmes. They should also establish appropriate relationships with carefully selected non-governmental organisations (NGOs) in order to obtain their co-operation in resettlement of residents of slums and squatter colonies. The NGOs can play a valuable role also in maximising self-help by the residents of resettlement colonies, promoting self-management of the colonies, and undertaking community development programmes.

(iii) *Delhi planning authority.*

The authority should concentrate on formulation, overseeing implementation of development plans and making periodic adjustments in them in the light of changing conditions. The concentration will avoid repetition of the hiatus of almost a decade between the termination of MPD-I and beginning of MPD-II. During the currency of the latter, it should have three principal functions:
(a) ensuring that deviations from or violation of the plan, including those by MCD, the government of the union territory of Delhi or of the central government are minimal;
(b) ensuring that projects for expansion/improvement of physical and social infrastructure are prepared by the concerned authorities well in time for implementation within the plan period. This will provide adequate time for approval and start of the projects and minimise shortfalls between needs and achievements; and
(c) ensuring that work on formulation of the Third Master Plan for Delhi (MPD-III) begins three years before termination of MPD-II so that it is ready for implementation, after making the changes needed in it to meet objections of the public and suggestions from the approving and financing agencies.

Finally, the DDA should include in both MPD-II and MPD-III provisions for reserving adequate and well-located lands for construction of site-and-service and core housing for the urban poor. This is essential to reduce the mushrooming of slums and squatter colonies as a result of influx of tens of thousands of poor migrants into Delhi.

Four other organisational reforms are worthy of serious consideration by the central government and the government of the union territory of Delhi. These relate to:
(i) Decentralisation of the MCD;
(ii) Constitution of a strong and effective anti-pollution board;

(iii) Autonomy for the Delhi Water and Sewerage Board (DWSB), and
(iv) Implementation of the decision to privatise the Delhi Electricity Supply Undertaking (DESU).

(i) *Decentralisation of the MCD.*

The MCD does not have the management resources to provide efficiently essential services to a metropolis with a population of more than 9 million and which stretches by long distances in all directions. As a result, there is much inefficiency and corruption in all its departments. Its function of assessment and collection of taxes, of which property tax is by far the most important, has already been decentralised to some extent; it is performed by zonal offices of the MCD. However, the jurisdiction of individual zonal office is too large and should be reduced by increasing the number of offices. A time-bound programme should be drawn up for decentralising delivery of essential services by the zonal offices. In residential colonies, industrial estates and markets where there are welfare associations of residents/industrialists/merchants, their active co-operation should be obtained for delivery of services as well as in assessment and collection of taxes. Their co-operation would lighten the burden of the MCD officials and increase efficiency in delivery of services. Teams of high level officials should be constituted to advise and audit to check leakages of revenues by mismanagement or by collusion between officials of the MCD and office-bearers of the associations. Details of the proposal should be worked out by a team of MCD officials and selected representatives of welfare associations.

(ii) *Anti-pollution board.*

References have been made in earlier sections to the very high and rapidly increasing levels of air and water pollution in Delhi. However, apart from some symbolic gestures, such as measuring the level of pollution in exhausts of private cars, taxis and two- or three-wheelers, no action has been taken in this area. Similarly, apart from treatment of a larger proportion of the sewerage flowing into the Yamuna, little progress has been made in reducing water pollution. Effective measures to counter the ongoing and foreseeable future trends can only be undertaken by a strong anti-pollution board. The board should have the support of both the central government and the government of the union territory of Delhi so that it can resist strong pressures against anti-pollution measures to be undertaken by it. The pressures would come from associations of dealers of motor vehicles; owners/managers of polluting industries, chambers of commerce and industry, and similar bodies.

In order to reduce pollution of water the board must insist on relocation of non-conforming industries and complete treatment of the sewerage being discharged into the Yamuna within a specified time period. The project for clean-up of the Yamuna, which forms part of the Ganga clean-up project, should be expedited. It may be added that the Yamuna is considered to be the most polluted river in the country.

For reducing air pollution, Delhi should have a mass transit system (MRTS) supported by a largely privatised and efficiently operated bus service. Since construction of the MRTC cannot be financed by the central government, it should be built and operated by a private company. The government will need, however, to subsidise its operation because fares on it have to be kept low enough to be within reach of the commuters, most of whom would be of the low income group.

(iii) *Delhi water and sewerage board (DWSB).*

The board should not remain under control of the MCD but should be made autonomous. The change in status will allow the board to concentrate its attention on improving efficiency and effecting economy in its operation. It would also have greater freedom in adjustment of rates for the services provided by it. The rates would not be economic because of the need for rendering services to the poor residents of DUA at subsidised rates. However, the level of subsidy could be reduced by suitable increases in rates for consumers of the high income group and for commercial and industrial users.

(iv) *Privatisation of DESU.*

The central government has already decided to privatise DESU as a possible solution to Delhi's chronic problem of shortage of power, particularly in the summer, when there are frequent and prolonged power cuts. The experiences of other cities such as Bombay and Ahmedabad indicated that private companies are better equipped to supply electricity to megacities than are public enterprises. The NCRPB has recommended three measures to reduce the power deficit:
(a) increase in tariff;
(b) deterrent charges for misuse and pilferage; and
(c) large allocation of power from the central reserve of the northern grid to Delhi and to the DMA and priority towns in the NCR.

To reduce the shortage of water in Delhi and the NCR, the board has recommended expeditious execution of projects. It has also recommended that an agreement on sharing of Yamuna water among Delhi, Haryana and UP be finalised [*The Times of India*, July 1, 1993, Capital 2].

(v) *Urban renewal: preventing emergence of decaying city syndrome.*

There is urgent need for a well-designed urban renewal programme for Shahjahanabad and its extensions to Paharganj and Karolbagh. The programme for Shahjahanabad should have three principal components:
(a) Renovation of buildings and streets of historical and cultural importance.

The buildings would include residences of eminent Urdu poets such as Mirza Ghalib, Haali and Zauk and 'havelis' (palaces) of nobles which can be restored to their original form without excessive cost. The streets would include Chandni Chowk and 'katras' which specialise in production and sale of traditional artistic handicrafts of Delhi such as jewellery, fine silk, 'zari' work and ivory work. The original facades of the renovated buildings and layout of the streets should be maintained as much as possible. In case of Chandni Chowk, in particular, the pedestrian arcades on both sides of the street should be renovated and the central canal with fountains playing in it should be restored. Most of the katras should be made exclusive pedestrian streets, as is done in old sections of many medieval European cities. This will add to their charm and reduce congestion and pollution in them. The need for transport of goods produced in them could be met by non-motorised vehicles such as bicycle rickshaws.
(b) Removal of non-conforming (highly polluting and hazardous) industries and congested markets to more suitable locations.

The non-conforming industries should be shifted to various rural locations within the NCR, but most of the markets can be shifted to suitable locations on the periphery of the DUA itself or at some distance from it. Thus, the markets for electrical goods and bicycles, located within Shahjahanabad at present, could be shifted to one or more appropriate locations on the periphery of DUA. The most suitable location for the market for meat and poultry products would, however, be the new town of Kundli, which is going to have a large market for fruit and vegetables. The new locations should be selected by associations of traders or industrial entrepreneurs themselves, which will reduce resistance to the relocations. But both fiscal incentives and adminstrative sanctions would be needed to overcome the remaining resistance. After the relocations it will be possible to improve access to and circulation within the areas by widening of roads and streets. Furthermore, the relocated entrepreneurs and traders can expand and diversify their operations in the new locations. Thus, traders in bicycles could add trading in scooters, mopeds and motor cycles. The areas vacated by shifting non-conforming industries or markets should be

utilised for housing of workers in the remaining commercial and handicraft establishments, for parking of motor vehicles or for recreation.

(c) Provision of sewerage in the unsewered areas.

The urban renewal programme for Paharganj and Karolbagh should be designed so as to meet their particular needs and problems. The few buildings of some historical importance, such as the Tibbia college in Karolbagh should be restored to their original form. However, the principal emphasis in these areas should be on relocation of non-conforming industries and congested markets. The areas vacated by the relocated industries and markets should be used for parks and widening of roads to improve the circulation of vehicles. A few high-rise buildings could be allowed to be built to provide housing for those who were living earlier in congested, decaying single storey structures. A suitable package consisting of both financial incentives and administrative sanctions would need to be evolved to effect the relocations.

An imaginatively designed urban renewal programme would prevent emergence of the 'decaying central city syndrome' which has appeared in many American cities. Shahjahanabad, in particular, could become an attractive place to live for affluent and middle-income residents, and for visits by Indian and foreign tourists.

Appendix

Development of Industrial and/or Commercial Complexes alongside Priority or DMA Towns

PRIORITY TOWNS/COMPLEXES

Rajasthan

1 Alwar

Alwar is an old city located about 160 km south of Delhi. It was the capital of a small princely state of the same name before accession of the state to India. It is now a district headquarters besides being a market town for its surrounding villages. Its population increased by about 45 per cent in each of the two decades 1971-81 and 1981-91. But much a faster growth of 137 per cent is expected during the current decade because of the Matsya Industrial Areas (MIA) located along the Alwar-Delhi road about two km from Alwar city. The multi-industry complex with a large number of medium- and large-scale industries for the regional (Delhi, Haryana, northern Rajasthan and south-western UP) markets is coming up rapidly. With the investment proposals that the Rajasthan Industrial Investment Corporation (RIICO) has received, a total of 30,000 jobs would be created in the MIA. The number would be doubled to 60,000 even on a conservative estimate of one industrial job triggering one service sector job. Further assuming five members per worker household, an additional population of 300,000 can be expected.

Rajasthan-Haryana

2 Bhiwadi-Dharu Hera

Multi-industry complexes, already established in both townships, are growing rapidly. They had a population of 26,000 in 1991 which is projected to increase to approximately 1,90,000 by 2001 (Table 6). The long-term (beyond 2001) projection of population is 4,50,000 (Bhiwadi 30,000, Daru Hera 1,50,000). There is healthy competition between the governments of the two states in development of the complexes. Bhiwadi is being promoted by RIICO, which has established a single window facility for entrepreneurs wishing to establish industrial units in it. In Dharu Hera, the industrialists had to make their own arrangements for land acquisition and development, loans, permits for supplies of inputs, etc. until recently, but they are now being actively assisted by the Department of industries and other agencies of the Haryana government.

The advantages of the complexes are (i) location about 60 km from Delhi along or near the national highway which connects Delhi with Jaipur, (ii) level, well-drained land which can be developed without excessive cost, (iii) adequate supplies of electricity and water of good quality; and (iv) little pollution. Since most of the industries are non-polluting, a serious pollution problem is not expected.

Principal needs are (i) Educational and medical facilities including a college and a district level hospital, (ii) efficient telecommunications, (iii) lower cost facilities for transport of goods, by rail and road; and (iv) expansion of housing in step with the increase in population. Because of shortage of housing and of appropriate educational or health care facilities, most of the owners/managers, other professionals and a large proportion of the skilled workers in the industrial units live in Delhi and commute to the townships from the city. A proportion of the unskilled workers come from neighbouring villages but most of them are migrants from other states – UP, Bihar and Kerala. The predominance of migrant workers is due to the limited supply of labour in the neighbouring villages. The migrants live in small one-room tenements, built by individual landlords, which are crowded and lack sanitary facilities.

Haryana

3 Rewari

A stagnant town for a long period, Rewari is showing signs of growth through modernisation of its old brass utensil making industry and establishment of new industries. Its growth will receive a stimulus because of its strategic position as a junction station on the railway line along which goods traffic will flow from the southern and western states of India to Haryana, Punjab, Jammu and Kashmir and Himachal Pradesh. In order to overcome the town's serious problem of shortage of water, the Haryana government has formulated a proposal for obtaining water for it from the Jawaharlal Nehru canal, which is expected to be operational in about four years.

4 Palwal

Another small, long stagnant town with potential for more rapid growth after some years, if an inland container depot (ICD) which is being proposed by the ministry of railways is constructed. Furthermore, it will be the starting point of the broad gauge railway line that will by-pass Delhi to go west-north-west through Rewari, Rohtak and Panipat to Punjab, Haryana, Jammu and Kashmir and Himachal Pradesh, and east-north-east through Khurja, Bulandshahr and Hapur to Meerut, Muzaffarnagar and Dehradun in UP. Construction of the railway is an important component of the transport component of RP.

5 Panipat

A rapidly growing commercial-cum-industrial city located about 80 km north of Delhi along the road from Amritsar to Delhi. Its population which was only 88,000 in 1971 increased rapidly during the next two decades to reach 1,91,000 in 1991. Its economic bases are:

(i) manufacture of furnishings by handlooms and powerlooms for consumption within India and for export, and

(ii) markets in wool and agricultural produce. RP has assigned a population of 5,00,000 for it in 2001. This is unrealistic, however, because the growth rate of the population during 1991-2001 is not expected to be much higher than the 38.5 per cent experienced during 1981-91. Assuming a growth rate of 40 per cent during the decade, the population would be 2,87,400 by 2001. RP includes a proposal for construction of a six-lane expressway between Panipat and Sonepat in order to improve road communications with Delhi. Meanwhile, NCRPB financed during the Seventh Plan period development of a transport nagar, which provides facilities for parking of trucks and board and lodging for drivers. Its increasing need for electricity would be met adequately after completion of a large generating station which is being built near it. Its other needs are for efficient telecommunications with Delhi and increased water supply. Land development for residential, commercial and industrial

expansion is being undertaken by the Haryana Urban Development Authority (HUDA), primarily on a self-financing basis.

6 Rohtak

Rohtak is a medium-sized city with population of 2,16,000 in 1991, located about 60 km west of Delhi. Essentially a 'mandi' town, it has become an important educational centre with location in it of the Maharishi Dayanand multi-faculty university and several colleges. RP envisages a population of 5,00,000 for it by 2001. The target is quite unrealistic, however, in view of the slow growth of its population during the previous two decades – 29.4 per cent during 1981-91 and 33.7 per cent during 1971-81. RP's projection of population was based on the building of a complex in the vicinity of the city in which a large number of small- and medium-sized industrial units in agro-based industries, textiles and metalware would be located. But the statewide shortage of power and water is a serious constraint on development of the complex. In addition, Rohtak lacks adequate surface drainage and sewerage. All these constraints need to be removed before rapid growth can be achieved. The shortage of water would be met by the construction of the Jawaharlal Nehru Canal; the shortage of power would be alleviated with supply from the generating station located near Panipat.

Uttar Pradesh

7 Bulandshahr-Khurja

Bulandshahr, located about 40 km east of Delhi, is the headquarters of a district of the same name and a market for its surrounding villages.

Khurja, located further east, has besides its foodgrains market, an old pottery industry. The latter, which had concentrated on production of crude low-priced products until recently, is now undergoing rapid modernisation. It is producing higher quality products, a significant proportion of which are exported.

Development of multi-industry complexes and expansion of the existing foodgrains markets are envisaged for both towns.

8 Meerut

Meerut is a large city which had a population of 8,47,000 in 1991. Near doubling of its population to 1.55 million by the year 2001 is envisaged in RP. Envisaged also are: (a) modernisation and expansion of its existing handloom, sporting goods, surgical instruments and scissors-making industries, and (b) residential development for decongestion of the city and for meeting the housing needs of its growing population. Land development for a new industrial-cum-residential township, to which a proportion of the existing industrial units would be shifted, is in progress.

9 Hapur

This is the largest market for foodgrains and oilseeds in northern India. It had experienced growth of about 45 per cent in population during each of the two decades, 1971-91; but much faster growth of 169 per cent is assigned for the city during 1991-2001. This is to be achieved through the establishment of a multi-industry complex in addition to expansion of the market in foodgrains and oilseeds. The assignment is unrealistic, however, keeping in view the earlier growth rate of the population of the city.

DMA Towns

Haryana

1 Gurgaon

A rapidly growing residential-cum-industrial satellite town of Delhi. Although its population increased only from 1,04,000 in 1981 to 1,35,000 in 1991, it is experiencing very rapid growth at present. However, the population in 2001 would be much less than the 7,00,000 assigned in RP. Its principal needs are efficient and low cost road transport facilities and telecommunication links with Delhi. These will facilitate its growth as a residential-cum-industrial satellite city of Delhi and also as a retirement community.

2 Faridabad

An industrial-cum-residential city which is experiencing steady but not too rapid growth. It has only a limited function as a dormitory town for Delhi. On the contrary, a large number of skilled workers, professionals, and owners/managers of industrial units located in Faridabad live in Delhi and commute daily to and from it. The population of Faridabad increased less rapidly during 1981-91 than during the previous decade because development of the city has been over-shadowed by the rapid development of NOIDA, which has become a part of Delhi. More rapid growth is expected in future, because it would be the starting point of the Faridabad-NOIDA-Ghaziabad (FNG) expressway, which with its link to the Delhi-Meerut expressway, will provide a fast road by-pass for traffic from the southern and western states to western UP. The Asian Development Bank is undertaking a feasibility study for construction of the expressway on build, operate, collect toll (BOT) basis. The study is expected to take about one year for completion.

3 Kundli

A new market town to be built in Haryana about 10 km from the Delhi-Haryana border along the Delhi-Panipat national highway. It will accommodate the principal fruit and vegetables market of Delhi, which will be shifted to it from its present congested location at Azadpur. The proposed construction of the Sonepat-Panipat expressway will also provide a stimulus to growth of the town.

4 Bahadurgarh

This is a medium-sized town with a population of 57,200 in 1991, which had experienced growth during the two previous decades of 52.6 and 45.2 per cent, respectively. Its growth could be faster in future but it is unrealistic to expect it to attain the population of 2,00,000 by 2001 assigned in RP. RP's projection was based on shifting to Bahadurgarh almost all the non-conforming industries located in Delhi. The government of Haryana had acquired land for the shift but it is lying vacant because there is no power or water for the industries. The water problem of Bhadurgarh and other towns of Haryana would be alleviated with construction of the Jawaharlal Nehru Canal which would bring 50 cc of water from the Satluj-Yamuna link when it is completed.

UP

5 Ghaziabad

Ghaziabad is the largest and most important DNA city. Besides being a dormitory for Delhi, it is a major industrial centre. Most of the industries located in it are oriented towards meeting the demands of Delhi and the NCR for consumer, intermediate or producer goods. A large proportion of them have been started by Delhi-based entrepreneurs. Ghaziabad had a population of 5,20,000 in 1991, which had grown rapidly from 2,67,000 in 1981 and 1,37,000 in 1971; the decadal growth rates were 80.9 per cent in 1980-81 and 109.6 per cent in 1971-81. RP envisages a population of 1.1 million by 2001 at a growth rate of 111.1 per cent during 1991-2001. The projection appears to be realistic since the rapid growth of the previous two decades is continuing.

Land development in the city is carried out principally by the Ghaziabad Development Authority (GDA), which has developed a large number of residential colonies principally for the middle and higher income groups. The city experiences, however, severe shortages of power and water and lacks an efficiency functioning sewerage treatment plant. Disposal of solid wastes is also very poor. Liquid wastes, domestic and industrial, are being discharged into the Hindon river, converting it into a virtual sewer. Seepage of water from the river seriously affects the quality of drinking water pumped by tubewells. But no attention is being paid to this problem at present.

There is a proposal to overcome the shortage of water by construction of a chain

of tubewells with Tillamode dam as the source of supply and bringing 50 cc of water from the Ganga canal, but the UP government has not yet approved the proposal. The other urgent requirement of the city is an efficient sewerage treatment plant of adequate capacity.

RP includes a proposal for construction of a six-lane expressway between Meerut and Delhi, parallel to the existing Meerut-Ghaziabad road, which is lined completely with commercial, industrial and storage establishments located in a number of large and small towns and which is highly congested. Construction of the expressway will facilitate movement of traffic between Delhi and Meerut. Its linkage with the FNG expressway will enable road traffic between western UP, Haryana and points further south, which is not meant for Delhi, to bypass it.

6 NOIDA

The New Industrial Development Area is a new city located east of Delhi to which it is connected by a bridge across the river Yamuna. It has come up very rapidly during the past decade to attain a population of 1,67,000 by 1991. A population of 5,50,000 in 2001 is assigned to it in RP. The assignment is not unrealistic despite the fact that it would mean a more than three-fold increase in population. This view is based on the very rapid growth of the city during 1981-91. The Industrial Development Corpora-tion of UP had planned development of a large industrial-cum-residential complex, extending over an area of 30,000 acres (44 villages) alongside the present NOIDA. Total population on full development of the complex would have been about one million. The corporation had also planned construction of a captive unit to supply electricity to the complex and to obtain water for it from the Hindon river. However, NCRPB persuaded the UP government to decentralise the development by diverting a part of it to two sub-regional centres – Surajpur and Kasna. The decentralisation will reduce pressure on the physical and social infrastructure of Delhi. Since traffic between NOIDA and Delhi is already greater than the capacity of the four-lane road that connects them, a six-lane highway is being constructed.

The populations in 1991 of the priority and DMA towns/cities and those assigned in the RP for 2001 are given in Table 6. It may be noted that in most cases the assigned populations are too high considering the population in 1991 and its growth during the two previous decades 1971-91. The principal exceptions are Alwar, Dharu Hera-Bhiwadi, Ghaziabad and NOIDA, in all of which rapid development of medium and large industries is in progress. The NCRPB proposes to assign lower population figures for 2001 for most of the towns in its first revision of the RP to be published in 1994.

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Secularisation and Minoritisation
Limits of Heroic Thought

Dipankar Gupta

While secularism appears to be an embattled ideology at present, this is not the first time secularism is being questioned. To overcome the limitations of the secularists' 'heroic thought' one should heed the sociological distinction between secularisation as social process and secularism the ideology. The usefulness of this distinction is seen in regard to the minorities question: secularism as ideology divorced from the process of secularisation contributes to the process of minoritisation, leaving the door open for its stated enemies to function legitimately in the political system.

IN contemporary times secularism appears as an embattled ideology, no longer sanguine about its future. Though this note of despair is not entirely without foundation, it must also be said that it is not as if this is the first time that secularism is being questioned, nor will it be the last. As the fortunes of secularism are generally gauged from the success or failure of certain political parties, societies seem to go through their decennial crises every now and again. In modern Indian history there have been several occasions when it might have seemed that the secular political option was done and over with. And yet, in spite of the worst prophecies, it has miraculously managed to survive in the Indian political firmament.

The partition of 1947, which is still live in many memories, was one such occasion when secularism seemed hopelessly doomed. Many activists of the Congress, and of various left organisations, felt completely betrayed at the way some of their trusted comrades and party faithfuls had succumbed to communal passions [Gupta 1994]. Yet it is generally agreed that under Jawaharlal Nehru's stewardship, secularism successfully withstood this onslaught and went on to become the ruling credo for over two decades.

It may be objected that the terms secularism and communalism are used here in a very loose sense, but that is simply because some concessions are being made to the ways in which these words are popularly employed. Secularism contains within it a host of alternative ideological possibilities, ranging from Maoism to liberal conservatism, and likewise communalism includes sectarianism, ascriptive loyalties, racism and other such ideological dispositions.

Even with an understanding as general as this it should be easily recognised that secularism as an ideology has its good days and bad, its triumphant moments as well as its periods in the doghouse. Since secularism is understood principally as an articulated political option, the emphasis is on the mercurial swings of public mood and not on the long duration of social processes. As the heat of the ideological moment tends to overwhelm the observer, it is not at all surprising that it is this, and not the slow, prolonged grinding of social processes, that gets the main attention.

This is why the contemporary wave of communalism (and ethnicity) in India is often viewed, not as a phase, but rather as a permanent feature of our times. Naturally, despair seems so legitimate under these circumstances. Contemporary secularists must nevertheless recognise that such a position objectively implies that they have little faith in the common people to question the communal agenda. Nor can one overlook the fact that both despair and complacency are products of ahistoricism, much as contemporary secularists would like to refute such an allegation (what with so many certified historians in their ranks). Hence the secularist comes through as the last hero, tilting so gloriously at windmills.

While all this is good for the ego, there is little social science in it. It is perhaps for situations such as this that the Hungarian poet-philosopher Pettoffi was provoked to write that "despair.. is vanity". For there is a lot of vainglory that abounds amongst some contemporary secularists as if they are privileged to be living in the worst of times. The truth however is that neither secularism nor communalism are permanent fixtures, but it is not easy to get this homily across for it takes the shine off of what self confessed secularists believe is their 'heroic thought'.

Secularisation and Secularism: Process and Ideology

In order to overcome the limitations of heroic thought it would be well to heed the advice of sociologists who have always been very careful to distinguish between secularisation and secularism. For sociologists, secularisation refers to an impersonal social process the effects of which are felt at the conscious level, no doubt, but whose working largely happens behind our backs. According to Luhmann (1982:229), secularisation inaugurates a functional differentiation of the social order which frees individuals from the various kinds of stratified differentiation that prevailed in traditional societies. Consequently religion, and other forms of ascriptive ties, begin to lose their unquestioned status as systemic principles of organisation. Secularism, the ideology, is not neglected by sociology, but seen as an aspect, or as a feature of, the secularisation process. As sociology sees the two as separate, though related, phenomena, it must conceptually distinguish one from the other. Even so it needs to be clarified at the outset that secularisation allows for, and indeed even promotes, a variety of ideologies. Therefore, within the ambit of secularisation, communalism can emerge as an option as much as can secularism. Demerath and Williams conceptualise this feature in terms of a dialectical tension between sacralising and secularising (1992:190).

Likewise this paper distinguishes between secularisation as a process and secularism as an ideology, and no matter how frequently the two may appear together in history, they need to be analytically separated. There is no denying the fact that the ideology of secularism did not make its appearance before secularisation had occurred, but it is also true that not every instance of secularisation necessarily implies secularism.

From Toennies to Maine, and from Berger (1970) to Parsons (1974) to Luhmann (1982), there is little doubt that sociologists have seen secularisation as a process that separates the modern world from the traditional. It is against this backdrop that the prospects and constraints of both secularism and communalism need to be examined. While the self-delusions of heroic secularists are on the surface, it is not as if sociologists have always been able to resist giving in to the popular beliefs of their times. For example, while Parsons (1974) and Bellah (1970), following on from Toennies and Maine, detailed the unfolding of secularisation in the western world, they unfortunately concluded by conflating the ideology of secularism with the process of secularisation. In their view secularisation had brought about the privatisation of religion and religious faith on a permanent basis. Though Parsons, Bellah, Berger, and many of their followers ended on a note of high optimism, for secularism appeared a clear winner in their societies, they were as guilty as the secularists of today of letting the dominant mood of the time block off a scrutiny of the process.

This is what led some of these leading sociologists to be so confident in their assertion that the efficacy of religion from the public realm has been effectively banished by the emergence of 'civil religions' [Demerath and Williams 1985:155].. In modern societies, as a consequence, commitment is not in the name of a transcendental faith but in terms of a public ethic which is grounded in the world. It is this public ethic that constitutes the 'civil religions' of today. Like religion proper,

civil religion too excites passion, but what is more, it also functions as the key organising principle of contemporary secular social orders. Parsons and Bellah found no dearth of examples around them to substantiate what they meant by 'civil religions'. Not only was liberal democracy a 'civil religion', but so also was Marxism, Stalinism, and so on [Bellah 1970 and Parsons 1974:203]. It should be clear by now that there is a lot in common between a statement such as this and those of the 'secularists', for in both instances the dominant ideological trend takes over from an examination of the process. That in one case it is an optimistic picture, from which the actors may retire comfortably, and in the other it is pessimistic, and thus requires heroic intervention by social agents, only helps to draw attention to the fact that the process of secularisation is not exhausted by any one ideological rendition.

It will be easily recognised that the 'civil religion' of Parsons and Bellah is really a secularist utopia. In their view, once 'civil religions' set in there is no scope for religion and other ascriptive ties to exercise any ideological influence in society. There is obviously some confusion here. As Luhmann points out, though religion may no longer function as a foundational principle, this does not mean that it is now incapable of being politically persuasive, or of stepping outdoors. Luhmann thus separates "religious function", which is private, from "religious performance", which is public. In religious performance, religion is applied publicly to address problems that have emerged in other sub-systems of society but were not adequately taken care of there [Luhmann 1982:240-42, see also Williams and Demerath 1991:418-19].

In this case, the conclusion of eminent sociologists such as Parsons and Bellah, that secularisation spontaneously ushers in secularism as the dominant ideology, which in turn strictly confines religion to the private realm, appears rather unwarranted. In essence, this is a remake of the base makes superstructure theorem, no matter how unexpected it may sound coming as it does from mainstream conservative sociology. And like the earlier simplistic versions of this postulate (which had radical pretensions), ideology and social process get analytically intertwined and soon one begins to stand in for the other. This is the reason why secularism and secularisation are not always clearly distinguished in sociology, contrary to what was the initial intention of the discipline.

Secularisation and Breakdown of Localism

Secularisation implies a wide variety of phenomena, but the most important one is perhaps the development of institutions that are not bound by local customs and practices. This would have of course been impossible had not the industrial revolution occurred, which brought together large conglomerates in concentrated locations. In turn this encouraged the science of statistics and population management. The Napoleonic wars gave evidence of this new form of social control and commissariat supervision, but it was also manifest in the emergence of hospitals and in the development of urban social engineering.

Regardless of how authorities were casting about for more effective forms of legitimate control, the impetus to all this was the breakdown of the local order on an ever-expanding basis. It is not as if large population concentrations happened only with the industrial revolution, but it cannot be gainsaid that the departure from local domination and interactional systems that the early 19th century witnessed was altogether new. The transition in Europe was from stable burghers and market towns (which were often political capitals), to the development first of mills, and then the emergence of factories, which created modern cities and urban sprawls. This happened in India too except that the process was much telescoped. This is probably one of the reasons why the tensions that secularisation brings in its wake are particularly heightened in this country.

When Nisbet (1970) argued that the emergence of sociology in the late 19th century was a reaction to too much individualism brought on by the industrial revolution, he was also saying that secularisation was creating new spaces for which there was no reliable guide in tradition. Intellectuals in the late 19th century perceived a crisis in the moral order, and they believed it was urban life and the indifference to established mores and customs that were creating social tensions and anomie. Sociology was spurred by the need to offer reliable scientific methods to first comprehend this new social development, and then to control it by creating new social values which would bind individuals into wholesome and healthy collectives. One might therefore say that sociology from the beginning saw itself as performing a dual role: to examine the processes of secularisation, and to forward the credo of a 'civil religion'. Parsons and Bellah were therefore not alone, nor without precedent in the discipline.

At this point the contributions of social anthropology can help in sorting out the importance of the distinction between secularisation and secularism. In the Indian context, for instance, it has been repeatedly pointed out by Srinivas, or by Marriot, or by Singer, that tradition reorients itself to keep up with the demands of urban life and the move away from localised existence. Morris D Morris, in his path-breaking work on the working class in Bombay, found that old caste distinctions no longer worked as they used to in urban milieux, but it was not as if they had disappeared either. This sensitises us to protect ourselves against two kinds of naivete, both extremist in character. One argues that industrialisation changes everything, and with time a new moral order emerges which separates itself unambiguously from past traditions and practices; the other believes that tradition, no matter what, will never yield ground to the process of secularisation. The first variety is usually sponsored by sociologists in the west talking about their own societies, and the latter by social anthropologists when they write about oriental or non-western civilisations, and, also ironically, by secular activists whose self-image is a radical one. But both these versions are faulty, for nowhere does tradition remain unchanged and in no corner of the globe is the past completely wiped out either.

Not just large urban conglomerates, but the process of secularisation also creates an objective social space and centralised forms of governance. These two are not independent features but depend reciprocally on each other, and in this sense, give us a fuller understanding of the entire process of secularisation.

Alexis de Tocqueville (1955) had noted long ago that the emergence of centralised authority was typical of post-revolution France and that there was tremendous enthusiasm for it from the lower orders. The privileged classes prior to the revolution enjoyed status and power in a system of segmentary control. This segmentary system of governance was quite in consonance with localised juridical control and the interactional nexus on which all *ancien regimes* thrived. But obviously this was out of accord with the exigencies of the new era. Without centralisation local juridical control can never be fully overwhelmed. Unless this happens aggregation of free people in town and cities would be blocked, jamming the wheels of the secularisation process itself. The lower classes are particularly keen to push ahead with this centralisation as they are the least enamoured with either segmentary authority or with localised juridical control. Contrary to Gandhi, Babasaheb Ambekdar consistently pressed for a strong centre for only then, he believed, could depressed class grievances be adequately addressed.

The development of centralised administration must necessarily create a sense of public space, as this form of authority is not a mere aggregation, or even a focalisation, of many pre-existing local despotisms. Without a creation of public space, centralisation would be hamstrung by particular interests of different fractions of the privileged classes who are now forced to live together, much as the under-privileged are. Beyer puts this point across nicely when he writes: "(T)he person who used to be the unequivocal outsider is now often literally my neighbour. This is what Rushdie calls the metropolitan experience" [Beyer 1994:85].

The public space that emerged with centralisation is also the arena where political contests are held, and no matter how despotic the winner, there can be no return to localism

of the previous epochs, Despots, demagogues, and democrats alike are in principle forced to negotiate between divergent particularities, primarily because the ruling coalitions, or the elites themselves, are internally beset by conflicting interests. Thus while this public space may not always meet Habermas' highly evolved criteria of a developed communication system, he is nevertheless correct in insisting that it is only in secularised societies that the minimal prerequisites of a communication system can be found [Habermas 1984:77]. What secularised societies share with Habermas' model is the recognition that mutual needs are in principle negotiable, and that these negotiations have a public character about them.

As secularisation rides on the back of capitalism, it is characterised by a thermodynamic principle. The transition from mills to factories effectively depicts this transition. In closed pre-capitalist and pre-secularised society, i e, those that had not yet experienced the effects of heavy duty industrialisation, it was physical coercion, more than anything else, which determined who would be the ruler. It is not as if this modality of conquering a throne was found objectionable in principle, for it was heartily engaged in by combatants on both sides. But after the war was over the vanquished resigned themselves to obeying the suzerainty of the victor. From then on it was primarily *noblesse oblige*, and the social order settled down to long periods of peace. Such long durations without obvious signs of protest have given the impression to contemporary observers, with their 20th century sensibilites, that all was tranquil and that communities lived side by side in brotherly amity. Absence of any demonstrable signs of tension is interpreted as communal or inter-faith solidarity.

It is true that communal rivalry had no scope for routine social expression, but it is not as if it did not exist. These tensions and suspicions were quiescent for the most part, but often found expression in times of war. After the turbulence was over, if the Hindus had won then there would be no question of entertaining any demand for cow slaughter, and if the Muslims were victors then the Shivalaya could never be taller than the Mazhar. In modern parlance one might say that in a pre-secularised social formation there were fixed and stable diacritics that differentiated people along stratificatory lines [Luhmann 1982]. History repeatedly testifies to the near exclusive use of ascriptive criteria to signify the distinction between the rulers and ruled. The terminology of majority and minority makes little sense in these societies, as in most cases the rulers belonged to the minority group, and furthermore, political bargaining did not take place with currencies of that kind. But one could say this much with some certitude: if everyone behaved themselves and obeyed the prevailing rules then the structure and distribution of power would remain undisturbed. Such *ceteris paribus* postulates could be made about those times without appearing too idealistic. Individual volition was in any case greatly circumscribed, for the arena was a local one where status and face-to-face interactions provided an unchanging and stable backdrop.

Once secularisation sets in, no such stability can be assured as the society is now thermodynamically powered. Capitalism forces money to search uninhibitedly for profits, and if enterprise is held back, as the guilds were in the past, then the whole edifice of modern society would collapse. In this search for profit there is every possibility of a near anarchy of production, for which reason it is hard to foresee where the cracks between different private interests will show up. There is a certain indeterminacy and unpredictability regarding the maintenance of social harmony because the natural economy no longer operates. When Marx distinguished between collective interests and private interests (as early as in *On the Jewish Question*), he also alerted us to the divisions between private interests of different kinds, and how alliances and class coalitions appear and disappear in somewhat unpredictable ways. Capitalism therefore is quite capable of throwing up in this entrepreneurial churn newer fractions of the capitalist class as dominant groupings, or it may also warn the more established sections to take pre-emptive action against a rising competitor. The point is that all this upheaval, uncertainty and conflict, does not bring about a breakdown of order, but is in fact a demonstration of a new kind of order – one in which secularisation has taken place. In this new secularised order the stable scenario of yore is not only absent but is no longer valid.

Secularisation and Minorities Question

The relevance of keeping the process of secularisation distinct from the ideology of secularism can be appreciated if we take up the concept of minorities as it is often formulated and articulated by secularists from within the cloisters of these 'civil religions'. Minorities are visualised as permanent entities, with fixed and definite empirical manifestations. For example, from 1993 onwards the official and permanent minorities in India are the Muslims, Christians, Parsees, Buddhists, and Sikhs [see Government of India, Ministry of Welfare Notification, dated October 23, 1993].

In the contemporary context these minorities as listed by the Indian government may seem perfectly justified, even 'natural'. One nevertheless needs to be reminded of the fact that minority communities are not fixed and permanent entities but keep fluctuating like the sacral-secular dialectic of Demerath and Williams (1992:190). Sample the following variations: In the Report of Advisory Committee on Minorities (dated May 11, 1949) Muslims, scheduled castes, and Indian Christians were considered to be minorities [Shiva Rao 1968a, Vol 4: 604]. Earlier in the constituent assembly debates, K M Panikkar wanted Nambudiris to be listed as minorities (Vol 2:259). Recall that the 1932 Ramsay MacDonald Communal Award recommended that Marathas be protected in certain selected constituencies of Bombay (1968b: 742). Frank Anthony strongly advocated in the constituent assembly that the category of minorities be enlarged to include all kinds of minorities, whether of language, community, or religion [Shiva Rao 1968a, Vol 2:280]. In the course of these debates, again Sardar Hukam Singh argued that Sikhs and Parsees should be classified as minorities, but it was turned down as being quite unnecessary (1968b:772-73). There was no public outcry either against it in those years. In fact the Parsees made no specific claims towards minority status. Today, more than 40 years later, the Parsees and the Sikhs have been given minority status by the government of India. In the case of the Sikhs, after 1984, it seems perfectly justified.

It should also be noted that what makes a minority is not just religion but also certain privileged and dominant ways of designating them. A Sanatani, or a member of the Buddha Dal, or a Vaishnavite would not qualify here as a religious denomination no matter how strenuously the believers of these denominations may stake their claim.

But that is perhaps the least of the problem. Pushed to it, the proponents of secularism will merrily add to the list of official minorities. But in doing so it is never quite realised that with every passing year these categories rigidify and become impervious to the actualities that secularisation generates on the ground. The most dangerous outcome of this tendency is that it is blind to the process of *minoritisation* which often breaks protocol and targets those who are not official and permanent minorities. When secularism as an ideology estranges itself from the dynamics of secularisation as a process, it immediately surrenders itself to ahistoricism and to the most backward forms of positivist posturing. In doing so it frequently leaves the door wide open for its stated enemies to function both legitimately and effectively in the political system. And when that happens almost anybody can become the next minority, for the process of minoritisation has no permanent or official favourites.

Though Sardar Patel would have liked minorities to be limited to the scheduled castes, and as for the rest they should "trust the good sense and sense of fairness of the majority and place confidence in them" [Shiva Rao 1968a, Vol 4:606], experience has shown that minority persecution has been a very common phenomenon in independent India. As even this quote from Patel shows, the framers of the Indian Constitution were quite clearly prisoners of the majority/minority paradigm. In fact the

sub-committee on fundamental rights held in February and April of 1947 held that it "is difficult to expect that a country like India where most persons are communally minded those in authority will give equal treatment to those who do not belong to their community" [Shiva Rao 1968a: Vol 2:98]. Sardar Patel's plea to trust the majority seems weak in this light, though he too believed in the majority/minority formula, only he did not believe in extensive minority reservations. Which is why his denial to spread the minority net to include larger numbers seems unjustified and capricious.

The functionaries of the constituent assembly were in the main believers in majority/minority distinctions, whether or not they were a restricted form of minority listing, or whether or not they were secular and communal by contemporary standards. Shyama Prasad Mookerjee, who later founded the Jana Sangh, was all in favour of minority provisions. In many ways he was perhaps the forerunner to Mandal too. Not only did Mookerjee press for the reservation of seats for all *important minorities* [Shiva Rao 1968b:766, emphasis mine], but also recommended that only 50 per cent of seats be open to merit and the rest to be proportionately distributed among minorities. That many contemporary secularists are today in line with some of Mookerjee's recommendations should perhaps give them reason to reconsider many of their formulations.

In all of this it is interesting to note that Ambedkar, who is known today as the father of reservations, issued a warning, while moving the draft Constitution on November 23, 1948, that it would be "equally wrong for minorities to perpetuate themselves" [Shiva Rao 1968b:766]. In the midst of the clamour for protecting minorities it is easy to overlook how such provisions can create vested interests, and in this process go counter to some of the express intentions of the constitutionalists. Even so, except for a minority made up most significantly by Rajkumari Amrit Kaur, Alladi Krishnaswamy Ayyar, Hansa Mehta, and occasionally, B N Rau, the overwhelming mood in the constituent assembly was moulded by minority/majority consciousness. At one point when the discussion on fundamental rights was being overwhelmed by issues of minority discrimination, Alladi Ayyar was provoked to remark: "Is this a chapter on fundamental rights or is it a chapter on discriminatory provisions" [Shiva Rao 1968a, Vol 2:221]. Ayyar's pique is understandable, for the discussion on fundamental rights should insist first on the inalienable and fundamental rights of citizenship, and not let exceptions eat up the rule.

Minoritisation and Secularisation: Dynamic Perspective

In addition, as noted earlier, the thermodynamic principles of secularisation make it irrelevant to think in terms of stable minorities and majorities, for bigotry too refuses to be shackled along pre-determined lines. In such situations it is difficult to predict who will be the new minority tomorrow. The Sikhs till 1984 never imagined that they would be hunted down and quartered the way they were after Indira Gandhi's assassination. It is this fact that makes the inclusion of the Sikhs today eminently deserving, though such a claim was never entertained seriously earlier. The south Indians in Bombay had no foreknowledge that they would be the victims of Shiv Sena wrath prior to the mid-1960s.

It must be borne in mind that not all ideological emanations of capitalism and of secularisation fit in neatly with their originary impulses. Though secularism, the ideology, is a product of contemporary times for it thinks in terms of majorities and minorities, it nevertheless refuses to accept the inherent dynamic character of the social process of secularisation. Consequently it sees majorities and minorities as permanent distinctions which are fully fleshed out. This leads to the development of vested interests, as Ambedkar foresaw, and the tendency of minority spokespeople to emerge as permanent champions of the oppressed. It also undermines the ideology of secularism, for professional secularists are too closely identified with such minority interests.

To pursue our argument further it will be quickly noticed that listings of minorities are of little relevance for they do not take into account the process of secularisation which can easily nullify at one stroke the most elaborate of categorisations of this kind. Instead of making a comprehensive inventory of minorities, greater attention should be paid to the question of minoritisation and to examining the effects of that process. Instead of fixing in advance, or even adding to, minority lists, the vaunted aims of secularism can be served better if it pays attention to minoritisation, for the truth is that nobody can tell when the next minority will be you.

There are then two major variants of secularism as an ideology. The first is of the 'civil religion' kind, and the second is governed by majority/minority considerations. The first makes it seem as if there is no scope any longer for bigotry on a social scale, now that religion has been effectively privatised; and the latter is predisposed to see the world in terms of fixed expressions of bigotry which can only be overcome by upholding the sectional interests of these persecuted groups. The common feature that binds secularism of the first and of the second group is that they both see the world as a finished product. In one case there is a cheerful announcement of the end of prejudice, while in the other it is believed that minority persecution will by and large follow predetermined trajectories and therefore one needs to pay attention to certain designated minorities on a permanent basis.

But in fact prejudice knows no limit, and the lengths to which it can go are truly incalculable. Does this mean that in the face of relentless secularisation there is no scope for secularism? Should the uncertainties of minoritisation mean that we can only observe the process of secularisation that brings it about without any scope for intervention? While it is true that will power and good intentions by themselves are inadequate, it can nevertheless still be maintained that when will power and humanism take cognisance and learn from the impediments to objective social processes, then the chances of success are so much greater.

The making of minorities is quite different from the process of minoritisation. Minority consciousness grows first from within the community, and later it is recognised as such by those outside it. Any particular constitution of minority consciousness may have several historical or sociological causes behind it. There is common factor that informs the making of the different minority groups other than the issue of numbers. And of these the most effective minority is always the largest minority, or a minority of a sizeable population. But other than being smaller in numbers than the majority community, there is nothing that Parsees, Sikhs, Muslims or Buddhists have in common.

The acceptance of such communities as minorities is premised on the existence of majority and majority consciousness. Sadly, therefore, democracy is often played out in such cases as a game of numbers, and community representatives on all sides are fairly comfortable with this, for it assures them of a stable constituency.

It may have been possible to stem this process during the days when the Constitution was being discussed, but there was a lost chance there. Amrit Kaur and B N Rau provided an opening when they advocated that religious *worship* and not religious *practice* be allowed as a fundamental right. But this was opposed by the majority, from S P Mookerjee (predictably) to C Rajagopalachari. According to Amrit Kaur, allowing for freedom of religious practice meant that the playing of music before mosques, or the institution of sati, will have to be tolerated [Shiva Rao 1968b:261]. To put it in Luhmann's terms, Amrit Kaur and Rau were arguing that freedom be allowed only for the *function* of religion but not for the *practice* of it [Luhmann 1982:240-42].

Once minority and majority consciousness are in place, then it would appear as if the job of secularism is done. The minority communities are kept passive by co-opting their leaders and spokespeople into organisations like the minority rights commission, or even as MPs and MLAs. Indira Gandhi's 15-point programme is a good illustration of a political strategy of this kind that seeks to cater specifically to majority/minority consciousness. Time and

again the 15-point programme makes elaborate allowances for minorities at all levels: for loans, for housing, for education, etc, without however making these provisions statutory and binding. It appears then that if Muslims get any education at all it is because of Indira Gandhi's largesse, or because of the militancy of certain minority leaders, and not because as citizens Muslims have every right to be treated as equals. In a patronage scenario of this kind there is enough room to play back room politics, and to grandstand as heroes of minority communities.

But all these calculations do not pay attention to the fact that secularisation is a dynamic process and therefore new minorities may emerge without much warning. This process, by which minorities are created unbeknownst to them, is what has been termed here as *minoritisation*. When minoritisation takes place the communities that are picked on for persecution are decided upon by the majority, or those 'others' who are on the outside. The constitution of minority identity in these cases takes place from the outside rather than from the inside as is the case with self-constituted minorities. As it was noted earlier, the Sikhs and the south Indians of Bombay are good examples of this minoritisation process in recent times. Further, as nobody likes to be minoritised, a newly minoritised community has neither spokespersons, nor a stable constituency laid out for them in advance. This does not exhaust all the other subtleties of this process of minoritisation, and some of these should be looked at now, howsoever briefly.

While the Muslims are official minorities today this was not always unambiguously so in pre-independence days. A lot depended upon which community held power. In the Bhulabhai Desai-Liaqat Ali Pact of 1945, Muslims were not considered minorities for it was envisaged by the two leaders that the Congress and the Muslim League would share power equally. The League, however, had no hesitation in announcing the scheduled castes and others as minorities. Moreover, even among Muslims, minoritisation can take place afresh, carving out separate sections from within this community, although from the point of view of official minority spokespeople the community may appear as a monolith. During the partition days, Muslims of Karol Bagh and of Paharganj in Delhi, who were by and large Congress partisans, nevertheless died uncomprehendingly at the hands of Hindus. Though they were Muslims they had never identified themselves as minorities, and hence when they were minoritised they became utterly vulnerable. A variation on this theme occurred in Tamil Nadu where Tamil-speaking Muslims saw themselves as Muslims first and then as Tamils in 1947 – a clear departure from their earlier priorities. Minoritisation can therefore strengthen minority consciousness as much as it can create new minorities. The point however is that nobody wants to be minoritised for that can happen so swiftly and unpredictably. One never knows what combination will be brought to bear in the next round of minoritisation, and nobody is therefore completely safe. But there is a vested interest in self-constituted minority awareness for that enables one to effectively play the minority card, and both majority and minority spokespeople are fully aware of this.

Towards a Rawlsian Perspective

If the process of minoritisation can be so indiscriminate and disrespectful of previous consensus, then no matter how exhaustive the listing of minorities, the exercise will always be both incomplete and futile. Any one could be the next victim, and therefore it is important to step outside this framework and see the issue of protecting cultural rights and communities on a different basis. After all the juggling with criteria for designating minorities is over and done with, minoritisation still remains a threat. However, the one factor that remains resolute and indissoluble through it all is that of 'citizenship'. It is only by protecting the dignity of the individual as a citizen that one can mitigate the harshness of minoritisation when it takes place. Amrit Kaur, Hansa Mehta, Alladi Ayyar emphasised this point time and again in the constituent assembly debates, but their view was a 'minority' one then and so it seems to be today.

Nevertheless, it is time now to take a fresh look at this subject, for the problems of cultural persecution have not improved with the minority/majority framework in operation. In fact it has given secularism a somewhat unsavoury connotation, as there is far too much politicking and horse-trading that is legitimised on the basis of such minority provisions. The grim fact that no one can ever hope irrevocably to banish minoritisation, as secularisation allows no such optimism about anything in the future, shows up the hollowness of minority provisions.

As in the process of secularisation the next minority could be anyone (even you), it is best to proceed on the Rawlsian "principle of difference" [Rawls 1971:76-77], in which legislation is done keeping in mind that any one, including the legislator, could at some point of time be the least fortunate. Rawls, of course, advocates that there be a hypothetical veil of ignorance which prevents law-makers from identifying their interests in advance and favouring themselves accordingly. But with the unpredictability of the process of secularisation the veil of ignorance becomes a practical and real one, and no longer hypothetical. In fact, this is one case where one might be able to argue from a strong Rawlsian perspective. Regardless of the finer points of this exercise, the thrust of such a Rawlsian outlook towards secularism would undermine minority listings, and the formation of minority and majority interests, and will strengthen 'instead' the idea of citizenship. As was mentioned earlier, only one's identity as a citizen remains steadfast in the maelstrom of the secularisation process. It is by protecting this identity, and by not allowing it to be overwhelmed, or undermined, by minority and majority legislations, that the ideals of secularism can best be met. There is no guarantee of course that communalism will roll over and die, but the sides will be clearly distinguished, and it will be a glorious fight out in the open and not in the corridors of power.

Unfortunately the dominant elements among the secularists are still not prepared to re-examine this issue from a different perspective. The more honest among them hesitate to look over their shoulder, for they would then see how vested interests of all kinds are working away merrily behind their backs in the name of secularism. It is time now to look them in the eye and call their bluff!

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Protection and Exports

Aditya Bhattacharjea

IN demonstrating that under certain circumstances tariffs protection can in fact promote exports by the protected industry, Marjit and Sarkar (1995; hereafter MS) have unwittingly rediscovered a result published by Bhagwati (1988) in a little-known paper. In Section I of this brief note, after restating their result, I summarise some of the important qualifications to this argument that Bhagwati pointed out, and add some caveats of my own. In Section II, I examine their parallel investigation of the export-promoting effect of a quota, and point out that they have overlooked some crucial implications of their own analysis.

I
Export-Promoting Tariffs

The figure reproduced here is adapted from Figure 2 of Bhagwati (1988), with some extra points labelled for convenience. This is essentially the same as Figure 1 of MS but is more suitable for my purposes. The setting is a domestic monopolist facing domestic demand curve AR and competitive foreign supply S_f at the exogenous world price OA. Under free trade, the monopolist can charge at most OA, and thus the marginal revenue curve coincides with S_F up to its intersection with the demand curve. The monopolist produces AC, with CD being imported. A tariff at rate t raises the import supply curve to $S_F(1+t)$ and the ceiling on the price the monopolist can charge to OE. (MS consider a specific tariff rather than ad valorem, but it makes no difference with a horizontal S_F). Now marginal revenue is the step function EFBL, and the monopolist maximises profits by supplying AB to the domestic market at a price of OE, and exporting BC at the world price OA. Protection does seem to promote exports, and from being an importer, the home country becomes an exporter of the same good, without any 'infant industry' phenomena such as economies of scale or learning by doing.

This logic is impeccable: an export-oriented rabbit seems to have been pulled out of the protectionist hat. But let us look at what went into the hat to begin with. Points 1 to 3 below are from Bhagwati (1988) with some elucidation, and the rest are my own observations.

(1) Consider the same scenario, but with the world price lower and/or the monopolist's marginal cost higher, such that S_F lies below the intersection of MC and MR. In this situation it is clear that any tariff merely reduces import competition and never results in exports.

(2) MS refrain from normative analysis, but it is clear that *any* tariff in their setting reduces welfare, as conventionally measured by the sum of consumer and producer surpluses, even after including export profits. Bhagwati merely states this as self-evident, but readers may wish to confirm that at tariff rate t, although exports are maximised, welfare is in fact minimised; the area corresponding to the deadweight loss is triangle FBD. Note also that with this tariff in place, the monopolist charges a price from domestic consumers that is higher than what it would have charged under autarky! (The possibility of exporting induces the monopolist to restrict domestic sales even more than it would have otherwise.) Even if one doesn't wish to follow the conventional approach to welfare calculation, surely enhancing domestic monopoly power to restrict consumption is not the best way of promoting exports.

(3) Even if, like MS, we concern ourselves only with positive analysis, the tariff by itself is not the best export-promoting policy. An export subsidy s at the same rate (s=t) increases exports to FG without further restricting home consumption [Bhagwati 1988]. (The tariff must be retained, otherwise traders will simply import at price OA and re-export at the subsidy-inclusive price OE.) What Bhagwati does not point out is that this is even worse for welfare, with an additional deadweight loss of CGL. This policy also necessarily has a negative impact on the government budget: no imports are actually made, so there is no tariff revenue to offset the burden of the subsidy. Unless we believe in mythical lump sum taxes, the subsidy must be financed by distorting taxes on other activities, resulting in further welfare losses.

(4) MS claim that their analysis shows that "a rise in the tariff rate actually increases exports" (MS, p 809). If we trace the effect of an increasing tariff (ignoring the export subsidy) in the figure, we find that it promotes exports only over a certain range. Beginning with free trade, the equilibrium point first moves along CJ: here we have the usual protective effect, with the monopolist *increasing* his production to replace the more expensive imports. At higher tariff levels, the equilibrium moves along JKF, with domestic sales being curtailed but exports emerging only beyond K, which lies vertically above C. At rate t, exports are maximised at BC, and any higher tariff has no effect on the equilibrium. Thus, raising tariffs promotes more exports only in the range KF. Conversely, 'liberalisation' in the form of tariff reduction, which MS criticise, will have no effect on exports if a tariff rate higher than t is brought down to t. They are correct in concluding that "a lower tariff will not benefit existing exports of the same product" (p 810). But whoever claimed that it would? The pro-liberalisation literature they refer to criticises the 'anti-export bias' of protection on rather different grounds: either it diverts resources from exportables to import-substituting sectors, or it raises the cost of imported inputs used in export production. In both cases, lower tariffs are supposed to benefit exports of some *other* product.

(5) Both Bhagwati and MS assume that the country can both import and export at the same world price. In the presence of transport costs, the fob export price will be below the cif import price, shrinking the range BC over which exports are forthcoming. In particular, the export price may be below the intersection of MR and MC, where exports are unprofitable regardless of the tariff (see point 1 above).[1]

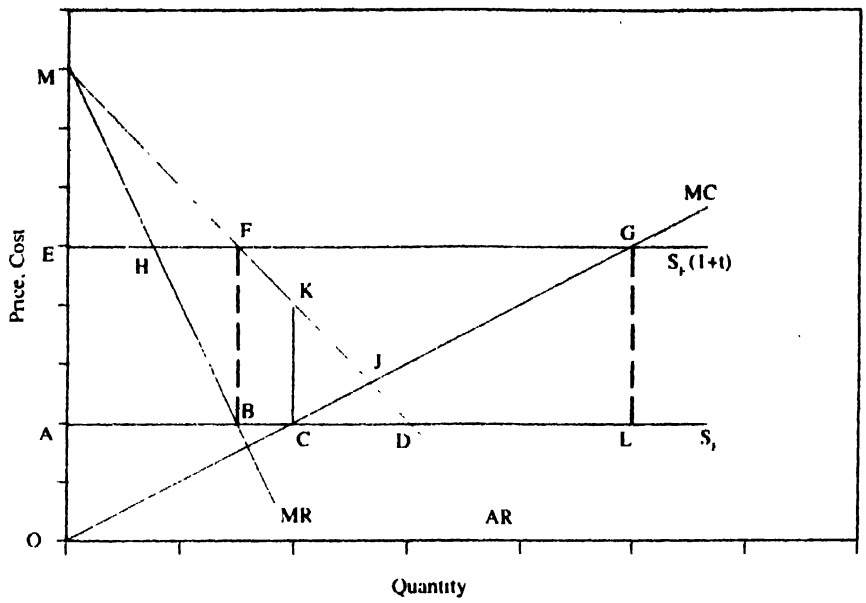
(6) Export promotion through this route would probably run foul of the anti-dumping provisions of the WTO, since the domestic firm is clearly selling its goods at a lower price abroad than at home.

(7) The model assumes a domestic monopolist. However, the larger profits created by protection might induce the entry of more domestic firms, resulting in the phenomenon of proliferating plants operating at suboptimal scale commonly observed in import-substituting developing countries. This can result in excessive entry costs [see Bhattacharjea, forthcoming, for an oligopoly model along these lines]. Export promotion may be another casualty, since the industry will then be characterised by both high costs and also greater competition, which undermines the output restriction that generated exports in the Bhagwati model.

II
Export-Promoting Quotas

I now come to the case of quota protection. Marjit and Sarkar correctly show that in the same setting, "trade liberalisation in the form of relaxing quantitative restrictions should promote exports" (MS, p 809), supporting what they call "the conventional wisdom" in favour of liberalisation. However, MS have overlooked the fact that quota relaxation also permits more imports, so the effect on *net* exports is ambiguous. Also, they have

FIGURE: PROTECTING A DOMESTIC MONOPOLIST



only compared a more restrictive quota with a slightly less restrictive one; they have not compared either with free trade. If quota relaxation promotes exports, then why not proceed to the logical conclusion of this process: a very large quota that does not bind, or even free trade? The matter clearly needs further investigation.

In fact, it is the quota itself that provides the monopolist with the ability to use its monopoly power by shielding it from imports. This allows it to curtail domestic sales and export the residual output, as in the case of the tariff. Diagrams illustrating the effect of a quota tend to be messy, but the basic point can be seen from the figure. With free trade, we have already seen that there are no exports. Now consider the most restrictive quota, that is, a complete ban on imports. This allows the monopolist to operate anywhere along the domestic demand curve, or export along S_t. Marginal revenue is therefore MBS_t, and the monopolist sells AB in the domestic market at price OE, and exports BC at the world price. This is exactly the same result as with the tariff at rate t (which maximised exports), and it has the same deleterious consequences for welfare.

However, as demonstrated by MS, relaxing the quota raises exports. (See their paper for the diagrammatic analysis.)[2] It can also be shown that the domestic price falls and social welfare rises as the quota is relaxed. Exports can be maximised at AC with an import quota of AD, and welfare is then restored to the maximum level we began with under free trade.[3] So if all we are interested in is the volume of exports, a very liberal quota can do much better than a tariff, and with welfare restored to the free trade level too. The catch, of course, is that with quota relaxation, imports also increase.[4] In fact, the maximum level of exports AC, requiring an import quota of AD, gives the same *net* imports CD as under free trade! *Net* exports therefore do not necessarily increase as the quota is relaxed from zero, and the 'trade balance' for this particular commodity must eventually turn negative as the quota approaches AD. For the linear demand case used by MS, it can be shown that exports rise only half as fast as imports as the quota is relaxed, so that *any* relaxation of the zero quota results in a *reduction* of net exports. Thus, if we are interested in maximising net exports, a ban on imports (rather than liberalisation) is the unpalatable prescription of the model, giving the same result as the tariff of t in the figure. This does not of course imply that this is a desirable export promoting policy. Most of the arguments advanced above against using a tariff (all except points 3 and 4) are equally relevant to using a quota for export promotion.

III
Conclusions

We thus see that Marjit and Sarkar's demonstration of protection inducing exports is a special case of a special model, involving a single domestic firm with marginal costs that are low in relation to the price at which it can export. It applies only to a range of high tariffs and very restrictive quotas, and even then is not really advisable.[5] I am not committed to the kind of welfare calculation used in neoclassical trade theory, but it does serve as a benchmark and as a reminder that policies that might appear attractive can be at the expense of consumers. However we choose to measure this, it must be factored into our evaluation of policy proposals.[6]

Nor do I dismiss the argument that protection can sometimes promote exports. This can be more robustly based on infant-industry considerations involving increasing returns and industrywide externalities, as in the famous paper by Krugman (1984), or some of the recent endogenous growth literature. (I might also mention Hilferding's 1910 Marxist classic *Finance Capital*, which pointed out that German industrial cartels actively sought protection of their home market and used the profits earned there to cross-subsidise their exports.) The enduring dilemma for policy-makers is how to protect industrial infants without allowing them to become senescent, and to force them to export.

Notes

1 We need to assume some positive but arbitrarily small transport costs to rule out the possibility of exports under free trade, for otherwise the monopolist would be indifferent between supplying the domestic and foreign markets at the price of OA.

2 There is a small error in their diagram, which does not however affect their result. They depict quota relaxation as "a downward parallel shift" of the domestic demand curve facing the monopolist. Enlarging the quota should actually be shown as a leftward shift of only the portion of the demand curve above the world price (MD in our figure), since if the monopolist charges lower prices it can undercut imports and serve the entire market, regardless of the quota [see Helpman and Krugman 1989:27-34]. However, the equilibrium is never on this lower stretch of the demand curve (below D) since the opportunity to export at the world price makes S_t the floor for perceived marginal and average revenue.

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3 There is in fact a discontinuity as the quota limit approaches AD where the equilibrium reverts to the free trade scenario as the monopolist finds it more profitable to supply AC to the domestic market If transport costs are arbitrarily small, this occurs when the quota is arbitrarily close to AD, and we can ignore it for practical purposes

4 We have in fact an unusual instance of two-way trade in identical products Brander and Krugman (1983) demonstrated this with an international duopoly model As in their model, the basis for this is price discrimination, with the monopolist charging a lower price in the market with more elastic demand, i e the foreign market Also, as in their model, such apparently wasteful 'cross hauling' of the same goods increases welfare relative to the autarky scenario (because of greater competition), unless transport costs are significant

5 MS are also sceptical of the view that domestic demand has a negative effect on exports However it is easy to see that for any given level of the tariff or quota at which exports are forthcoming a rightward shift in the demand curve does lead to a reduction in the volume of exports

6 Some years ago, I intervened in a very similar debate in *EPW* in which Mehta, Nambiar and Sau showed that a tariff on imports from a *foreign* monopolist would reduce a reduction in the import price There too I pointed out that (a) this was a standard result in the literature on trade policy under imperfect competition (b) that it was subject to several qualifications including the convexity of the demand curve; and (c) the price to domestic consumers would still rise, so that a tariff would not yield the 'free lunch' they thought it would See Bhattacharjea (1988) for a summary of this controversy

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Reservation Policy for Small Industry

K R G Nair

IN his article M H Bala Subrahmanya (*EPW*, May 27) gives a brief historical survey of policy measures concerned with small-scale Industry (SSI) in India. He then carries out a somewhat detailed examination of reservation for SSI – a unique aspect of this policy. According to him, this is neither based on economic logic nor has it delivered the goods in terms of objectives fulfilled Further, he is of the view that the reservation policy for SSI does not fit in with the scheme of things when the whirlwind of liberalisation and globalisation is sweeping most countries including India off their feet

There can indeed be no dispute with some of his basic arguments There is universal agreement on the point repeated by him that if there is a sector with very few economies of scale and competitive conditions prevail, economic rationality will lead to production taking place only on a small scale, reservation or no reservation. But if there are considerable economies of scale, a firm continuing to remain small just to reap the special incentives for small firms would be denying the consumers and the economy the many advantages of large-scale production of the commodity concerned. A policy of reservation can abet this tendency, since it disallows large firms from entering the industry and outcompeting the inefficient and small firms All this comes out prominently in the case of some sectors of modern SSI where, due to financial inability or possible unwillingness to cease being small, firms do not go in for technological upgradation and large firms, willing and able to do so, are prevented from entering the field

One is constrained, however, to question his reasoning that reservations for SSI leads to a competition-free situation. It goes without saying that sectors with little economies of scale are the ones where conditions are tailor-made for the prevalence of competition with a large number of small producers each producing a very small part of the output of the industry and hence having little control over total supply. Reservation does prohibit large producers, who would in any case not have much economic logic to enter the field, from entering the fray There is, however, no bar on as many small entrepreneurs entering the field as are able and willing to do so. The argument that reputed concerns with money to invest are prevented from entering the field is also not true because there are many instances of the starting, clandestinely or even openly, of small-scale subsidiaries of large-scale concerns. Further, large concerns which export more than 75 per cent of their output are not prevented from entering an industry even if it is reserved for the small sector. Moreover, the policy of reservation coupled with concessions enables entrepreneurs willing to enter any small-scale industry to do so without much difficulty. In view of all this the argument that reservation for small-scale industry has led to the curbing of competition does not seem to cut much ice at least in sectors where there are little economies of scale

One is also sceptical about the point made by Bala Subrahmanya that reservation has not led to diversified growth of small industry He bases his argument on the finding from the two Censuses of SSI. He uses the fact that 78 per cent of the value of output of reserved SSI in 1987-88 came from just 48 out of the 843 reserved items to rub in his point that there has not been diversified development of small industry But in the same breath he complains of the fall in the relative share in the reserved SSI output of 11 top items, which have been on the reserved list from the 1970s, from around half to about 1/8th between 1977-78 and 1987-88 If both the pieces of evidence are taken together, they only indicate that while there is domination by some sectors, this is becoming less over time. In any case, he himself admits that comparisons over time are difficult because of the fact that the number of items on the reserved list has been undergoing changes over time. On top of all this, in view of the heterogeneous nature of items in the reserved list, there is no economic logic to expect diversified growth of sectors in the reserved sector.

The weakest link in Bala Subrahmanya's argument is the discussion on relative rates of capacity utilisation and of growth of the reserved and unreserved sectors of the SSI He infers from Tables 2 to 4 and 6 to 8 that capacity utilisation as well as growth for the reserved sector is considerably lower than that for the sector as a whole. Table 2 indicates that capacity utilisation for the reserved sector has increased over time in contrast with capacity utilisation for the SSI and also that, while capacity utilisation for the reserved sector is lower than that for the SSI as a whole, this difference is declining over time. He makes more direct comparisons between capacity utilisation in reserved and unreserved sectors in Table 3. The table reveals that there are no major differences in capacity utilisation between the 843 reserved items and the 6,577 unreserved items. In fact, while the figure for capacity utilisation for the former is 47.43, the corresponding figure for the latter is only a little higher at 50.49. Actually of the 17 industries which are considered for

comparing reserved and unreserved items, there are six for which capacity utilisation is higher for the reserved sector compared to the unreserved one. Regarding relative growth rates again, the evidence provided is far from conclusive. Table 4 gives rates of growth for three years, 1985-86 to 1987-88, and shows that while the reserved SSI sector grew at the rate of 10.3 per cent per annum, the corresponding figure for the unreserved sector is higher at 13 per cent. It is, however, usual and more meaningful to calculate growth rates for longer periods and this is done in Tables 6 to 8. Table 6 indicates that for the top 11 items which have been on the reserved list since the 1970s, the growth rate comes out to be 11.55 per cent for the period 1972-73 to 1987-88. Tables 7 and 8 show that while the average rate of growth for six top items which were taken off the reserved list during the period was only 13.87 per cent the 10 items which entered the reserved category during this period experienced a much higher annual growth rate of 23.34 per cent

Some recent evidence regarding the relative performance of SSI in comparison with large-scale industry in India by Subrahmanian (1995) enables us to draw interesting inferences not supportive of the ones by Bala Subrahmanya. Subrahmanian analyses ASI data for 1990-91 to show that capital productivity starts declining after the firm reaches the size-class of 50-99 workers. With an average capital labour ratio of Rs 48,530 for this size-class, the results may be considered to indicate that, in general, till the stage the small firm expands to have a capital of Rs 36.40 lakh, there are clear cost advantages of expansion in terms of size. In India, however, SSI units have been defined, since 1991, as units with fixed assets valued up to Rs 60 lakh. So the argument that certain items reserved for production by such SSI units are *ipso facto* inefficient because they cannot reap reduction in cost, available as a result of expansion, does not cut much ice. Further, Subrahmanian (1995) provides considerable evidence to suggest that the SSI sector, in the protective framework, has shown a relatively better performance in terms of output, employment, transformation efficiency and capital productivity in comparison with the large-scale sector. He does throw up some evidence also to prove that technological progress of SSI in India has been rather low and hence makes a plea for a promotional policy along the lines of South Korea, combining credit support with technological development.

There is thus no clear and definite evidene so far to warrant the dubbing of reservation as the villain of the piece in the policy package for SSIs in India. Much more in-depth and detailed comparative studies are called for before any such inference can be drawn. One has hence to consider the somewhat impressionistic argument that SSIs in India are technologically backward as a result of protective measures like reservation with great caution. Such views have to be taken alongside the finding of Freeman (1974) that small-scale units are better than large-scale ones in terms of innovation and in their inventive performance per unit of R and D expenditure

[The author wishes to thank N K Nair of the National Productivity Council for useful discussions while holding sole and full responsibility for views expressed. Thanks are also due to Atchyuta Rao for secretarial assistance.]

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BALANCE SHEET AS AT 31ST MARCH, 1995

(Rs in '000s)

	Schedule	As at 31.03.1995
CAPITAL & LIABILITIES		
Capital	1	380,781
Deposits	2	3
Other Liabilities and Provisions	3	68,766
TOTAL		449,550
ASSETS		
Cash and balances with Reserve Bank of India	4	53,781
Balances with banks and money at call and short notice	5	1,453
Investments	6	107,900
Fixed Assets	7	38,645
Other Assets	8	247,771
TOTAL		449,550
Contingent Liabilities	9	20,622,128
Notes on Accounts	14	

The Schedules referred to herein form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our Report of even date.

For SHARP & TANNAN
Chartered Accountants
By the hand of

Sd/-
M. P. Narsang
Partner

Bombay
Dated: 17th August, 1995

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 1995

(Rs in '000s)

	Schedule	Period Ended 31.03.1995
I. INCOME		
Interest Earned	10	11,469
Other Income	11	894
TOTAL		12,363
II. EXPENDITURE		
Interest Expended	12	3,259
Operating Expenses	13	73,146
Provisions and Contingencies		3,430
TOTAL		79,835
III. PROFIT/LOSS		
Net Profit/(–) Loss for the year		–67,472
TOTAL		–67,472
IV. APPROPRIATIONS		
Balance carried over to Balance Sheet		–67,472
TOTAL		–67,472
Notes on Accounts	14	

The Schedules referred to herein form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our Report of even date.

For THE CHASE MANHATTAN BANK, N.A.

Sd/-
Frans Koek
Chief Executive Officer

Sd/-
Mahesh Aras
Chief Administrative Officer



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SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Rs in '000s) As at 31.03.1995
SCHEDULE 1– CAPITAL	
Start-up Capital as prescribed by the Reserve Bank of India	313,309
Additions during the year	67,472
Of this, Rs 20,00,000 is deposited with the RBI under Section 11(2) of the Banking Regulation Act, 1949	
TOTAL	380,781
SCHEDULE 2 – DEPOSITS	
Demand Deposits: From Others	3
TOTAL	3
SCHEDULE 3 – OTHER LIABILITIES AND PROVISIONS	
Others (Including Provisions)	68,766
TOTAL	68,766
SCHEDULE 4 – CASH AND BANK BALANCES WITH THE RBI	
I. Cash in Hand (including foreign currency notes)	4
II. Balances with Reserve Bank of India in Current Account	53,777
TOTAL	53,781
SCHEDULE 5 – BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	
I. In India:	
Balances with Banks	
In Current Accounts	1,410
	1,410
II. Outside India	
In Current Accounts	43
	43
TOTAL	1,453

	(Rs in '000s) As at 31.03.1995
SCHEDULE 6 – INVESTMENTS	
Investments in India	
Government Securities	107,900
TOTAL	107,900
SCHEDULE 7 – FIXED ASSETS	
Other Fixed Assets (including Furniture and Fixtures)	
Additions during the year	46,869
Depreciation to date	-8,224
TOTAL	38,645
SCHEDULE 8 – OTHER ASSETS	
I. Inter-office adjustments (net)	17,732
II. Interest accrued	6,034
III. Others (includes balance of loss as per Profit and Loss Account	224,004
TOTAL	247,771
SCHEDULE 9 – CONTINGENT LIABILITIES	
I. Liability on account of outstanding forward exchange contracts	20,450,891
II. Guarantees given on behalf of constituents in India	170,759
III. Estimated amount of contracts remaining to be executed on Capital accounts not provided for (net of advances)	478
TOTAL	20,622,128

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SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	(Rs in '000s) Period Ended 31.03.1995
SCHEDULE 10 – INTEREST EARNED	
I. Income on Investments	8,191
II Interest on balances with RBI and other inter-bank funds	3,250
III. Others	28
TOTAL	11,469
SCHEDULE 11 – OTHER INCOME	
I. Commission, Exchange and Brokerage	35
II. Profit on Sales of Investments (Net)	280
III. Profit on exchange transactions	471
IV. Miscellaneous Income	108
TOTAL	894
SCHEDULE 12 – INTEREST EXPENDED	
I. Interest on RBI/Inter-bank borrowings	2,325
II. Others	934
TOTAL	3,259
SCHEDULE 13 – OPERATING EXPENSES	
I Payments to and provisions for employees	27,318
II. Rent, taxes and lighting	7,177
III. Printing and stationery	1,068
IV. Advertisement and publicity	197
V. Depreciation on Bank's property	8,224
VI Auditor's fees and expenses	100
VII. Law charges	311
VIII. Postage, telegrams, telephones, etc.	11,133
IX. Repairs and Maintenance	2,559
X. Insurance	435
XI. Other expenditure	14,623
TOTAL	73,146



THE CHASE MANHATTAN BANK, N.A.

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BOMBAY BRANCH

Schedule 14 — Notes forming part of the Accounts for the year ended 31st March, 1995

1. **Principal Accounting Policies**

(a) **General**

The accompanying financial statements have been prepared on the historical cost basis and conform to the statutory provisions and practices prevailing in the country.

(b) **Transactions involving foreign exchange**

(i) Monetary assets and liabilities have been translated at the exchange rates prevailing at the close of the year. Non-monetary assets have been carried in the books at the contracted rates.

(ii) Income and expenditure items have been translated at the exchange rates ruling on the date of the transaction.

(iii) Outstanding forward foreign exchange contracts have been revalued at the exchange rates prevailing at the close of the year and the resultant profit/loss is transferred to revenue in accordance with FEDAI guidelines.

(c) **Investments**

(i) Investments categorised as 'permanent' are valued at cost. The excess of acquisition cost over face value is being amortised over the residual maturity and the discount over face value, being unrealised gain is ignored.

(ii) Investments categorised as 'current' are valued as follows:

- where quotations are available, at cost or market value, whichever is lower.
- where quotations are not available, on a yield to maturity basis as prescribed by Reserve Bank of India

(d) **Fixed Assets**

(i) Premises and other fixed assets have been accounted for at their historical cost.

(ii) Depreciation has been provided on the straight line method at rates specified by The Chase Manhattan Bank, N.A. In respect of additions during the year, depreciation is provided with effect from the month in which the addition is made. In respect of sale/disposals, no depreciation is provided in the calendar month in which the asset is disposed of.

(e) **Staff Benefits**

Contributions to the Gratuity and Pension benefits are made on cash basis.

(f) **Net Profit/(Loss)**

The net loss disclosed in the Profit and Loss Account is after:

(i) Provisions for taxes on interest income and wealth tax in accordance with statutory requirements.

(ii) Adjustment to the value of 'current' investments in Government and other approved securities in India valued at lower of cost or market value, whichever is lower.

(iii) Other usual or necessary provisions.

2. This being the first year of operation, the accounts have been prepared for the period from 21st September, 1994 to 31st March, 1995. Consequently, Previous Year figures have not been given.

3. Expenses relating to the Bombay branch, incurred by the Head Office and other Chase offices have not been charged to the Profit and Loss Account.

4. Pre-operative Expenses incurred by the Head Office on behalf of the Indian Branch amounting to Rs 21,469,290 are to be amortised over a period of 48 months. An amount of Rs 2,683,662 has been amortised *pro rata* to the Profit and Loss Account under the head 'Other Expenditure' and the balance amount of Rs 18,785,626 has been carried forward under the head 'Other Assets'.

5. Other Expenditure, inter alia, includes recruitment expenses, professional charges, travelling, conveyance and business promotion expenses.

CHASE

THE CHASE MANHATTAN BANK, N.A.

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BOMBAY BRANCH

Auditors' Report on the Indian Branch of the Chase Manhattan Bank, N.A.

We have audited the attached Balance Sheet of the Indian Branch of the Chase Manhattan Bank, N.A. as at 31st March 1995 and also the annexed Profit and Loss Account of the Indian Branch of the Bank for the period ended this date.

In accordance with the provisions of Section 29 of the Banking Regulation Act 1949, read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and the Profit and Loss Account, are not required to be and are not drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949.

We report that in accordance with sub-section (3) of Section 30 of the Banking Regulation Act, 1949.

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.

b) The transactions which have come to our notice have been, in our opinion, within the powers of the Indian Branch of the Bank.

c) In our opinion, proper books of accounts as required by law have been kept by the Indian Branch so far as appears from our examination of those books.

d) The Balance Sheet and Profit and Loss Account of the Indian Branch of the Bank dealt with by this report are in agreement with the books of account.

e) In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for the Banking Companies and give a true and fair view of the state of affairs of the Indian Branch of the Bank as at 31st March, 1995 and of its loss for the period ended on that date.

Sd/-
SHARP & TANNAN
Chartered Accountants
By the hand of

M. P. Narsing
Partner

Bombay
Dated: 17th August, 1995

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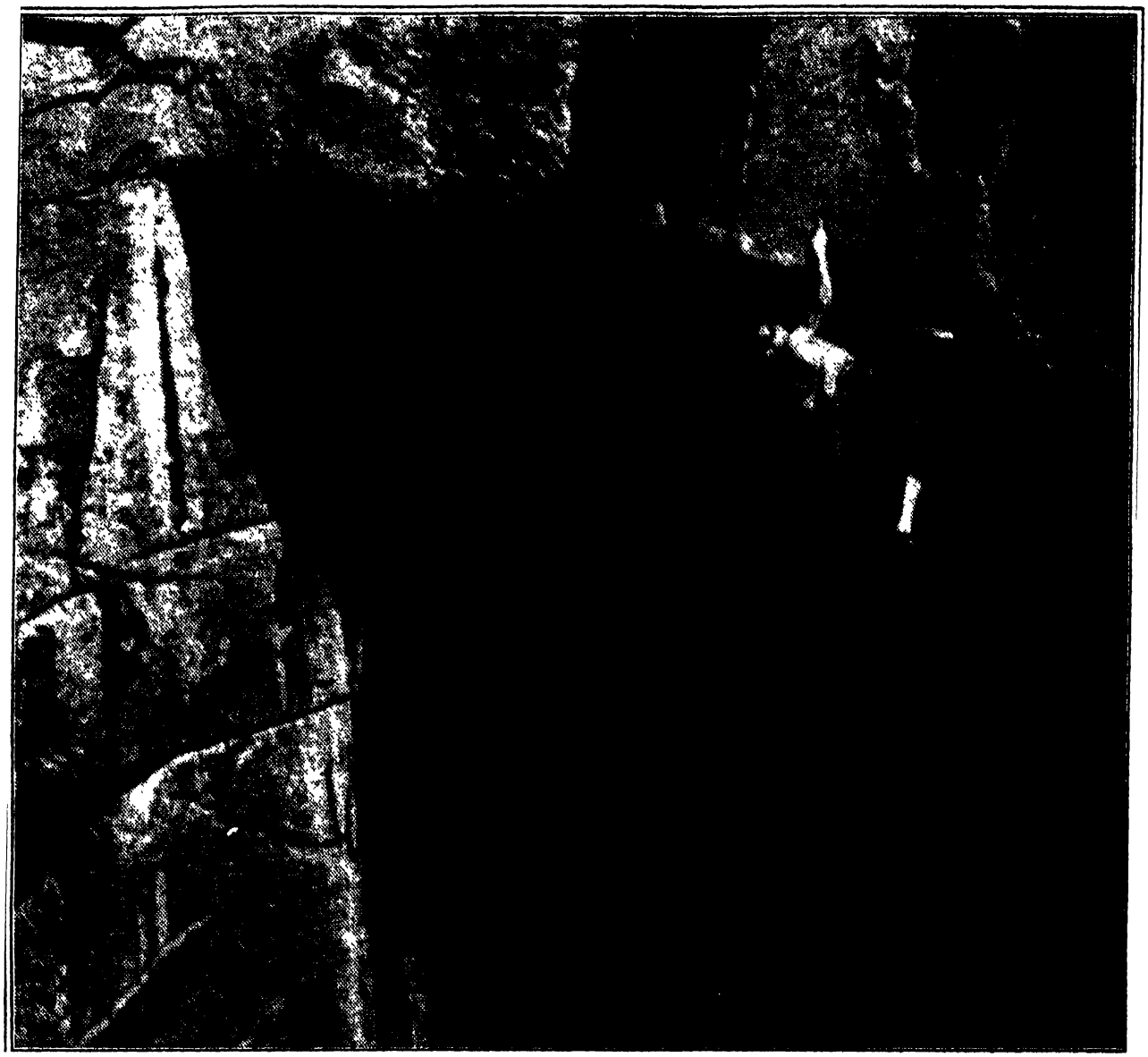
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Innovation and Liberalisation

A feature of India's technological development is that whatever little innovation has taken place has been minor innovation, including adaptation of process to indigenous raw materials, instead of major innovations at the frontiers of technology. Can the present liberalisation efforts through successive reduction of tariff rates reverse the trend? **2269**

Too Close

While there has been so much concern about the presence of foreign troops in Jammu and Kashmir compromising the country's sovereignty, the army and everyone else is complacent about the rapidly expanding Indo-US military ties, including the participation of US nuclear powered vessels in joint exercises in the Indian Ocean. **2228**

Experience of Widowhood

Patriarchal practices among the different castes, though dissimilar, are part of a larger structure of caste, production and reproduction. Further, cultural codes form a basis for the hierarchy of castes in which not only are castes ranked in an elaborate hierarchy, but there is an ideological and material rationale for the hierarchy. The experience of widowhood must be firmly situated in a certain kind of production relations apart from its patriarchal context. **2248**

PDS and the Poor

The revamped public distribution system introduced in 1992 was meant to expand and improve the system of delivery of commodities through fair price shops, especially in 'backward' areas. Has the scheme worked? **2230**

Water Management

The government's recently-evolved approach to watershed development in drought-prone areas, while allowing for greater local level flexibility, still ignores gender issues and common property resources. **2231**

Stagnant Scholarship

Unlike other area studies, the study of Indian politics in the US has remained a stagnant sub-field of American political science While there are ideological and academic reasons for this, it also stems from the restrictions placed on foreign scholars by the government of India. **2257**

People at Work

America's poor are disappearing into prisons and into correctional industries where the unemployed and the reserve army of labour are being held in place. **2237**

Rewarding Neglect

The prime minister's intervention overturning the rural development ministry's decision to withhold development funds to the state for non-compliance with the requirement of holding panchayat elections only shows the Congress Party's disinterest in revitalising the panchayat system. **2235**

Women's Voices

In social sciences, especially in women's studies, there is a time just to listen and a time to analyse. The present in feminist academics is a time to listen and for the time being put theorising and analysing on the back-burner. **2272**

Police Rights

With the Left Front government in West Bengal defending every action of the state police, the Congress is emerging as a champion of human rights **2234**

Population Dynamics

Contrary to customary assumptions, population growth in conjunction with other determinants of development has in many instances promoted social change, and has even been a boon to economic growth in the newly industrialised countries **2272**

LETTERS TO EDITOR

Fiscal Transfers to States

THIS is with reference to B P R Vithal's comments (July 15) on my article on the Report of the Tenth Finance Commission (April 22).

I am prepared in view of what Vithal points out, to settle for two-and-a-half cheers to the TFC for referring to Raj Krishna's views on the contribution criterion. Raj Krishna's dissenting note to the Seventh Commission's Report had succinctly and conclusively argued the case both for sharing income tax and excise duties on identical criteria and for eliminating the contribution criterion in income tax. I felt that the TFC, by not quoting Raj Krishna's argument in full, had missed the opportunity to gain strength for its views. But, then, I suppose that no Finance Commission likes to dilute the originality of its recommendations.

Vithal's second comment is the substantive one. In the alternative scheme for devolution I had proposed, I had suggested including plan transfers in the revenue account in the constitutionally entrenched ratio for sharing the centre's aggregate tax revenues with the states. Vithal does not find this acceptable on the ground that my suggestion "ignores the fact that plan transfers to the states have been coming not out of the tax receipts of the centre but from its deficit". No transfer of any kind can 'come out' of a deficit; deficits result from transfers and not vice versa. Obviously what Vithal appears to mean is that with the centre's revenue account being in deficit after allowing for its non-plan revenue expenditures and statutory devolutions there is no room left for plan transfers. In fact, as table 5 in my article shows, the centre's pre-devolution surpluses were not adequate for making even the statutory transfers to states in four out of five years during 1990-91 to 1994-95. As Vithal himself points out, the situation has worsened in 1995-96 (BE) despite the TFC's valiant reassessment of the centre's forecast for which Vithal claims credit. In other words, even statutory transfers have been (partly or wholly) "coming out of the deficit" (as Vithal might say). Would this then not contradict the TFC's proposal to entrench statutory transfers as well in the Constitution? Secondly, there is no reason why plan transfers cannot also be made statutory. In paragraph 2.27 of its report the TFC has said "We are of the view that there is a clear rationale for the Finance Commission to deal with the revenue account as a whole, and not merely the non-plan revenue expenditure". All that my proposal does is to operationalise this clear rationale by including plan transfers (at historical levels) within the purview of the constitutional entrenchment, extending the TFC's own recommendation that transfers to states could be so entrenched. If you can half-cross the well why not do it fully?

What concerns me most is Vithal's stand that consequential revenue deficits at the centre should be a deciding factor in determining transfers to states on the revenue account instead of such transfers being reasonably adequate to cover the revenue deficits in the states. Action is clearly necessary at both levels to bridge revenue deficits and all the more so at the centre for the states are not in a position to print notes. There is surely much scope for the centre to reduce its revenue deficit by economising on its expenditures and by raising more revenues rather than by reducing transfers to states. In particular, the centre has miserably failed in enforcing the collection of taxes shareable with the states. I had drawn attention to this in the following paragraph of my article:

> It is a matter for much disappointment that the TFC, while reviewing the centre's forecasts has not referred to the need for better enforcement in the collection of the shareable taxes. High levels of tax evasion in personal income taxes and in excise duties have seriously jeopardised the revenues that the states could expect to get from these two sources. The Tax Reform Committee under the chairmanship of Raja Chelliah had pointed out that not more than 30 to 35 per cent of legally taxable incomes in India are being disclosed for personal income taxation. It has estimated that if a 60 per cent disclosure is enforced and the average effective tax rate is improved from the current 16 per cent to 20 per cent, the yield from income tax would go up to 2.5 times its present level. Similarly there is clearly much scope for improving excise yields through tackling tax evasion. Given this background the Commission's silence on the importance of curbing evasion in improving receipts at both levels and the centre's responsibility in the matter is indeed a serious lapse.

It is indeed regrettable that the only member of the TFC with experience as a finance secretary in a major state should have taken such a pro-centrist stand as that implied in Vithal's letter.

S GUHAN

Madras

Path of Growth

THE Review of Political Economy (June 29) especially Romesh Diwan's article merits attention and discussion. Romesh Diwan is right in saying that it is difficult to say who was guilty in the story of *Ramayan*. Similarly, in a story of economic reforms how can one prove beyond doubt that the power base is shifting from industrial to financial capital. These are so interdependent and inseparable that the story might end up in a discussion of the egg and the hen. In a political system based on a particular ideology every policy including economic reforms will be motivated by that political ideology.

Presently at the macro-level power is associated with technological strength. There was a time when power was associated or equated with manpower. Then came a period when 'isms' were the dominating factors. With the liquidation of USSR as a super-power, we are banking on technology as a source of economic growth. Capital and technology are presently concentrated in a few developed countries. The armed forces of these nations are now being deployed to safeguard technological or industrial interests. The Gulf war with the intervention of multinational armed forces is one recent example.

If the route for economic growth has been charted through technology, then any government will have to depend upon rich people (whether NRI or resident non-Indians). The rules of economics, the politics of power, the desire to become rich and a corrupt government machinery are some important factors which are leading us down the garden path as we are not prepared to live once again as a tribal society.

S K SHARMA

Delhi

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ECONOMIC AND POLITICAL WEEKLY

In Decline

EVEN as the gruesome accident at Ferozabad claiming over 450 lives is rapidly vanishing from public memory, what is clear is that it was entirely avoidable – it was no freak incident, nor were there unprecedented and unexpected events, mechanical or human, which could not be foreseen. For, going by the record of the railways in the past few years, the deterioration which has set in at every level of the orgnisation, the mis-prioritisation and most of all the 'politicalisation', a major disaster was on the cards. It just so happened that it occurred at Ferozabad.

The railways are in a sense the last bastion of public enterprise, the only existing state-sector empire which may be exploited to advantage by political parties elected to give direction to the administration of the state. And in the years past the railways have yielded great gains – every minister in charge has been able to go back to the people (of his constituency) at election time with promises and 'gifts' of railway lines, extra superfast trains, electrification of tracks, new stops, and so on. Such components as signalling and safety equipment are hardly the visible 'rewards' one can talk about on public platforms. No other public sector enterprise owes so much for its destruction to the public servants, viz, the political leaders and the bureaucrats, as does the railways. Ironically, it is in fact the capability of the railways to provide an infrastructure-starved people with reliable and cheap service that has led to the distortions in their development.

Having fixed the major blame for the accident on Ghorelal, the absconding switchman at Ferozabad, the railway safety board inquiry will, no doubt, routinely review the factors contributing to the mishap and produce a set of recommendations, which in time will add to the files at Rail Bhavan, or wherever it is that such documents find their place of rest. The attitude, whether of political leaders and parties, the people's representatives or rail bureaucrats or the technical experts is not of problem-solving but of finding a victim or victims. And, while the fact that the railway minister did not own moral responsibility for what is after all one of the worst disasters for the Indian Railways, is repugnant, it is rather pointless to attempt to foist such a responsibility on the conscienceless.

Even in the realm of fixing technical problems which have contributed to the accident, the entire exercise is directed at apportioning blame rather than attempting to limit or eliminate a repetition of the disaster. Much has been said about the inordinately slow pace of introducing track circuiting and panel interlocking systems and the provision of axle counters on trunk routes and auxiliary warning systems. The section where the accident took place, although one of the busiest in the region, did not have any of these features which make for safety and can also override manual mis-signalling. There has also been a great deal of discussion about the need for greater sophistication in communication and signalling systems. These features have been progressively approved by the various departments of the railways at different times, usually in response to particular events which have then been fitted into a modernisation programme. Moreover, the existing structure of responsibilities in the Railway Board, as the Prakash Tandon committee reportedly noted, has led to inter-discipline rivalries. Safety, for instance, is everybody's concern but really nobody's, with the existing directorate of rail safety given low priority and status. Inter-departmental and inter-service rivalries and petty quarrels have been allowed free play to the extent of severely damaging the system.

The railways have long suffered not only from being treated as the politicians' own bountiful 'gift bag', but also, like so many other public sector giants, from the destructive effects of the policies followed by the ruling elite. Railways' capabilities in the area of research and development have been systematically undermined and undervalued. Imports have been preferred to indigenously developed products, whether it is sophisticated locomotives, wagons and carriages or communication and signalling systems. There are so many stories of indigenously developed products being rejected for flimsy reasons, such as non-compliance with delivery dates, non-availability of minor features, inability to provide impossibly high performance guarantees or stated cost factors while accepting outmoded, poor quality foreign equipment.

Interestingly, the government has coincidentally tabled in parliament the report of the railway convention committee constituted to review the progress of the modernisation programme, which more or less dismisses the R and D capabilities of the railways. On the ground that the railways were not capable of taking care of the modernisation efforts, it recommends that other public sector undertakings and IITs should be approached to help in the required innovative efforts. It is hard to accept that the railways' consistent efforts to create an R and D base in all aspects, some of which have contributed to railway projects abroad, should now be found so wanting. There has also been the move towards 'full automation', despite the fact that such a programme would not only be financially unviable, but perhaps even unnecessary in the light of other countries' experience.

In other words, there is an irrationality in the response of the authorities to the accident. Even before the inquiry report is out, moves are already on to push favourite solutions, giving little thought to what is obviously a high priority – to examine the report of the committee set up to review modernisation and ensure that it has indeed gone into the problem thoroughly, and then to arrive at comprehensive programmes which would make the railways not only more efficient and modern but, most importantly, safe. The human cost of rail accidents such as the Ferozabad one is too high to be paid for the shenanigans of political leaders and their anti-people policies.

PUNJAB

Uncertain Times

THE assassination of Beant Singh, chief minister of Punjab, does not signify revival of the militant movement in the state. The movement had never died down; it had only been suppressed or driven to exist outside Punjab.

The conditions which gave birth to the militant movement, in other words, remain to be tackled. And so do the consequences of the policy of suppression such as the widespread violation of human rights which helped the movement take root. While the violation continued even after the movement was officially claimed to have been wiped out, it has already found a resurgence after August 31 and is bound to gather force in the coming days and months.

The real significance of the assassination, therefore, lies in the political sphere, particularly the impact it will have on the fortunes of the Congress and the Akalis in the state. These fortunes will, nevertheless, have a lot to do with the policy of suppression which finds continuation in the figure of K P S Gill, the state police chief.

Since the main victim of this policy will be – as it was earlier too – the rural population, it may strengthen the feeling of resentment, in this segment of the populace, against the Congress. On the other hand, the urban, especially the Hindu, population, which has traditionally favoured the policy of suppression of militancy, will feel constrained to reintegrate its support behind the Congress government which may have, in the last couple of years, tended to waver.

The resentment against the Congress among the ruralites will not necessarily benefit the Akalis, particularly the hardliners among them. In fact, the hardliners, who back the militant movement, have enjoyed very little support in the countryside which has remained confined to a limited number of rural pockets. In the period immediately before the Beant Singh government took over, this support, too, had tended to evaporate due to the excesses committed by the militants with regard to the rural population. In other words, during the heyday of militancy rural Punjab had rejected both the Congress and the militants. This rejection, however, did not transform into allegiance to the moderate Akalis who had either ceased to exist or were lying low. It was only when the Congress government forced the militants to go underground that the moderate among the Akalis began to re-emerge and regroup their forces. Led by Parkash Singh Badal, who had never openly challenged the militants, they had of late been extending their base as was evident from the couple of victories they posted in the assembly by-elections. This process may now suffer a temporary setback due to the general hardening of public feeling in the wake of the assassination. On the other hand, the moderate Akalis may actually gain from the assassination and its aftermath with both the government and the Akali hardliners reminding the people of the most fearful period in the recent history of Punjab which they would want to forget.

A lot would depend too, upon the policy and the performance of the Congress government under the new chief minister Harcharan Singh Brar and on the ability of the militants to re-establish their ascendancy on the politics of the state. Beant Singh's was a particularly corrupt government and whatever popularity it may have gained due to its handling of the militancy, it had begun to lose on this score. Brar has always been one of the lesser known and less influential Congress politicians in the state and his hold over his ministry and the administration is yet to be seen. If he manages to provide a clean administration (an impossible task in contemporary Punjab where the politicians, the bureaucracy and, above all, the police are corrupt to the core), the Congress may come back to power in the next election. If he contains the militancy but otherwise falters, it is the moderate Akalis who would gain. If he fails in both these tasks, Punjab will once again enter uncertain times.

EXCHANGE RATES

Markets and Governments

WITHIN a period of eight months the US dollar has swayed from around 100 yen to 80 yen and back to 100 yen. Against the German mark also there has been a similar movement of the dollar, but the magnitude of the swing in either direction has not been that large.

What could be the factors behind the fluctuations in the dollar's exchange rate *vis-a-vis* these two major currencies, of countries with substantial current account surpluses against the US as well as the rest of the world? This question is important not just for its academic value but for its significance for policy purposes.

The theory that exchange rates are determined fundamentally by the relative purchasing power of currencies was given up long back. Its irrelevance has been exposed more and more in recent years as capital movements across national borders have increased so that trading in foreign exchange today is far larger than would be necessary for the purposes of transacting foreign trade. Some estimates are that foreign exchange transactions are 70 times larger than the value of foreign trade. So if one has to seek an explanation for the swings in exchange rates, the explanation has to be sought in the realm not so much of foreign trade as of capital movements. It ought to be added here that according to most estimates of purchasing power, the US dollar should command more than 200 yen and over two German marks whereas the rate it has now reached is 100 yen and 1.45 German marks after touching a trough a few months back of 80 yen and 1.35 marks. And if the fixed exchange rate undervalues the US dollar so very grossly, even at the level it has just recovered to, the question one ought to be asking is why the US still sells so much less than what it buys from abroad. But that is not the immediate question.

If the direction and magnitude of capital movements across national frontiers are a major factor in the determination now of exchange rates, it is tempting to say that it is the international capital market which increasingly influences changes in exchange rates. The experience in the past couple of months points, however, in a different direction. The single most important factor behind the recovery of the dollar's exchange rate *vis-a-vis* the yen and the mark is the concerted intervention in the currency market by the three central banks, the US, Japanese, and German, not only in terms of purchase of dollar securities but also in the matter of interest rate changes. Nobody can claim that the so-called fundamentals behind exchange rate determination underwent major alterations. If in the first half of the current calendar year the dollar was allowed to decline, even that possibly was because the monetary authorities, at least in the US, wanted it perhaps to put pressure, especially on Japan, to let more US imports in. If subsequently the monetary authorities decided, on a reassessment of the impact of the dollar's decline, that the cost was far too much and that therefore it needed to be reversed, they have demonstrated that they can effectively bring about the desired change.

Ultimately, therefore, it is the monetary authorities in whose hands the movements in exchange rates under the present highly managed world financial system rests. That is the principal lesson one can draw from the experience of exchange rate fluctuation over the past eight months, not that markets have come to occupy the centre-stage. Markets did not lead before. They are unlikely to lead in future, though they will always be at hand to take advantage of the lack of co-ordination and uncertainties of the actions of monetary authorities.

SCIENCE EDUCATION

Misplaced Priorities

J V Deshpande writes:

A MUCH-QUOTED statistic of the past few decades is that India possesses the third largest scientific manpower in the world. The statistic, derived from the number of

degree/diploma holders turned out by Indian universities and polytechnics, cannot be disputed. In fact, with the break-up of the former USSR, it would now be quite safe for India to claim the second largest scientific manpower in the world. The 150 or more Indian universities are even more fecund in the matter of producing masters and doctors in scientific subjects. Although exact figures are not at hand, an educated guess is that India easily leads even the US in this respect.

Yet, all is far from well. This is conceded even by those in authority. A telling reflection of this is to be found in the results of the 'eligibility test' devised by the UGC/CSIR for applicants for college lecturerships and research fellowships. Formally, the basic requirement for either is a 'consistently good' academic record which, in practice, is translated to mean 'at least 55 per cent or more marks at both bachelor's and master's level'.

With the third (or second) largest scientific manpower and with employment so scarce for the educated (and of course the uneducated), one would imagine that it would not be difficult to get the required number of persons with a 'consistently good' academic record to fill the available positions of lecturers/research fellows in the institutions of higher learning in the country. And indeed it has not been. The problem has been that the performance of most of those so recruited falls far short of job expectations. This is not only in respect of advanced research work in universities but also the more mundane job of teaching younger generations of would-be scientists/technologists.

It is to meet the criticism that the quality of teaching and research in Indian universities has been going down and that not much credence can be given even to master's and doctor's degrees handed out by them that, some five years back, the UGC/CSIR introduced the 'eligibility test' for persons already holding master's degrees or having higher qualifications. The results of the tests in the past five years have borne out the substance of the criticism. By and large, not more than 10 per cent of persons already officially qualified were found suitable under the test. In some states, the percentage was less than five.

The UGC is the main dispenser of grants and patronage in higher education and is ideally placed to maintain and improve the levels of competence of colleges and universities. Not only has it failed in this respect, but by introducing a super-qualifying test of its own the UGC has only publicly acknowledged its lack of faith in the working of the colleges and universities supposed to be looked after by it. One would have thought that the educational authorities would sit up and take note of this dismal evidence of the quality of postgraduates that are being churned out by the universities. In particular, one would expect the UGC to be concerned about this. But for many years the UGC has been almost exclusively devoting itself to the question of salary structures of college teachers. It is time that it concerned itself not merely with salary structures but also with the rapidly deteriorating other conditions in colleges and universities which deter potentially good scholars from entering the teaching profession and, once in, affects their scholarly performance.

There is no evidence of any such study being undertaken. Instead, according to reports, the central government is planning to start a new elite Science University to help improve the level of science studies in the country. It is reported that the prime minister's office has already cleared the project which is estimated to involve an outlay of over Rs 200 crore. It is to be remembered that the annual total central outlay on education is about Rs 500 crore. Even though there are over 150 universities in the country, the major part of the central government's allocation to higher education goes to the centrally-sponsored universities, which are less than 10.

This will not be the first time that the government has come up with such a solution to the problem of quality of higher education. The IITs are now over 30 years old but their existence has not led to any improvement of the educational standards of other institutes nor has the opening of Navodaya schools helped improve other schools. To expect that an exclusive, elitist institute will tackle the problem of mass quality education would be naive.

We already have a few first rate science institutes such as the Indian Institute of Science in Bangalore, the TIFR in Bombay and the Indian Statistical Institute. Rather than start a new university for science, the government would do well to find out why these institutes taken together have been unable to locate more than a hundred or so first rate students every year from among the vast student population in the country. One more institute of the same class will compete within the same small pool of available top quality students and teachers.

It can be argued that a country of India's size can do with another science institute for advanced work. Maybe, but the first priority has to be the upgradation of science education throughout the country. For this, the quality of undergraduate education has to be drastically improved in thousands of colleges across the country. Only then can one expect a steady supply of first rate students and research workers for the top-notch institutes. It has been proved time and again that, as in other spheres of social activity, in education one cannot have islands of excellence in a sea of squalor.

CAPITAL FLIGHT

Mexican Lessons

A STUDY by the International Monetary Fund (IMF), just released, has raised an interesting question regarding the role of resident Mexicans *vis-a-vis* foreign investors in putting pressure on that country's foreign exchange reserves during 1994, immediately after the Chiapas revolt. The massive capital flight around this period triggered the collapse of the peso and led to its steep devaluation. This raises a number of interesting questions regarding the behaviour of people of different countries and regions on the one hand and the kind of policy restraints that are necessary to cope with the consequences of these behaviour patterns on the other.

The peso's collapse had all along been attributed to a sudden withdrawal of investments by foreign investors, apart from a sharp drop in foreign investment in Mexico in 1994. When the US administration cajoled the IMF to organise the massive rescue operation of over $ 50 billion – on a scale unprecedented in the history of the Fund – the presumption was that it was the foreign investors who had taken money out of the country. Controlled as it is by the US diktat, and in response to the fears of the industrial countries that the Mexican troubles may spill over into financial markets of other developing countries, the IMF was forced to fall in line with the US administration's wishes. The IMF managing director has been repeatedly emphasising – and this has also been reiterated in the latest study – that the rescue package of January 1995 for Mexico prevented further erosion of confidence and forestalled contagion of the emerging markets in the western hemisphere and Asia.

The IMF study now suggests that the devastating outflow of capital from Mexico in 1994 was not the work of foreign investors or the outcome of speculative position-taking by them; it had been brought about by Mexican residents. Apparently the Clinton administration now fears probable US Congress criticism that in leading the $ 50 billion international rescue programme, the country had poured a vast amount of money into Mexico at a time when Mexican citizens themselves had little faith in their country's financial future. Of course, it was not that foreigners were not interested in taking their money out of Mexico; they were unable to do so because their funds were locked up in assets whose values were severely depressed or which were non-marketable.

Clearly, the rich in the Latin American countries take the earliest opportunity to resort to capital flight which has given these countries low domestic saving rates. In this

respect, they present a sharp contrast to the people of east Asian countries who are more frugal and nationalistic, which attitudes have formed the basis of their high domestic saving rates. The south Asian countries, such as India and Pakistan, perhaps fall between these two extremes.

The Mexican case also suggests that to curb the speculative proclivities of the domestic rich restraints on capital account transactions particularly with regard to the asset choices of residents, are unavoidable. In other words, countries such as India must necessarily proceed cautiously in regard to capital account liberalisation. While foreign investors may be assured of capital and income repatriation, residents should continue to be subject to restraints on capital transfers. The east Asian countries in fact adopted such measures which, combined with the people's own attitudes, helped to prevent large capital flights. Quite the contrary has been the case of the Latin American countries which, under American pressure, opened up their economies, liberalised their capital accounts and freed their financial systems too much too soon – with results which have been there for all to see.

POLITICS

Bankruptcy of the Congress

A Correspondent writes

BOTH her followers and the media seem to be bent on turning Sonia Gandhi into another Mahatma Gandhi, attributing to her the powers that Mohandas Karamchand enjoyed in dictating the course of Congress history in his days even when he chose to withdraw into seclusion. The latest 'tamasha' in Amethi, where she went ostensibly to distribute wheelchairs to the physically handicapped in memory of her husband, is being made out to be a historic event by the newspapers. It is all because the usually taciturn lady from 10 Janpath chose to verbalise her misanthropic demeanour at a rally in Amethi by complaining that even after more than four years, the probe into Rajiv Gandhi's assassination was being conducted at a very slow pace.

The anti-Rao racketeers among Congressmen, ranging from the Arjun Singh-N D Tewari splinter group of the disgruntled fence-sitters within Rao's Congress Party, are now discovering profound meanings in Sonia's speech in order to bolster up their pre-election strategy of quoting her words at election meetings. From now on, every frown or scowl by her will be interpreted as her opposition to Narasimha Rao for his failure to punish her husband's killers.

But Sonia Gandhi is not likely to move beyond such occasional verbal expressions of pique (as at Amethi) or peevish gestures (like refusal to attend meetings where Rao is present). She is fully aware of the trump-card that Rao possesses – the threat to expose her husband's involvement in the Bofors scandal. She, or whoever is advising her, should know that it is not only the Rajiv assassination case that is lumbering along, but also the Bofors case in which the accusing finger points at Rajiv, his family and cronies. If Sonia demands that the killers of her husband should be punished, the Indian people have also the equal right to demand that the killers of the 3,000 Sikhs in Delhi in 1984 must be brought to book. Sonia has never cared to sympathise with the relatives of these victims. The purely self-centred interests of her and her family in the Rajiv assassination case is being sought to be turned into a national tragedy by the sycophants in the Congress who are desperately looking for some figurehead to lead them to victory in the next general elections.

The bankruptcy of the Congress is evident from its urge to woo Sonia Gandhi – or even her children – in continuation of the old dynastic Nehru legacy which made it choose a political greenhorn like Rajiv Gandhi as prime minister. The prime ministership of Narasimha Rao may be looked upon as a freakish departure from the Congress tradition. Rao has to blame himself for ruining the chance that he was offered to prove his worth as a Congress prime minister coming for the first time from the south and from outside the Nehru family (if we leave out the brief tenure of Lal Bahadur Shastri). His utter incompetence in running the country has reduced him to a butt of ridicule both within and outside India. If his predecessor Rajiv Gandhi, led the country rushing on a disastrous course by his unmitigated foolhardiness, Rao has allowed India to reach the brink of that course by his shilly-shallying. No one from among any of the present Congress leaders – whether a Sonia Gandhi-backed Arjun Singh, or a Narasimha Rao trying to hold on to power (even with the tacit support of the 'Sangh parivar') – can reverse the process. None of the disputing Congress factions is seriously committed to a fundamental change in the economic and political policies. Both are obsessed with the sole objective of capturing power at the centre.

Given this nature of Congressmen today, it would be highly irresponsible for the Left to support any of the Congress factions in the coming elections. In the ongoing debate between the Left and the National Front on the choice of allies, the Left should be wary of striking any alliance with Congressmen (whether belonging to the Arjun Singh-N D Tewari camp or others) who are hobnobbing with the lady in 10 Janpath. By having anything to do with them, the Left would be legitimising the revival of dynastic rule.

TWENTY YEARS AGO

EPW September 6, 1975

A steady transfer of land from small landholders to big farmers is going on in the Kulaba district of Maharashtra. Reports have it that at least 20 per cent of the small landholders have thus lost their land. While orders have been issued to various panchayat samitis to conduct surveys in their areas to assess the magnitude of this problem, no such surveys have yet been carried out.

Kulaba is a relatively fertile district. Consequently, acquisition of the cultivable land of the small farmers is an attractive proposition for the wealthier and bigger farmers. Such acquisition is facilitated, protective laws notwithstanding, by the sheer poverty of the vast majority of the people there. The predominance in the population of marginal farmers is reflected in the fact that 51.6 per cent of all farmers own less than 1 hectare (2.5 acres) and their holdings account for only 10.6 per cent of the total cultivable land.

These small farmers are perennially in debt – not for production purposes, but for subsistence consumption. Government and semi-government bodies will give loans for agriculture – for purchase of bullocks, water, fertilisers, insecticides, seeds, etc. But quite often loans taken for agricultural purposes are used by the poor farmers for consumption. These institutional sources have thus gradually been closed to the poor farmers who have turned once more to the local moneylenders. Often, the moneylender is preferred also because the procedural complexities of obtaining loans from official and semi-official bodies, and the conditions of their repayment, are beyond the capabilities of the poor farmers. The transactions with the local moneylender are free of such complications. They are illegal or extra-legal.

Though, in the land records, the land may be shown as being still with the poor peasant, once he borrows from the moneylender, the moneylender becomes *de facto* owner of the land. Indeed, there are instances of land worth Rs 15,000 per acre passing into the hands of the moneylender for as little as Rs 1,000 or Rs 2,000. And land which has been mortgaged to the moneylender remains with him for years on end – thanks to the exorbitant interest rates on the loans which effectively prevent the poor farmer from getting around to repaying the loan amount itself. In Murud taluka, a moneylender in Wavdungi village has appropriated land of 10 'gawalis' (milk vendors); in Talekha village, about 21 acres of land of small farmers has been illegally acquired by the village patil himself in collaboration with another large farmer. In Panvel taluka, in Deharan village, lands originally belonging to the Adivasi-Thakurs have been illegally acquired by a moneylender.

ASSOCIATED CEMENT COMPANIES

Buoyant Market

ASSOCIATED CEMENT COMPANIES (ACC), incorporated in 1936, is one of the largest producers of grey cement and refractory products. The company has 11 cement plants located in nine states catering to markets spread throughout the country. With a current installed capacity of over nine million tonnes, 120 warehouses and depots and a network of over 10,000 dealer outlets, ACC is one of the largest companies in the world. Structural fabrication and production of heavy machinery are other activities of the company.

The company recorded net sales of Rs 1,776 crore for the year ended March 1995, up by 29 per cent over Rs 1,376 in the previous year. Total income rose by 28 per cent from Rs 1,409 crore to Rs 1,803 crore. There was a fall of 13 per cent in other income which came down from Rs 44 crore to Rs 38 crore. Provision for interest and depreciation increased by 23 per cent and 21 per cent, respectively. Provision for taxation was Rs 50 lakh against nil tax provision last year. These increases notwithstanding, the company closed the financial year with a net profit of Rs 144 crore, up by 138 per cent from Rs 61 crore in the previous year. A dividend of 50 per cent has been declared against 30 per cent.

The company sold 10 million tonnes of cement in the year under review, a rise of 14 per cent, against 8.67 million in the previous year, out of which 1.3 million tonnes were produced by other manufacturers and marketed by ACC. While cement sales contributed Rs 1,600 crore, ACC traded Rs 270 crore worth of outside cement. ACC owns 11 cement plants and markets the cement of four other cement plants. The company has been trading mainly in cement produced by Tisco and Tata Chemicals. It has also lent its brand name to a mini cement plant.

The refractory subsidiary recorded a turnover of Rs 111 crore for the year under review compared to 70 crore, an increase of 57 per cent. ACC's refractory business accounts for 4 per cent of its turnover. The refractory is today the largest castable producer in the country, apart from being the exclusive producer of brown tabular alumina and magchrome bricks sold as Pertlex ACC bricks to the cement industry. Production of Pertlex ACC bricks was under a technology transfer agreement with Refratechnik Gmbh, Germany. The company also commenced production of a new generation of tundish coating material for the steel industry under a licensing agreement with Intocast Ag of Germany, a renowned world leader in this field. The consultancy division too recorded a growth of 57 per cent to generate an income of Rs 33 crore.

The capacity of the one million tonne per annum clinker unit at Gagal which started production from September 1994 has gone up to two million tonnes per annum. The one million tonne per annum clinkering unit at Kymore-Mehgaon has commenced production from May this year. The cement grinding, packing, and loading plant at Kymore is being modernised and will be operational before the end of 1995 with a capacity of over 1.2 million tonnes. The first phase of the project for capacity balancing and expansion of Madukkarai Cement Works was completed during the year under review.

The company successfully completed 15 years of its operation, maintenance and management contract of the 1.2 million tonnes per annum cement plant at Yanbu, Saudi Arabia. Production in excess of the guaranteed level for the fifth year in succession enabled the company to earn a maximum bonus of Rs 1.25 crore. The contract has been extended for a further period of three years commencing March 1996 through an MOU signed with the company. Yanbu Cement Company is building a new 2 million tonnes unit with the maintenance, management and operation having been given to ACC for an initial period of three years.

The proposal for setting up a cement plant in Sizu district of Meghalaya has been cleared and the company is waiting for the green signal from the environment ministry. Dominating the north-east market as well as export to Bangladesh seem to be the rationale behind setting up the plant. The north-east has a scarcity of cement plants mainly because of lack of limestone deposits, the primary raw material required, the problem being compounded by transportation bottlenecks. ACC's plant is being set up in a region which has adequate limestone deposits.

ACC's power plant, the largest in the cement industry, became operational from this April at the company's Wadi works in Karnataka. The new generator set supplied by BHEL has a three-stage bleeding system and is equipped with regenerative low and high pressure heat exchangers for increasing thermal cycle efficiency. There is also a load management system which helps optimise use of various power sources.

ACC has entered into a technical collaboration with Nihon Cement, one of the largest cement companies in Japan, for the manufacture and supply of clinker pre-grinding mills and clinker pre-grinding systems. ACC is introducing these mills at its own plants and expects to achieve substantial reduction in power consumption and increase in capacity as a result. Clinker pre-grinding is becoming widespread for better productivity. The company proposes to set up grinding units, with a total capacity of five lakh tonnes at an investment of Rs 75 crore in Bangladesh. The units will be fed by the proposed clinker plant to be set up in the South Garo Hills, Meghalaya. The project will be a joint venture, with ACC's equity participation coming through ACC Bangladesh, a wholly-owned subsidiary. Apart from a captive market in Bangladesh, ACC will profit from low labour cost. ACC has formed a joint venture with IDBI and ICICI to market bulk cement through a new company, Bulk Cement Corporation of India. The pilot project, costing Rs 68 crore, will come up in Kalamboli, Maharashtra and will cater mainly to the Bombay markets.

ACC has set off on a range of unrelated diversifications -- metal and mineral mining and high quality alloy steel castings. The new high purity synthetic ferric oxide (SFO) plant of 10,000 tonner per annum at Falta has also started production. SFO is the principal raw materials in the production of hard and soft ferrites and is widely used in the electronic and telecommunications industries. The plant is said to be the first in the world to have a two-way technology configuration from Japan and the US and over 70 per cent of the production is to be exported.

A foray into environmental management and mining has been made and the company plans to form a separate company for gold and diamond mining with five states having been identified for this purpose. It is holding talks with CRA of Australia to set up joint ventures to explore and mine precious metals.

HINDUSTAN CIBA-GEIGY

New Ventures

Hindustan Ciba-Geigy, with diversified interests in dyestuffs and chemicals, pharmaceuticals, additives, polymers, pigments and composites (APPC), and agricultural products, closed the year ended March 1995 with a profit of Rs 122 crore against Rs 15 crore achieved in the previous year. This is attributable to the extraordinary income of Rs 101.14 crore realised from the sale of the company's property at Bhandup to Great Eastern Shipping and its oral hygiene business to Colgate Palmolive early this year. Turnover recorded was Rs 437 crore, up by 6 per cent from Rs 431 crore in the previous year. A dividend of 20 per cent has been recommended.

Export earnings stood at Rs 39 crore against Rs 22 crore. Imports rose from Rs 37 crore to Rs 62 crore. The company closed the financial year with a net foreign exchange inflow of Rs 25 crore. Dyestuffs and chemicals have been largely responsible for the improved export performance.

A growth of 31 per cent was recorded by the dyestuff and chemicals division, with exports being the major contributor. The pharmaceuticals division recorded a sales turnover of Rs 1,288 million reflecting a growth of around 24 per cent over the preceding year. The agriculture products business of Ciba is divided into two divisions: crop protection and animal health. Compared to 1993-94, the

(Rs lakh)

Financial Indicators	ACC		Hindustan Ciba-Geigy		Tube Investments	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	177614	137606	45705	43095	45797	39103
2 Value of production	176503	136437	46220	43697	45988	39217
3 Other Income	3832	4413	515	602	908	210
4 *Total income*	180335	140850	47279	44261	46896	39427
5 Raw materials/Stores and and spares consumed	36421	30401	9729	9707	29257	24690
6 Other manufacturing expenses	46189	42154	23492	20158	1729	1260
7 Remuneration to employees	12342	11472	2471	2207	3403	2693
8 Other expenses	59484	40767	6318	5472	8285	7306
9 *Operating profit*	25899	16056	5269	6717	4222	3478
10 Interest	8185	6631	894	1203	130	1579
11 *Gross profit*	18743	9957	14664	4777	4237	1906
12 Depreciation	4254	3514	1186	999	982	742
13 *Profit before tax*	14489	6077	13478	3778	3102	1122
14 Tax provision	50	0	1308	2294	370	240
15 *Profit after tax*	14439	6077	12170	1484	2732	882
16 Dividends	3918	2350	876	744	503	322
17 Retained profit	10521	3727	11294	740	2229	560
Liabilities/assets						
18 Paid-up capital	8311	7834	2656	2656	1667	1077
19 Reserves and surplus	51520	33165	18585	7291	24237	7112
20 Long term loans	69194	48957	4686	4758	8204	9227
21 Short term loans	6000	20991	391	3840	3750	1606
22 Of which bank borrowings	5000	7991	0	1500	0	0
23 Gross fixed assets	140857	115453	16803	16352	18634	13510
24 Accumulated depreciation	44747	40942	9267	8654	6465	5526
25 Inventories	19584	20034	8082	7405	9771	7620
26 Total assets/liabilities	184354	156913	34231	26089	49174	27274
Miscellaneous items						
27 Excise duty	28970	25886	1016	930	3871	2612
28 Gross value added	39804	27702	27499	7092	7356	6016
29 Total foreign exchange income	4730	4358	4085	2308	7309	6726
30 Total foreign exchange outgo	3333	2739	6541	3882	3149	1840
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	96 3	87 7	133 5	165 2	93 1	143 4
32 Sales to total net assets (%)	131 5	124 0	173 7	232 4	121 0	205 6
33 Gross value added to gross fixed assets (%)	28 3	24 0	163 7	43 4	39 5	44 5
34 Return on investment (gross profit to total assets) (%)	10 2	6 3	42 8	18 3	8 6	7 0
35 Gross profit to sales (gross margin) (%)	10 6	7 2	32 1	11 1	9 3	4 9
36 Operating profit to sales (%)	14 6	11 7	11 5	15 6	9 2	8 9
37 Profit before tax to sales (%)	8 2	4 4	29 5	8 8	6 8	2 9
38 Tax provision to profit before tax (%)	0 3	0 0	9 7	60 7	11 9	21 4
39 Profit after tax to net worth (return on equity) (%)	24 1	14 8	57 3	14 9	10 5	10 8
40 Dividend (%)	50 0	30 0	20 0	15 0	32 0	30 0
41 Earning per share (Rs)	173 7	77 6	458 2	55 9	16 6	8 2
42 Book value per share (Rs)	719 9	523 3	799 7	374 5	157 2	76 0
43 P/E ratio (based on latest and corresponding last year's price)	19 2	64 1	6 1	55 5	10 6	39 1
(adjusted for revaluation) (%)	115 6	119 4	22 1	47 8	31 7	112 7
45 Short term bank borrowings to inventories (%)	25 5	39 9	0 0	20 3	0 0	0 0
46 Sundry creditors to sundry debtors (%)	222 7	266 3	41 3	39 0	161 9	143 1
47 Total remuneration to employees to gross value added (%)	31 0	41 4	9 0	31 1	46 3	44 8
48 Total remuneration to employees to value of production (%)	7 0	8 4	5 3	5 1	7 4	6 9
49 Gross fixed assets formation (%)	22 0	-	- 8	-	37 9	-
50 Growth in inventories (%)	2 25	-	9 14	-	28 23	-

agriculture products division recc lower sales by around Rs 610 lakh, primarily because of industrial relations problems at Santa Monica in Goa. Adverse weather conditions in important states like Andhra Pradesh, Punjab, Maharashtra and Gujarat coupled with effective control over pests had a negative impact on the division's operations. The company also faced competition from the generic manufacturers of Monocrotphos, DDVP and Phosphamidon. The animal health division registered a growth of over 30 per cent over 1993-94.

Sales of the additives, polymers, pigments and composites (APPC) division maintained a healthy trend, recording a growth of 20 per cent. The additives division deals in antioxidants, light and heat stabilisers and other products which are added to substances to increase their life/performance. The division caters to the plastics, rubber, synthetic fibres, lubricating oils for automobiles and paint industries, among others. The company is setting up a manufacturing facility for antioxidants at its Santa Monica works to be commissioned by 1996. The polymers division deals in epoxy resins, hardeners, and polyester resins catering to the needs of metal coating, civil engineering, electrical/electronic, adhesives and automotive tooling industries. The pigments division caters to the requirements of the viscose staple fibre industry and the company is making efforts to identify growth options in co-operation with Ciba-Geigy, Switzerland.

The company sold off its oral hygiene unit, manufacturing Cibaca toothpaste and toothbrushes, to Colgate Palmolive for Rs 130 crore. The division was one of the better performers, contributing about 13 per cent to the company's sales, but being the only product of Hindustan Ciba falling in the category of branded consumer goods, it clearly did not fit in with the rest of the company's product line-up.

The company has shed its workforce by 1,430-1,300 from the Bhandup plant and 130 through the deal with Colgate Palmolive. It has earned Rs 173 5 crore from the two deals, to be used for its proposed expansion in the crop protection business and for launching new chemical, agro-chemical and animal health products. The proceeds will also go towards funding Ciba-Vision, a newly formed eye care products division which will sell contact lenses. Ciba Vision, based in Bangalore, is in the process of introducing Indian consumers to its international range of eye care products, specifically daily-wear conventional soft contact lenses and lens care solutions. Also on the anvil is an entry into the opthalmological products market in India.

Hindustan Ciba-Geigy has launched three crop protection products in the domestic market. Pesticides have a 75 per cent share in the domestic market for crop protection with fungicides and herbicides accounting for the remaining segment.

The company has set up a new plant in Goa to manufacture Tinopal CBS-X, a super brightener for the detergents industry. It has

also set up a joint venture, Ciba CKD Biochem, with the Korean company Chong Kun Dang (CKD) for a $ 30 million project to manufacture Rifampicin, a bulk drug used in anti-TB formulations, at Mahad in Maharashtra. Anti-TB drugs are the pharmaceutical division's second most important products (after anti-rheumatics, including market leader Voveran). CKD will have a majority stake in the new company, with Hindustan Ciba-Geigy holding 41.2 per cent and Ciba-Geigy, Basle, picking up 9.8 per cent.

Hindustan Ciba-Geigy, in association with British Ciba Composites and Naltech, the technology wing of National Aerospace Laboratory (NAL), is to set up the country's first commercial venture to manufacture composites. Composites are substances having high strength to weight ratio, and find use in the aircraft industry and space research laboratories and are fast replacing aluminium on the strength of these attributes. The proposed venture will receive technological support from the British firm based Duxford. NAL will provide land and workshop while Hindustan Ciba Geigy will step in with the marketing support. The thrust will be to tap the emerging aircraft industry in the country and also the defence industries with a large part of production being earmarked for exports.

TUBE INVESTMENTS

Focus on Exports

Tube Investments, the flagship company of the south-based Murugappa group, is one of the largest bicycle manufacturers in the country with a 22 per cent share of the domestic market. The company holds a dominant position in the overseas market, accounting for 65 per cent of the country's total bicycle exports. The company started its first bicycle assembly plant in 1950 in collaboration with Hercules Cycle Motor Company of UK, which was a part of Tube Investments, UK. It has come a long way since then and today manufactures not only all critical bicycle components but also steel tubes and strips, cold roll formed metal profiles and sections, and automotive and industrial chains. The company has the support of its collaborator, Tube Investments, UK, which holds 7 per cent equity, and has gone in for strategic alliances with other European players in France and Germany for marketing support for exports.

The company posted a 17 per cent increase in its turnover in 1994-95. A whopping reduction of 92 per cent in interest costs, down from Rs 16 crore to Rs 1 crore for the year under review, contributed to a healthy bottomline which rose from Rs 9 crore to Rs 27 crore, a rise of almost 210 per cent. An increase in the provision for depreciation and tax by 32 per cent and 54 per cent respectively coupled with a rise of 264 per cent in the payments toward the voluntary retirement scheme did little to dampen the end result.

The company's performance on the export front has been satisfactory with exports having registered a growth of 9 per cent. Export of tubes registered a growth of 39 per cent, with the roll form division registering a growth of 103 per cent. A marginal growth of export of bicycles was achieved in spite of levy of duty in Europe on bicycles imported from GSP countries and stiff competition and a recession in European bicycle market in the first half of the year. Imports rose from Rs 18 crore to Rs 31 crore. Import of capital goods rose from Rs 68 crore to Rs 341 crore, a rise of 400 per cent. Export turnover in 1993-94 was Rs 71 crore, up by 82 per cent from Rs 39 crore in 1992-93. The company widened its export base by exporting boiler tubes to Australia and bicycles to Japan, Italy, South Africa and Myanmar. A dividend of 32 per cent has been recommended by the directors.

The company's cycle division manufactures dynamo lights, hubs, pedals and saddles, both for captive consumption and also for the replacement market. In 1994-95 the company exported over 3,50,000 bikes to France, the UK, Germany, the Netherlands and other countries. The export market is much larger than the Indian market. The total demand potential in the European market is approximately 20 million bicycles, while the demand from the US and Canada is around 13 million and one million, respectively.

The domestic cycles market stands at around 8 million units, of which 80 per cent represents standard machines and 20 per cent specials. The growth in the standard cycles market has been around 2 per cent, whereas the specials market has grown by 15 per cent since 1990. Tube investments manufactures both standard and special bicycles, with the emphasis on the latter. The company has a 55 per cent share in the special segment and 11 per cent in the standard. The company has set up an export-oriented unit for manufacturing and assembling cycles at Paruthipet in Tamil Nadu.

The engineering division manufactures high frequency welded (ERW), cold drawn welded (CDW) steel tubes and cold rolled close annealed (CRCA) strips. It is the largest manufacturer of precision tubes in the country. The thrust on exports was maintained and export of tubes registered a growth of 39 per cent over the previous year. Plans are on the anvil to set up a plant for the manufacture of ERW and CDW tubes. The plant to be operational in the current financial year, will cater to the western region.

Tube Investments completed its CDR issue of $ 50 million in mid-1994 to finance expansion and modernisation activities. The company spent Rs 31 lakh on research and develpoment in the year under review, with efforts being directed to new product development, process and product quality improvement and product and design engineering.

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The annual inflation rate has fluctuated in recent weeks but it continues to be in the single digit, easing to 8.34 per cent in the week ended August 19. Inflow of foreign investment was Rs 2,862.4 crore in the first five months of 1995, which is one-third of the total inflow of Rs 8,646.5 crore in the post-economic reform period. Industry-wise break-up of foreign collaboration approvals indicates that almost half the total foreign investment is in metallurgical industries, power, oil refineries and agro-based industries. Maharashtra and Delhi remain dominant in the statewise distribution of foreign investment approvals, receiving 16.5 per cent and 10.3 per cent respectively of total foreign investment approved. West Bengal has moved up, accounting for 10.6 per cent of the total approved investment.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Aug 19, 1995	Variation (Per Cent) Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
All Commodities	100.0	294.8	0.7	8.3	10.2	3.4	5.3	10.4	10.8	7.0	13.6
Primary Articles	32.[illegible]	303.1	1.3	8.6	10.8	4.1	8.1	12.7	11.5	3.0	15.3
Food Articles	17.4	336.0	2.3	7.1	8.3	7.0	11.9	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	321.2	-0.6	11.6	17.6	-0.7	2.7	15.5	24.9	-1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.6	10.0	0.1	0.6	2.4	13.1	15.2	13.2
Manufactured Products	57.0	291.5	0.4	9.5	9.8	3.6	4.7	10.7	9.9	7.9	*12.6
Food Products	10.1	281.2	0.7	3.0	8.0	3.2	8.3	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	315.9	1.8	5.7	8.2	5.8	10.7	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Aug 19, 1995)	100.0	291.7	-	9.8	10.1	9.0	11.6	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent) Point-to-Point: Over Month	Over 12 Months: Latest	Over 12 Months: Previous	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
Industrial Workers (1982=100)	306*	2.0	10.5	10.8	4.4	3.7	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	244*	0.4	9.6	8.3	9.9	8.3	9.9	8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1337*	1.6	12.4	12.5	2.8	1.2	10.6	11.6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	Aug 04, 1995	Variation: Over Month	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93
Money Supply (M_3)	542225	3996 (0.7)	11387 (2.1)	11707 (2.6)	78653 (17.4)	73307 (19.3)	50484 (15.4)
Currency with Public	107936	3071 (-2.8)	7066 (7.0)	7139 (8.7)	18887 (23.0)	14170 (20.9)	7111 (11.7)
Deposits with Banks	426990	7583 (1.8)	372 (0.1)	3560 (1.0)	58941 (16.0)	57925 (18.7)	42945 (16.1)
Net Bank Credit to Govt	243083	265 (0.1)	23492 (10.7)	11802 (5.7)	14248 (6.9)	29508 (16.8)	17903 (11.3)
Bank Credit to Comml Sector	292168	902 (0.3)	2424 (0.8)	-3526 (-1.4)	45080 (18.4)	17161 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	73579	24 (0.0)	-2311 (-3.0)	11165 (21.2)	23264 (44.2)	27674 (110.9)	3747 (17.7)
Reserve Money (August 11, 1995)	182360	-2005 (-1.1)	13386 (7.9)	12238 (8.8)	30303 (21.9)	27892 (25.2)	11274 (11.3)
Net RBI Credit to Centre	117507	-2481 (-2.1)	18829 (19.1)	-322 (-0.3)	949 (1.0)	1306 (1.4)	3586 (3.9)
Scheduled Commercial Banks (August 18, 1995)							
Deposits	385133	10493 (2.8)	1726 (-0.4)	5445 (1.7)	49271 (14.8)	52144 (18.6)	39017 (16.1)
Advances	211940	3909 (1.9)	380 (0.2)	-4228 (-2.5)	38784 (22.7)	11566 (7.3)	23757 (17.5)
Non-Food Advances	197664	5105 (2.7)	-1622 (-0.8)	-6470 (-4.0)	37416 (23.4)	7402 (4.9)	21684 (16.6)
Investments	154699	3238 (2.1)	5445 (3.6)	11917 (8.8)	14172 (10.5)	28435 (26.7)	16820 (18.7)

For comparability, all monetary and banking data presented here are based on March 31 figures before closure of government accounts.

Index Numbers of Industrial Production (1980-81=100)	Weights	Mar 1995	Average for Full Fiscal Years: 1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	301.6	250.6(8.4)	231.1(5.6)	218.9(2.3)	213.9(0.6)	212.6(8.2)	196.4(8.6)	180.9(8.7)	166.4(7.3)
Mining and Quarrying	11.5	321.9	245.8(6.3)	231.2(3.4)	223.7(0.6)	222.5(4.5)	221.2(6.3)	211.6(7.9)	199.1(3.7)	184.6(6.2)
Manufacturing	77.1	291.9	241.8(8.8)	222.3(5.5)	210.7(2.2)	206.2(-0.8)	207.8(8.9)	190.7(8.6)	175.6(8.7)	161.5(7.9)
Electricity	11.4	346.8	314.6(8.5)	290.0(7.4)	269.9(5.0)	257.0(8.5)	236.8(7.8)	219.7(10.9)	198.2(9.5)	181(7.6)

Capital Market	Sept 01, 1995	Month Ago	Year Ago	1995-96 So Far: Trough	1995-96 So Far: Peak	1994-95: Trough	1994-95: Peak	End of Fiscal Year: 1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3356	3395	4543	3015	3557	3233	4604	3261	3779	2281
	(-26.1)		(72.7)					(-13.7)	(65.7)	(-46.8)
National Index (1983-84=100)	1537	1569	2146	1482	1691	1572	2176	1606	1830	1021
	(-28.4)		(73.8)					(-12.2)	(79.2)	(-48.1)

Foreign Trade	June 1995	Cumulative for Fiscal Year So Far: 1995-96	1994-95	Full Fiscal Year Variations: 1994-95	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	7291	22514 (25.2)	17989 (11.9)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US $ mn	2289	7170 (25.2)	5729 (11.7)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	8635	25103 (32.6)	18932 (11.2)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US $ mn	2711	7995 (32.6)	6029 (11.1)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US $ mn	2224	6409 (34.6)	4761 (21.49)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-1344	-2589	-943	-6375	-3259	-9687	-3809	-10640
US $ mn	-422	-824	-300	-2018	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Aug 25, 1995	Aug 26, 1994	Mar 31, 1995	Variation Over: Month Ago	Year Ago	Fiscal Year So Far: 1995-96	Fiscal Year So Far: 1994-95	1994-95	1993-94	1992-93	1991-92
Rs crore	61486	55520	66028	-1193	5966	-4543	7894	18402	27430	5385	10223
US $ mn	19040	17795	20816	-753	1245	-1776	2619	5640	8724	731	3383

Foreign Investment Approvals

A FOREIGN COLLABORATION (FC) APPROVALS

	Total 1991-1995	1995 (Up to May)	1994	1993	1992	1991
Total No of FC approvals by:	6512	915	1854	1476	1520	950
(i) Secretariat for Industrial Approvals		231	482	307	585	760
(ii) Reserve Bank of India		343	703	676	736	188
(iii) FIPB Foreign Investment Promotion Board		341#	770 *	493	199	2
No of FC approvals involving foreign investment						
Total	3219	493	1062	785	692	289
(i) Secretariat for Industrial Approvals		58	92	59	244	216
(ii) Reserve Bank of India		95	201	235	251	41
(iii) FIPB Foreign Investment Promotion Board		340#	769 *	491	198	2
Foreign investment involved						
Total (Rs crore)	33070 0	7380 0	14190 0	8860 0	3890 0	5300
(i) Secretariat for Industrial Approvals		1200	3200	1600	4200	3600
(ii) Reserve Bank of India		1500	5300	6600	7800	1400
(iii) FIPB Foreign Investment Promotion Board		7210 0#	13340 0 *	8040 0	2690 0	300

* Includes 22 GDR proposals involving investment of Rs 5230 crore
\# Includes 2 GDR proposals involving investment of Rs 710 crore

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B ACTUAL INFLOW OF FOREIGN DIRECT INVESTMENT/NRI INVESTMENT UNTIL MAY 1995

(Rs Crore)

Actual Inflow of Foreign Direct Investment in respect of:	Total 1991-1995	1995 (Up to May)	1994	1993	1992	1991
(i) Government's Approval	4766 6	1611 5	1500 8	985 2	478 0	191 2
(ii) RBI's Automatic Approval	1049 5	398 3	362 6	241 1	47 5	Nil
(iii) NRI's						
(a) 40 per cent scheme	2830 4	852 6	852 4	489 8	148 0	160 3
(b) 100 per cent scheme			255 9	69 8	1 7	Nil
Total (i + ii + iii)	8646 5	2862 4	2971 7	1785 9	675 2	351 4

C INDUSTRYWISE BREAK UP OF FOREIGN COLLABORATION APPROVALS

Sector	August 1991 to April 1995 Total No of Investment Approvals	Investment Amount (Rs Crore)	Per Cent to Total Investment
Metallurgical Industries	267	4025 0	12 2
Ferrous	152	3193 9	9 7
Fuels	131	7567 3	23 0
Power	12	3359 1	10 2
Oil refinery	71	3599 3	10 9
Electrical machinery	1149	2307 9	7 0
Electrical equipment	666	1055 9	3 2
Computer software	247	751 9	2 3
Telecommunications	145	2174 3	6 6
Transportation industry	279	1747 0	5 3
Automobile industry	217	654 7	2 0
Non-electrical machinery	1147	1435 0	4 4
Industrial machinery	626	867 8	2 6
Chemicals and allied industries	877	3139 2	9 5
Chemicals (other than fertilisers)	712	2807 3	8 5
Agro-based industries	959	4385 4	13 3
Food processing industries	362	2044 6	6.2
Construction-based industries	177	882 0	2 7
Cement and gypsum products	35	391 0	1 2
Financial services	202	2596 0	7 9
Hotel and tourism	111	1717 1	5.2
Miscellaneous industries	752	996 3	3 0
Total	6196	32972 2	100 0

D STATEWISE BREAK-UP OF FOREIGN INVESTMENT APPROVALS

State	August 1991 to May 1995 Total No of Investment Approvals	Investment Approved (Rs Crore)	Per Cent to Total Approved Investment
Andhra Pradesh	163	1282 5	3 7
Assam	4	1 5	neg
Arunachal Pradesh	2	1 1	neg
Bihar	12	79 3	0 2
Gujarat	143	2414 3	6 9
Goa	22	90 9	0 3
Haryana	142	420 9	1 2
Himachal Pradesh	14	277 1	0 8
Karnataka	205	779 4	2 2
Kerala	36	85 5	0 2
Madhya Pradesh	59	982 6	2 8
Maharashtra	464	5735 1	16 5
Orissa	24	1743 5	5 0
Punjab	34	512 1	1 5
Rajasthan	85	454 5	1 3
Tamil Nadu	275	2442 1	7 0
Uttar Pradesh	120	798 7	2 3
West Bengal	101	3701 3	10 6
Delhi	235	3574 1	10 3
Chandigarh	10	72 4	0 2
Pondicherry	18	115 0	0 3
Others	1066	9270 7	26 6
Total	1650	34844 7	100 0

Source: *SIA Newsletter*, Ministry of Industry, Government of India, May and June 1995

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript * stands for August (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year

COMMENTARY

Growing Indo-US Military Ties

Gautam Navlakha

The reported presence of foreign military personnel in Jammu and Kashmir needs to be viewed not in isolation but against the background of the rapidly growing Indo-US military ties, including the augmentation of the US military presence in the Indian Ocean area, joint Indo-US military exercises involving the participation of US nuclear-powered ships and frequent visits of US naval ships to Indian ports.

REPORTS concerning the alleged resignation by Lt General Surinder Singh, GOC-in C northern command, and the subsequent denial by the army headquarters (September 1) are a cause for concern. If it is true that there is disquiet in the army over the presence of foreign military personnel in an area of considerable strategic importance. The government should inform parliament and, through it, the Indian public. People have a right to know the exact status of the so-called foreign military 'experts' in Jammu and Kashmir (J and K) and whether 'finer points of diplomacy' are merely an euphemism for concessions.

It is strange that whereas the presence of foreign military personnel in J and K is seen as compromising sovereignty, not much has been made of the augmentation of the military presence of the US in the Indian Ocean area, particularly the Arabian Sea. Since US national interests dictate the need for this presence why is no question raised about the joint Indo-US military exercises? The last such exercise was held in June this year in which two US nuclear-powered ships participated off Cochin. The exercises also included para-commandos for high altitude warfare. It is worth noting that the first report about the resignation of general Surinder Singh (*Indian Express*, August 31) refers to an unnamed army source saying that though the government of India (GOI) had disallowed US troops access to the army's high altitude warfare school at Gulmarg, they have been permitted to witness and participate in the army movements and possible operation in the mountain reaches of the valley. This means that what the GOI had been reluctant to allow as part of the joint exercise is now available to three countries – the US, Germany and Britain – for the asking. Therefore, the presence of foreign military personnel in J and K cannot be viewed in isolation.

What is also surprising is the lack of public protest at the presence of the US nuclear powered ships capable of carrying nuclear arms. It was the GOI which in an official statement issued on June 8 claimed that the US navy did not carry nuclear arms, and that the exercises were held in international waters. No one pointed out that as a rule the US never denies or confirms the presence of nuclear arms even to its allies. New Zealand's experience provides the evidence. In 1987 the Labour government refused permission to US naval ships to call at its ports during ANZUS exercises after the US refused to either confirm or deny presence of nuclear weapons on board. Therefore, the GOI statement was a lie. Furthermore, the joint exercises off the Indian coast with outside powers underplays one of the most important sources of threat to the region. The US has adopted a bellicose posture *vis-a-vis* Iraq, Iran and any other country doing business with them.

Cause of Instability

It is worth remembering that till the mid-1980s annual reports of the ministry of external affairs and the ministry of defence used to criticise the US naval presence in the Indian Ocean and demand the dismantling of the base at Diego Garcia. In the wake of the Gulf war, the US has upgraded Diego Garcia, deployed ground troops in Kuwait and Saudi Arabia, acquired bases in countries comprising the Gulf Co-operation Council (GCC), and now makes regular port calls to India, Pakistan and Sri Lanka. Regular military exercises are held by the US central command with Pakistan and the US pacific command with Indian armed forces. It is also notable that the US has 15 vessels in the Indian Ocean including aircraft carriers. The US administration is setting up a new 'fifth fleet' for the region to defend US 'security interests' and has acquired in Kuwait and Qatar the right to store heavy weaponry of mass destruction. According to the US defence department, this allows it "to quickly link up personnel with equipment in theatre [of war]".

It is against this background that one has to read the importance of US proposals for India. At a press conference held in New Delhi on June 7 the C-in-C of the US Pacific Fleet Admiral Ronald J Zlatopes told correspondents in the presence of Indian defence officials that the US was exploring ways of increasing the frequency of visits by warships at Goa and Cochin from the Gulf, utilising the services of Indian shipyards for repairs. He added that the US was keen on an agreement for its "naval ships doing repairs in the Mazagon Docks and making Cochin and Goa as permanent ports of calls for the US navy, which has a large deployment in the Persian Gulf". These requests for rest and recreation of the US troops, repair facilities for their naval vessels or entry into high altitude warfare school in India are all part of the US and the EU's strategy to defend their oil supply routes, turn GCC into a captive market, protect the client-states of GCC and dominate the Indian Ocean trade and communication routes. These objectives are contrary to the long-term interests of the countries in the region, specifically India. The Congress and the BJP had backed the Chandrashekhar government when it succumbed to US arm-twisting during the anti-Iraq war in 1990 to allow refuelling of US reconaissance and transport planes. More recently in 1993, US warships detained and searched an Indian merchant navy ship in the Persian Gulf. Further, US treasury secretary Robery Rubin protested at the coinciding of his visit to India with that of the Iranian president in April. There was also a motivated campaign in Germany and the US against Indian exports of chemicals to Iran under the guise of claiming that these exports were meant for 'nerve gas' production. The hypocritical commitment of the US and the EU to nuclear disarmament and non-proliferation of weapons of mass destruction seeks to protect their monopoly and is a recurrent irritant for India. It should be apparent therefore that US military presence or that of Germany and Britain is a major cause of instability in the Indian Ocean. To characterise this as 'friendly' or to pass it off as pragmatism is to lower one's guard against imperialism.

Wrong Target

Despite this, the highest echelons of the GOI argue that since Pakistan is the main threat to India (with China to a lesser degree) then winning over the US and the EU would isolate Pakistan. The coincidence of the Indo-US defence ties beginning in 1990, with the moment of extreme vulnerability of the Indian economy and just prior to the new period of 'illiberalisation' of economy should not be overlooked. Within five years, in January 1995, a defence agreement was

signed between India and the US. All this has been defended in the name of containing Pakistan. Therefore, concessions in the form of military and economic openings are intended to match and neutralise those being made by Pakistan. Thus, the ups and downs in Indo-US ties are related to the current status of ties between India and Pakistan with the US. To cite an example the first meeting of the US-Indian joint policy group, established during US defence secretary William Perry's visit in January, was scheduled for June 20-22 at Washington. India called off this meeting because it was offended by the revival of the US-Pakistan defence consultative group set up in 1980. The remarks of under-secretary Walter Slocombe that the Indo-US bilateral defence ties have to evolve 'gradually' so as not to alter the balance of power in the subcontinent was seen as a rebuff to Indian efforts to develop more substantive security relations with the US. When the ostensible premise governing India's relations with the US remains unachievable, the GOI and parliament are expected to re-evaluate and interrogate the fundamental basis of India's political relations with neighbours and the big powers. Instead, the failure becomes an occasion for adopting a chauvinistic posture *vis-a-vis* Pakistan and other neighbours. In other words the absurdity of upgrading Pakistan as the main enemy and downgrading a global imperial power as source of danger to the region is never questioned. However, the presence of US naval ships in the Indian Ocean, the large deployment of the US ground forces in the Persian Gulf countries with the simultaneous expansion of US economic activity in India will certainly affect us.

Nonetheless, it should be remembered that the concern of the Indian army at the presence of 'foreign troops' is a self-serving argument. Had the army been so concerned at the dilution of Indian sovereignty, it ought to have been the first to raise an alarm at the burgeoning Indo-US ties, which are nothing but one-way appeasement of the US. Equally, if the army was concerned at the violation of national interests then it should have opposed its deployment in any anti-insurgency operation as a diversion of its attention and resources from areas which require urgent redressal. What is more the army has not once condemned the threat posed to Indian sovereignty by the activities of Hindutva brigade which has time and again brought the country to the brink of civil war.

A close look at some arguments of the army shows that such deliberate leaks are in fact meant for enhancement of its authority and additional allocation of resources. For instance, it is claimed that the army has not been utilised adequately in the anti-insurgency operations in J and K, Punjab and the north-east. It is claimed that the army cannot train specialised forces or equip them with the latest weaponry due to 'resource crunch'. Facts, however, suggest otherwise. It is remarkable that whereas the social expenditures by the GOI do not keep pace with the official inflation rate, expenditure on defence is protected. Unlike all other budgetary allocations defence expenditure proceeds from an already bloated base, rising within a decade (1986-87 to 1995-96) from Rs 10,500 crore to nearly Rs 29,000 crore. Indeed, if the army were to cease maintaining hundreds of golf courses all over the country tucked away under the item 'training' it can save crores of rupees and use it for actual training. As for unavailability of better weaponry one can safely assume by looking at the burning down of Charar-e-Shariel that upgrading of weaponry would wreak havoc many times worse.

Besides the army is engaged in anti-insurgency operations in J and K and north-east under a *carte blanche* in the form of the Armed Forces Special Powers Act and the Disturbed Area Act. These two acts make it an extra-constitutional authority. The chief minister of Manipur stated on August 20 that 'Operation Sunnyvale' was undertaken by the army without a 'request' from the state government. Thus, the complaints about 'inadequate utilisation' of the army are hard to believe. What strengthens this perception is the destruction at Charar-e-Shariel which not only resulted in burning of the shrine and one-third of the town but also the escape of twenty 'guest' militants, including Mast Gul, through the army dragnet. The prime minister, passing the buck, claimed that the local army commanders were given 'full authority' at Charar-e-Shariel. However, the refusal to order a judicial inquiry into the incident makes clear that gross dereliction of duty either in form of atrocities or bungling enjoys official protection.

It is disconcerting to see the liberal squandering of public wealth going hand in hand with rise in military spending to suppress social discontent. It is against this background that foreign investments are being followed by the presence of foreign military personnel and increase in military ties with the US. All this calls for a public debate, lest the GOI drags the country into the quicksands of anti-insurgency and anti-Pakistan hysteria while pandering to the growing demands of the imperial powers who are beginning to occupy strategic heights in the country's affairs.

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Revamped Public Distribution System
A Field Report from Maharashtra

Madhura Swaminathan

The 'revamped public distribution system' – introduced as part of the government's new economic policies – was to reach all households in the target area and ensure that they had easy access to fair-price shops. How has the scheme worked?

IN 1992, the government of India introduced a new scheme, the 'Revamped Public Distribution System' (RPDS). The objectives of this scheme were to expand and improve the system of delivery of commodities through fair-price shops in certain areas of the country identified as 'backward' areas (such as areas with a concentration of people of the scheduled tribes or drought-prone areas). In areas covered by the RPDS the policy aimed to improve the coverage of income-poor consumers by the public distribution system (by increasing the number of fair price shops by providing all households with a ration card and so on), to increase the range of commodities supplied to ration-card holders and to provide foodgrains and other commodities at prices lower than in the regular public distribution system (PDS). To put this policy in practice, the government of Maharashtra introduced in 1992, a Special Action Plan for 115 tehsils, of which 68 tehsils were defined as 'tribal areas'. The plan included provisions for setting up new fair-price shops, for introducing mobile shops, and for supplying additional commodities such as tur dal (pigeon pea), tea powder, iodised salt, washing and bathing soap to ration cardholders. Special prices and quantities were also announced for the commodities to be distributed in the RPDS.

In May-June 1995, I undertook a small study of the 'revamped' public distribution system in Karajgaon, a village in the Talasari tehsil of Thane district.[1] The tehsil is entirely rural and most of the population are people of the varli scheduled tribe. It is a region with a low density of population. Most households own a few acres of rain-fed land and cultivate one crop annually. It is also an area with very low levels of literacy, particularly female literacy. In 1991, only 11 per cent of women in Talasari tehsil were literate. However, women's participation in the workforce is high, higher than the all-India average. Women in the village were active in cultivation and in other agriculture- and forest-related activities.

Malnutrition among women was widespread.[2] Anthropometric data that I collected show that 53 per cent of the women surveyed were undernourished on the basis of the Body Mass Index.[3]

To recapitulate, an objective of the 'revamped' PDS was to reach all households in the target area and ensure that they had easy access to fair-price shops. A fair-price shop was opened in the village in 1992. the shop is on the main road connecting the village with Dahanu in the south and Umargam in the north-west. The 'revamped' scheme was not universal: of the 42 households I interviewed, nine households did not possess a ration card. For most households, purchases from the fair-price shop were infrequent and small relative to their consumption needs. In the month before the survey, May 1995, only six households had bought rice or wheat from the fair-price shop. Not a single household bought cooking oil, lentils, tea, soap, or salt from the public distribution system.

Based on entries in ration cards for the previous 12 months, I estimated the total quantity of cereals bought from the fair-price shop between June 1994 and May 1995.[4]

These data indicate a low level of utilisation of the PDS. Among the 37 households for which I have complete data, the annual purchase of cereals from the PDS averaged 9.5 kg per person.[5] This figure is lower than the state average, for 1991, of 24 kg per person. In Kerala, the state with the most successful public distribution system in the country, purchases of cereals (rice and wheat) averaged 69.6 kg per person in 1991. Using the ICMR norm of 370 grams a day as a desirable minimum, annual cereal requirements are 135 kg per capita. Among the surveyed households, purchases from the PDS accounted for only 7 per cent of this norm. In short, the contribution of cereals supplied through the public distribution system to total requirements of cereal consumption was very small, and the quantity of cereals bought by families in an area covered by the 'revamped' PDS – introduced as part of the government of India's new economic policies – was actually less than the average for the state as a whole.

In many parts of India, particularly urban India, purchases from fair-price shops have declined in recent years because the price differentials between market prices and ration prices have narrowed. In the Talasari region, however, there is still a substantial price differential between private markets and fair-price shops. The common variety of rice, for example, costs around Rs 5.50 per kg in the fair-price shop and Rs eight in private stores in Umargam, the nearest market. The unit price difference is proportionally higher still for wheat, sugar, cooking oil and lentils. Most people said that they did not buy goods from the PDS because the commodities were not available when they visited the fair-price shop. For those with low incomes, and particularly for manual daily workers whose earnings are irregular, it is difficult to buy foodgrains from the fair-price shops; when workers have the money, the stores have no stocks of cereal, and when they have stocks, workers either do not have the money or cannot afford to buy cereal in bulk. In May 1995, 37 of the 42 households interviewed could not afford to buy the common variety of rice in the market either. Instead, they purchased 'kani' or broken rice at a rate of Rs six to seven a kilo. In other words, because of irregular supplies of grains through the RPDS, consumers paid more in the private market than in the fair-price shop and they did so for a commodity of lower quality.

If the effectiveness of the 'revamped' public distribution system were to be judged in terms of whether it provided all households with an adequate quantity of foodgrain and certain other basic commodities at reasonable prices, it must be judged a failure in Karajgaon village.

Notes

[I am very grateful to Mariam Dhawale, Hemlata Kom, Sanjoy Raut, Sainoo Sutar, Shakuntala and Ramji Vartha for their help during my field visit, and to V K Ramachandran for his advice and comments.]

1 This case study is based on intereviews conducted with 42 households in the three settlements ('padas') of Karajgaon village. I estimated that there were 179 households in the village in 1995. I did not have a full listing of all households. I went to every hamlet of the village and interviewed households in every hamlet.

2 The cereal intake recommended by the Indian Council of Medical Research (ICMR) is 370 grams per day; this is in addition to the other elements of a balanced diet. Preliminary results from my study indicate that the average daily consumption of cereals per capita was about 290 grams; other items of the recommended diet (lentils, vegetables, edible oil, meat, fish and eggs, milk and milk products) were eaten irregularly, if at all.

3 This is based on data for 53 women. The Body Mass Index (BMI) is defined as weight/(height^2); the cut-off norm for identifying undernutrition that I have used is a BMI of 18.5.

4 One problem with the data was that, in some cases, the households said they had not bought the quantities entered in the ration card by the fair-price shop dealer. This problem of 'false entries' needs to be investigated further.

5 If the ten households who made no purchases are excluded, the average quantity purchased was 13 kg a year.

Redressing Water Scarcity

Limitations of Governmental Approach

Abhas Kumar Jha

The ministry of rural development has recently come out with new guidelines for watershed development in areas coming under the Drought Prone Areas Programme and the Desert Development Programme. While they incorporate a more innovative and flexible approach to watershed management, they still continue to neglect important issues including gender-related problems and common property resources.

IN April 1993, the government of India, constituted a technical committee under the chairmanship of C H Hanumantha Rao to go into the technical parameters for inclusion and exclusion of areas from the Drought Prone Areas Programme (DPAP) and the Desert Development Programme (DDP) and also to suggest modifications in the guidelines to streamline the programmes. The report was submitted by the committee (hereafter referred to as the Report) after extensive field visits, receiving memoranda from the state governments, deliberations with a number of experts and nine meetings. The ministry of rural development, in its reponse to the report, has come out with the revised Guidelines for watershed development (hereafter referred to as the Guidelines).

The DPAP can be traced back to 1970-71 when the rural works programme was launched with a view to reduce the severity of drought in the affected areas covering 54 districts along with parts of 18 other districts. The DDP was started in 1977-78 in the light of the interim and final reports of the National Commission on Agriculture which suggested an afforestation and livestock development programme for the hot and cold desert areas. Both the programmes have seen a considerable dilution and shifts in objectives to be achieved. At the core of these programmes is the emphasis on ecologically sustainable development through activities relating to soil conservation, land shaping and development, water resources conservation and development, afforestation and pasture development. However, the programmes were confined to the generation of employment and renumerative work up to the fourth Five-Year Plan when mitigation of scarcity conditions got added as an objective. The mid-term appraisal of the Fourth Plan shifted the emphasis of the two programmes from generation of employment to creation of durable assets. It was the recommendation of the task forces headed by B S Minhas and M S Swaminathan and the 1988 mid-term appraisal of the Seventh Plan which clearly spelled out drought-proofing and control of desertification as the main objectives of the DPAP and DDP. However, in the process "the direction of the programmes got diluted depending upon... the perception of the state governments, spending capabilities of sectoral departments and pressures exerted by different interest groups...DPAP/DDP were perceived to be against the short-term gains .. and pulled away from the integrated approach to long-term drought-proofing of the area." [*Report*, paras 2.17 and 2.20] Thus, the Report finds three major factors responsible for the failure of the programmes: "(1) Poor and ad hoc planning without any serious regard for the watershed approach, (2) An almost complete lack of people's participation, and (3) Weak co-ordination between and lack of integration among' works undertaken by different agencies involved in operation" [*Report*, para 4.1.1]

The net result of all the above factors has been that the progress of these programmes has been chequered, at best. The Report brings out the interesting fact that the areas treated under the DPAP, so far, comes to about five million hectares which is only about 10 per cent of the geographical area of the blocks under the DPAP. The area treated under the DDP accounts for only about 1 per cent of the total area in the selected blocks [*Report*, para 3.2] The Integrated Wasteland Development Programme (IWDP, which is now under the purview of the Watershed Guidelines) has also been marked by poor disbursements and low coverage [see Roychoudhary (1994b) for a discussion of the achievements of the IWDP]. The DPAP has also been criticised on the grounds that the productive assets produced under the programme are often extensions of resource intensive and drought vulnerable development packages. As a result, drought has often intensified and expanded as a result of such ecologically indifferent packages [Rangaswami quoted in Bandopadhyay et al 1986].

The Guidelines, on the basis of the Report, seek to formulate common objectives, strategies and expenditure norms for watershed development within the DPAP, DDP, IWDP, Employment Assurance Scheme (EAS) and Intensified Jawahar Rozgar Yojana (IJRY). A rough estimate of the availability of funds for watershed development in 1995-96 would be:

	(Rs crore)
DPAP	200
DDP	100
IWDP	100
EAS (50 per cent of total funds)	600
IJRY (50 per cent of total funds)	350
Total	1350

This is largely on the lines suggested by the Report (para 4.5.5). A commitment of such a substantial amount of funds for watershed development is, by itself, a major and welcome policy shift. The Guidelines, however, stop just short of bringing the entire gamut of rural employment and area development programmes within its ambit by committing 50 per cent of JRY funds. This would have meant approximately an additional Rs 1,000 crore for watershed development. Equally significant is the acceptance of great flexibility in the expenditure norms of the Guidelines. This has been a long-standing demand of NGOs working in the area of wasteland/watershed development [Roychoudhary 1994b]. The Guidelines do not lay down cost norms for specific activities but instead lay down broad area specific norms for the entire project [*Guidelines*, para 4.6, 4.7 and Appendix II]. This fact is stressed upon by the Report as well (Para 4.7.16]

Problems in Implementation

The implementational structure envisaged by the Guidelines at the district level is somewhat confusing. There will be a number of Programme Implementation Agencies (PIAs) in the district whose job will be to "motivate the gram panchayats to pass the necessary resolutions to make public contributions, conduct Participatory Rural Appraisal (PRA) exercises to prepare the development plans for each watershed, undertake community organisation and training for the village communities, provide technical guidance and supervision of watershed development activities, manage project implementation, inspect and authenticate project accounts, undertake action research to adapt low-cost technologies and/or validate and build upon indigenous technical knowledge, monitor and review the overall project implementation and set up institutional arrangements for post-project operation and maintenance and further development of assets created" [*Guidelines*, para 31] This is a tall order indeed. Given the general state of the technical and institutional capabilities of district level agencies it is almost certain that finding a requisite number of competent PIAs will be next to impossible.

Below one PIA there will be a number of multi-disciplinary Watershed Development Teams (WDTs), each WDT handling 10-12 projects. All members of the community in the watershed area are to be organised into

a registered watershed association which will meet, at least, twice a year to evolve/improve the watershed development plan, monitor and review its progress, approve the statement of accounts, form user/self help groups, resolve differences or disputes between user/self help groups, approve the arrangements for collection of public/voluntary contributions, etc. The day-to-day activities of the project will be carried on by a 10-12 member watershed committee to be nominated by the association. Each project will have a full time paid watershed secretary.

The logic behind such a plethora of agencies is inexplicable. While the association (which is the general body of the community of persons benefiting from the watershed), the committee as the implementational wing of the association and the WDT as an input of technical expertise is understandable, the PIA appears to be a redundancy in the scheme of things.

The administrative structure envisaged by the Guidelines is also inadequate. It is mentioned in passing that the state government departments participating in the programmes shall be subject to the overall supervision and guidance of the DRDAs/Zilla Parishads [*Guidelines*, para 34]. Given the psychology of protecting one's turf by all sectoral departments this will be difficult to enforce. The Guidelines should have made it necessary for each state to form a watershed directorate on the pattern of Karnataka, in which the staff of the various sectoral departments could be deputed purely on a voluntary basis with, perhaps, a generous deputation allowance as an incentive. These persons could then be placed under the administrative control of the chief executive officer of the zilla parishad/DRDA as the case may be.

The feasibility of people's participation in an unequal social setting and, more importantly, of policy mandated' community participation, is largely debatable. A number of studies have pointed out that the success in environmental regeneration at Sukhomajri was, in a large measure, facilitated by the fact that the village was a small largely homogeneous community. Out of a total of 39 families only 2 were Jats, the rest being Gujjars [see Chambers et al 1989, Roychoudhary 1994]. The same experiment when tried in other, less homogeneous communities was less than successful, e g, the village of Lohgarh where the Harijans accused the high caste people of usurping all the benefits.

Chambers et al (1989) have defined three characteristics for the success of community control and management. (1) The village has certain unique geographical and socio-economic characteristics (upland/tribal village, undulating topography, a population of 50-100 families, dependence on wastelands very high, one caste dominant, authority of village elders still intact etc), (2) The gains from organisation are high for both the village elite and the commoners, and (3) A leader willing to run the show for non-monetary gains. The experience of the Joint Forestry Management (JFM) Programme in West Bengal further illustrates the point. The JFM programme in the state has often been hailed as a major success story and a policy model to be followed by all the other states. Arora (1994) has pointed out that people's participation in forest management preceded the introduction of the JFM rules in 1989. There were more than 1,200 protection committees existing in the state before 1989. Moreover the existence of active panchayati raj institutions and the policy of land reforms preceded the introduction of the JFM rules and doubtlessly contributed to the active public participation in the programme.

In this context, the Guidelines appear to set great store to the fact that the watershed associations will approve the watershed plan, expenditures and accounts. This, by itself, means nothing at all as the experience of the JRY has shown. JRY requires the annual action plan of the panchayat to be approved by the general body of the panchayat. In many, if not most, cases the 'Aam Sabha' is either not held at all or, if held then the poor do not or are not allowed to participate. The point is that 'people's participation' cannot ignore the larger socio-economic context.

Neglected Issues: Gender and CPRs

Both the Report and the Guidelines fail to address adequately the critical issue of Common Property Resources (CPRs) in high stress eco-systems. The Report merely states that the treatment plan for the watersheds should "include all categories of lands including . village commons [*Report*, para 4.2 5]. Similarly, the Guidelines mention that the watershed development plan "should specifically outline the problems of and the approach to tackle (amongst other things) CPRs" [*Guidelines*, para 87]. Jodha (1990) has shown that during drought the percentage of rural households using CPRs goes up significantly (range of values were 68-72 per cent in drought years as compared to 25-38 per cent in non-drought years). Similarly, the CPR contribution to total sustenance income (excluding relief and credit) in drought years ranged from 42-57 per cent as compared to 14-22 per cent in non-drought years. The complementarity of CPRs with Private Property Resources (PPRs) has also been shown to be significant in dry regions through the sustenance of farm animals (as a source of forage and fodder) and by filling resource and product gaps faced by PPR based systems. It has also been found that despite large scale depletion of CPRs the rural poor continue to depend on them. Traditional farming systems in dry areas partly derive their stability and viability through CPRs [Jodha 1986]. In this context the protection and regeneration of CPRs should clearly have been the point of central focus in the Guidelines, which is clearly not the case. A related issue is that of the sharing of usufructory benefits. The failure to define, establish and publicise the rights to the trees and the procedures for marketing and allocating benefits has been seen to be crucial in the failure of community forestry programme [Chambers et al 1989: 167]. Both the forest policy (GOI 1986) and 'the National Conservation Strategy and Policy Statement on Environment and Development' (GOI 1992) assign an important role to a clear and unambiguous definition of unsufructory rights. This is another important issue which remains largely unaddressed by both the Report and the Guidelines. The latter require that those villages be given priority in selection in which a resolution is passed that the benefits from CPRs and other community assets created under the programmes will be shared with the weaker sections of society [*Guidelines*, para 25(d)]. The capacity of the poor to get such a resolution enforced and the willingness of the bureaucracy to enforce it is highly questionable.

Both the Report and the Guidelines totally ignore the crucial role women can play in watershed development. This is an extremely important omission. The Guidelines only require that 'adequate representation' be given to women in the watershed development committee [*Guidelines*, para 37]. Women most often lose out in benefits from forests and forest activities. They are the main collectors of fuelwood, fodder and minor forest produce. The Second Citizen's

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Report on the State of India's Environment states, "Probably no other group is more affected by environmental destruction than poor village women. Every dawn brings with it a new march in search of fuel, fodder and water" [CSE (1987) quoted in Kumar 1992]. See the latter for an interesting discussion of the women's movement *vis-a-vis* the environment. See also Geeta Sen's article in Sen et al (1994) for a feminist perspective on the issues of environment, population and development]. Several NGOs have shown the way in making women self-reliant through programmes for environmental regeneration. Community involvement also appears to be greater in programmes with greater female participation [see Vohra (1990) for the experiences of MYRADA, Banwasi Sewa Ashram and the Rural Development Association in this regard] The Guidelines needed to take a much more aggressive and pro-active stand on the gender issue by requiring that a minimum of 50 per cent of watershed secretaries be women and by assigning certain specific tasks like the raising of nurseries, seed banks, and fuel and fodder banks exclusively to women.

Difference in Emphasis

There are several subtle, yet important, divergences between the Report and the Guidelines The Report gives the eminently sensible suggestion that once the blocks to be taken up under the programmes are selected, different micro-watersheds of area not exceeding 500 hectares may be identified using remote sensing techniques [*Report*, para 4.2.6]. Using the severity of soil erosion and depletion of vegetal cover as the selection criteria, all the micro-watersheds can be prioritised in a manner such that each village in a block is covered within 10 years In case of similar resource degradation in more than one micro-watershed the report suggests that scarcity of drinking water, larger population of SC/STs, preponderance of common lands and watersheds where actual wages are significantly lower than the minimum wages may be made the selection criteria [*Report*, para 4.2.7]. The Guidelines do not refer to the use of remote-sensing maps at all, and instead reiterate the latter four criteria of the Report and, in addition, introduce contiguity to a previously taken up micro-watershed as a selection criteria [*Guidelines*, para 26]. The use of the more objective criteria of remote sensing evaluation of soil erosion and depletion of vegetal cover, particularly when the technology is readily available, for initial screening and prioritisation of the micro-watersheds would be significant in resisting the local level political pressures for spreading the resources available thinly over a number of villages and constituencies.

Equally significant is the criteria for selection of blocks under DPAP/DDP. The Report suggests the use of the moisture index (MI) as a criterion for coverage and allocation. The MI = (P–PE)/PE × 100, where P = Precipitation and PE=Potential Evapotranspiration. On this basis the following criteria is suggested:

MI	Programme Permissible	Eco-system	Irrigated Area (Percentages)
<–66 7	DDP	Arid	50
–66 7 to –33 3	DPAP	Semi-arid	40
–33.3 to 0	DPAP	Dry-sub humid	30

[*Report*, paras 4 7 2 and 4 7.7]

The Guidelines say nothing at all on this subject.

Similarly, the entire issue of the conjunctive use of surface and groundwater fails to find mention in the Guidelines. The Report lays great stress on this aspect and even gives a negative list of irrigation structures, i e, those whose construction is to be discouraged in the programme areas (para 4.4 2) It is true that the data on groundwater extraction and recharge are highly inaccurate [Moench 1992] However the groundwater potential as assessed by the various state level groundwater agencies would be an important variable in the selection of the micro-watersheds in that the 'grey' and 'dark' zones should be high priority areas. Equally strange is the fact that the concept of water budgeting fails to find mention in both the Report and the Guidelines. A water budget must necessarily form a part of every micro-watershed plan.

The critical question to be asked is what do the success stories tell us? We now have a number of well documented successes in this field such as Sukhomajri, Ralegan Siddhi, Jhabua, Kabbalnala and Adgaon. The problem is that many of these experiences are situation specific; the beautiful but not-replicable variety. Often a dynamic leader has been the crucial catalyst; whether it is Annasaheb Hazare in Ralegan Siddhi, Vijay Borade in Adgaon or P C Mishra in Sukhomajri. The Guidelines clearly seek to build on the experiences gained so far, both by the NGOs and government agencies An interesting innovation in this regard is that one of the activities permitted by the Guidelines as a community entry-point activity is repairing a village temple (para 70). This clearly draws on the experience of Ralegan where one of the first activities undertaken by Anna Hazare was the renovation of the Baba Yadav temple [Meeta et al 1994]. Another innovation is allowing exposure visits to successful enterprises for members of the user groups to be borne out of the administrative costs (Para 75). It can be hoped that gradually an active information network will be built up with exchange of views through various fora including, perhaps, a newsletter.

The Report and, even more so, the Guidelines are extreme departures from usual government policy statements. The manner in which both the documents seek to build upon the experience gained so far in watershed development, especially the indigenous methods of 'drought coping', is extremely praiseworthy. The stress on 'shramdaan', the focus' on community participation and empowerment and the flexibility in expenditure norms are all significant innovations. What we have sought to show here is that there remain vital omissions and shifts in focus and, more importantly, there are certain inherent limitations and contradictions of policy mandated people's participation. Nonetheless, the spirit behind the two documents is admirable, based as it is on delegation and trust in the ultimate beneficiaries of the programmes.

[The views expressed here are personal and do not, in any way, reflect the views of either the government of Bihar or the government of India]

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Left Front and the Police

Case of Bhikari Paswan

Biren Roy

It has become customary for the Left Front government to defend every action of the state police, however brutal and indefensible. This is making it possible for the Congress, and the Youth Congress leader Mamata Banerjee in particular, to emerge as champions of human rights.

THE mysterious disappearance of Bhikari Paswan, reportedly from police custody, has raised serious questions about the role of the West Bengal state police and, by extension, of the Left Front government. The sequence of events was as described below

Bhikari Paswan was a casual worker employed in the Victoria Jute Mill, Telenipara, in Hooghly district, owned by R J Brearley, a British citizen who generally resides in London There was enough discontent among the workers for the management's default in payment of PF dues, arrear bonus and wages which totalled about Rs 18 crore The workers were demanding that the weekly wages and arrear bonus due to them be paid before the Puja holidays that were to start on October 22, 1993. There were a number of unions in the mill affiliated to different trade union centres, but none of the unions paid serious attention to the workers' grievances Discontent brewing from before burst into the open over the non-payment of workers' dues which were to be paid on October 17, 1993 The whole wrath of the workers was directed not so much against the management as against all the unions whose local offices were smashed and leaders were attacked Some unions lodged an FIR with the local police outpost. As a consequence seven workers were arrested On the morning of October 21, about a thousand workers assembled at the local police station and demanded the release of their colleagues, but the police refused to release them There was a scuffle between the agitated workers and the police. As a result, several workers were injured and a police constable, Balaram Singh, who was seriously injured, later succumbed to his injuries in hospital Following this, a case was registered and some workers arrested. Bhikari Paswan's father filed a writ petition on November 22, 1993 before the Calcutta High Court in which he alleged that his son (Bhikari Paswan) had been picked up by the police on the night of October 30-31; since then he had not been produced before any court and had remained untraced. The police denied the allegation and stated that Bhikari Paswan had not been arrested at all

But according to the Association for Protection of Democratic Rights (APDR) which also filed a habeas corpus petition before the Calcutta High Court on November 17, 1993 and also sent a fact-finding team, 22 persons had been arrested. Bhikari Paswan was one of them and his name appeared in the list of arrests (serial number 19) which was later tampered with by the police and the name of Nizam was written in Bhikari's place In support of its contention, amongst other evidence APDR has cited the report of Central Forensic Science Laboratory which, *inter alia*, states

> A careful microscopic examination reveals that the existing blue carbon writings reading 'Nizam' has been written over some original blue carbon writings which when deciphered read as "Be - a - e" The letter at the second dash position could be small 'h' or 'l' The letter at the 3rd dash position after small letter 'a' could be small 'r' The two straight strokes have been used to prevent the reading of the final small English letter 'e'.

After recording some evidence, including that of the police, the division bench of the Calcutta High Court, passed an order to the effect on June 8, 1994 that "it is necessary to investigate the matter by an independent agency and so we direct the CBI to report whether Bhikari Paswan was at all arrested or taken into custody of police on the aforesaid date". The aforesaid date means the midnight of October 30-31, 1993

The CBI made its enquiry spread over about a year and recorded evidence of concerned persons and submitted its report before the high court on May 13 this year. The report concluded.

> In the light of the facts which have come to light during the investigations, it can be concluded that Bhikari Paswan was indeed picked up by the police party from his residence on the night of 30/31 10.1993 at about 12.30 am His whereabouts since then are not known
>
> Sharad Kumar
> SP CBI
> SIC-II/New Delhi

Another intriguing aspect of the whole affair is that Bhikari is reported to have been a stool pigeon in the pay of the local police.

The CBI report is being contested by the West Bengal state government and the case is now *sub judice*.

It may be asked whether the central police is more dependable than the state police. In this connection, it should be pointed out that all important enquiries in the country have been undertaken by the CBI and the people in general have more confidence in a CBI enquiry. The CPI(M) which heads the Left Front government in West Bengal has supported CBI reports in other states, such as UP regarding atrocities by the UP government during Uttarkhand agitation and also in the case of the murder of the Sikhs in Pilibhit. But it has thought it fit to contest the CBI report in West Bengal where it is in power It has become customary with the Left Front to defend all actions of the police in the state. But this has caused resentment among a wide section of the democratic people. It cannot be ruled out that the Bhikari Paswan case was one of the factors responsible for the defeat of the Left Front candidates in recent civic elections in Chandan Nagar and Chinsurah, areas adjoining to Telenipara where Bhikari Paswan's mysterious disappearance took place.

For the wrong attitude of and wrong steps taken by the Left Front, the Congress(I), especially the Youth Congress(I) leader Mamata Banerjee, has been able to reap political advantage. She has emerged as a great defender of human rights. Nobody can take exception to her giving financial and moral support to the family of Bhikari Paswan and helping the family to conduct the case. But it is an irony of history that the Congress(I) which was responsible for the massacre of political activists inside jails and outside during its regime in West Bengal in 1970s and whose central government imposed the internal emergency in 1975, when trade union and other democratic rights were seriously curtailed, has today become the defender of human rights. It was during the Congress(I) regime in West Bengal that the mysterious disappearance of Saroj Dutta, a well known poet and journalist, took place. Public memory is short and many young person today are not aware of these incidents. The Left Front led by the CPI(M), because of its own role as a violator of human rights, has failed to expose the role of the Congress(I) at this juncture and is on the defensive.

However, it is not too late. There is no point in defending the role of the police in the disappearance of Bhikari. The Left Front government should suspend the police personnel guilty for the disappearance of Bhikari Paswan and should pay adequate compensation to his family. Such steps will take the wind out of the sail of Mamata Banerji and other Congress(I) leaders and help restore the confidence of the democratic people in the Left Front government.

Such steps are not only justified but also urgently called for.

Postponement of Tamil Nadu Panchayat Election

Centre's Role

Girish Kumar

The Tamil Nadu Panchayat Act, 1994, instead of encouraging people's participation through local representative bodies, provides enough grounds for bureaucratic intervention and state control.

THE constitution (seventy-third amendment) act, 1992 has accorded a statutory position to the panchayat institutions. It has also ensured that once a panchayat is constituted under the statute, it cannot remain dissolved for more than six months. However, no deadline has been set for holding the first election for them under this act. In other words, this matter has been left entirely to the sweet will of the state governments. Using this lacuna in the act, many state governments have not even bothered to announce the election schedule for their panchayat raj institutions (PRIs). This shortcoming is particularly glaring in the case of states like Tamil Nadu where panchayat elections are long overdue. In fact, during the last three decades, starting from 1965, panchayat elections in Tamil Nadu have been held only four times, the last election was held in 1986, and prior to that in 1970.

Centre's Complicity

Aware of this shortcoming in the act as well as the state governments' reluctance (leaving aside notable exceptions) to devolve power below the state capitals, the union ministry of rural development announced late last year that funds for rural development programmes will not be given to those states which have not initiated any action to hold the panchayat election under the act. The prime minister also reiterated this warning while addressing a meeting of his party workers in New Delhi on January 30 this year. Yet the Tamil Nadu government maintained studied silence over this issue.

Came February, and the union rural development ministry announced withholding of rural development funds to Tamil Nadu involving over Rs 500 crore. Within hours of this announcement, however, the prime minister intervened to bail out the Tamil Nadu government. Although no official explanation was given for this volte-face on the part of the prime minister, it is not difficult to understand the reasons for it.

The Congress Party has almost been routed in Karnataka and Andhra Pradesh and its prospects are equally bleak in Kerala, thanks to the misrule and high-handedness of the recently replaced chief minister Karunakaran. Indeed, leaving aside Haryana, Punjab and Himachal Pradesh in the north-west, Orissa in the east and Madhya Pradesh in the centre, the Congress has already been dislodged from power in as many as 10 major states, including Gujarat and Maharashtra – until recently considered to be its bastion. Not surprisingly, the prime minister is more concerned about the prospects of his party in the next parliamentary election than the revitalisation of the panchayat system in a state like Tamil Nadu whose track record in this sphere has been dismal. And this, notwithstanding the fact that if a single party could be held responsible for the decline and fall of the panchayati system in the state it is the ruling AIADMK.

AIADMK's Delaying Tactics

As is well known, when M G Ramachandran broke away from the Karunanidhi-led DMK in 1972, he formed the AIADMK, largely enrolling the frenzied members of his fan clubs as its cadres. To these cadres MGR was a living idol, such was the popularity of the silver-screen hero turned politician. Rising on the crest of his popularity, duly strengthened by the rowdyism of these cadres, AIADMK has won so far four assembly elections in Tamil Nadu, twice in alliance with the Congress. Notwithstanding these victories, MGR had realised that with the support of such lumpen elements he would never be able to win elections for the institutions of local self-government, be it a municipality or a panchayat. After exhausting all conceivable arguments – even as frivolous as shortage of electricity to print electoral rolls, water scarcity and giving of serial numbers to houses constructed by state housing board, etc, for not holding elections of either panchayats or municipalities – he found no other option but to hold elections for local bodies in 1986. The result, as MGR had apprehended, was disastrous for the AIADMK as the DMK emerged victorious. In fact, after gaining the control of local bodies, it was easier for the DMK to win the Tamil Nadu assembly elections in 1989.

Although in her party's manifesto for the 1991 assembly elections Jayalalitha promised to hold local bodies election within six months if her party was again voted put to power, four years of her rule have passed with these local bodies remaining under the control of bureaucrats.

It also needs to be mentioned here that the AIADMK voted against the 73rd amendment in parliament, stating that it implied an infringement of the states' powers. The Tamil Nadu assembly ratified the amendment when all other non-Congress-I ruled states had approved it. Ironically, this party, as an alliance partner of the Congress during Rajiv Gandhi's regime, had supported the 64th amendment which indeed was a real encroachment on the autonomy of the states.

Again, just two days before April 24, 1994 which had been stipulated time as the last date for either amending the existing panchayat acts by incorporating in them the provisions of the 73rd amendment act or to frame a fresh legislation on the subject, the Tamil Nadu government came out with its new panchayat act. The state election commission was also constituted in June last year. But a precise schedule was never announced for holding the panchayat elections.

Indeed, apprehending repetition of a 1986 like performance by the opposition parties, particularly the DMK, in panchayat election, the AIADMK government is again resorting to all sorts of subterfuges to postpone them as long as possible. The latest initiative of the AIADMK government clearly bears it out. An amendment to the state's panchayat act, 1994 providing reservation for the backward classes at all levels of PRIs, was brought forward by the state government on the last day of the budget session of the state assembly. Although well aware that this piece of legislation could not be passed on the same day, the government cleverly pressed for its adoption to which the speaker naturally, did not agree. Now given the fact that the next session of the assembly will be held in July, this clearly was well-planned device of the state government to wriggle out of the commitment made through the governor's address to hold the panchayat elections in June.

It is not only that Jayalalitha is reluctant to face the electorate on the local issues, she is also distrustful of the institutions of rural local governance. A close scrutiny of some of the important provisions of the Tamil Nadu panchayat act, 1994 reveals this fact.

Anatomy of Tamil Nadu Panchayat Act, 1994

The Tamil Nadu assembly passed a new act, the Tamil Nadu panchayat act, 1994 which came into effect from April 24, 1994 replacing the Panchayat Act (1958). It has 262 clauses put under 13 chapters.

Gram Sabha (GS)

Under chapter II (clause 3) it is stipulated that the GS will meet at least thrice a year to approve the village plan, annual budget and also review the progress of the implementation of schemes entrusted to the village panchayat. But there is a rider which says there could be a gap of maximum six months between two such meetings. If this provision is availed for any reason whatsoever then in a quick succession three GS meetings could be convened in the remaining six months. What then would be the end-result is not even an intelligent guess. This reflects a casual attitude towards the GS and lack of concern for making it truly an organ of participatory democracy at the grass roots level.

Powers and Functions

The functions and powers of village panchayat, panchayat union council (PUC),

at the block level, and district panchayats (DP) along with their properties are enumerated under chapter VIII which has 56 clauses.

The village panchayat is entrusted with the construction, repair and maintenance of all village roads, bridges, culverts, road-dams, drains, burial grounds, wells (sinking and repairing), lighting and cleaning of streets and public places, cleaning of latrines (both public and private), opening and maintenance of markets, parks, sport clubs, literacy centres as well as centres of physical culture and also centres for imparting social education. Besides, 'such other duties as the government may by notification impose' (sub-clause of clause 111). This last provision also applies to PUC *vide* Section 112(o).

In short, all (municipal) regulatory functions are entrusted to the village panchayats. At the same time the act clearly says, 'provided that nothing in this clause shall apply to water supply for non-irrigation purpose (read drinking water) and to sewage' [clause 111 (i)] But it has no role whatsoever in the field of primary education, health and public distribution system

The PUCs are also supposed to carry out most of these construction, repairing, opening and maintenance works pertaining to several items given above but only those which are classified as panchayat union roads, bridges, etc. In addition, PUCs are given the task of establishing and maintaining dispensaries, maternity and child welfare centres, 'dai' (midwife)-service, houses for poor and orphanage, elementary schools. They have also been given the responsibility of training and employment of vaccinators, etc

The act provides for subsidies to rural medical practitioners and of grants to privately managed elementary schools However, the norms for fixing off the amounts of these subsidies have such payments? It is not been spelt out The act is equally vague about the promotion and encouragement of cottage industries (sub-clause (n)) and also regarding the removal of congestion of population and the provision of house-sites (sub-clause(e))

The duty of district panchayat is to advise the state government 'on all matters relating to the services maintained by and all development works undertaken by all VPs, PUCs' as well as the line departments and agencies placed under the administrative control of the government [Clause 163 (2-a)] Interestingly, sub-clause (2-c) of this clause also empowers the DP to keep a watch on the 'progress of measures undertaken by lower and intermediate level panchayat bodies and government departments'. But what action the DP should take if the progress is found to be unsatisfactory has not been specified.

The appropriate rules and regulations for the day to day functioning of PRIs are yet to be framed Moreover, the contents of the eleventh schedule of the constitution (73rd amendment act) has been copied out *in toto* and appended as schedule IV of the act (clause 257), without any attempt made to distribute the functions among the PRIs at various levels. Under the given circumstances, will it not be too much to entrust the PRIs with the task of so-called decentralised planning? But the clause 240 of the act says that VPs and PUCs will prepare annual development plans 'before such date and such form as may be prescribed'

Government Control

According to clause 204 of the act, if the collector is 'satisfied' with the written submission of a chairperson of a VP/PUC/DP that owing to the non-cooperation of elected members he/she was not able to perform his/her duties, the collector by notification can vest all powers of the concerned panchayat body in its chairperson but for a maximum period of six months. The act does not offer any scope for an explanation to be given by the elected members against whom the complaint is lodged This means the collector can apply his sense of judgment even without knowing the other side of the story

Such vague wordings, one fears, might give rise to sycophancy among the ordinary elected members of panchayat body as well as misuse of power by the collector In any case, this amounts to appeasement of the chairpersons of panchayat bodies at the cost of democratic rights of ordinary elected members

This becomes all the more clear when we look at clauses 205, 207 and 209 of the act which read that if a complaint of a similar nature is made against the chairperson of a panchayat body (VP/PUC/DP) by a two-thirds majority of its elected members, the concerned chairperson will be given a chance to explain his/her position before the collector. However, for the removal of deputy chairpersons of PRIs the collector's power is all the more discriminatory (clauses 206, 208 and 210). It also needs mentioning that the chief executive officers of PRIs can forbid access to the records of PRIs to the elected members 'for reasons recorded in writing' (clause 81).

Besides, clause 232 exempts both, the elected representatives as well as the officials of PRI, from legal action for any alleged neglect or default in the execution of any act 'if such act was done, or such neglect or default occurred in good faith'. This provision is liable to be misused by corrupt PRI elected representatives and executives as well. Finally, under three more clauses 214, 215 and 216 of the act the government has armed itself with arbitrary powers to dissolve the panchayat bodies.

On the whole, it appears, that the Tamil Nadu government is apprehensive about the proper devolution of power below the state capital. In first place, the act does not offer much hope to encourage people's participation in the decision-making process under the aegis of PRIs At another level it discriminates against ordinary elected members in their relationship with the chairpersons of PRIs And finally, it provides enough grounds for bureaucratic intervention and control. With such glaring shortcomings in the act, which could easily erode the functional autonomy of panchayat bodies, the upcoming PRIs under the new act could become anything but institutions for local self-governance – a tall claim made in the preamble of the Tamil Nadu panchayat act, 1994

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From Plantation Slavery to Penal Slavery

Vijay Prashad

As fewer Americans find permanent, well-paying jobs with benefits, the working class will be pleased to find work of any kind; building prisons is not a bad idea and working in 'correctional centres' seems better than starving.

> A political event is reduced to a criminal event in order to affirm the absolute invulnerability of the existing order
>
> – Angela Y Davis, *If They Come in the Morning. Voices of Resistance*, New York, 1971

ON November 19, 1993, the US Senate passed the Violent Crime Control and Law Enforcement Act (the 'Crime Bill') at the initiative of president Bill Clinton and the Democratic Party. Among other provisions, the act allowed 14-year-olds to be tried in court as adults, it raised the number of federal death penalty offences from two to 60, it provided monies for 1,00,000 new police officers and it allowed the judiciary to use 'secret evidence' in the expulsion of 'suspected alien terrorists'. The act, politicians argued, responded to the needs of the American people. Standard surveys, however, were not clear on the needs of the American people. In February 1993, a *Time* poll showed that only 4 per cent of those surveyed said 'crime' was a primary concern. By January 1994, the numbers jumped to 19 per cent as public opinion was dramatically orchestrated by the bourgeois intelligentsia (especially the media). Despite the fact that numbers of criminal acts had not increased in any dramatic way, a moral panic was engineered with the 'criminal' as the new enemy of the American 'individual' (who had just 'won' its cold war against the 'communist'). The Crime Bill allowed the American public to believe that 'crime' is a major problem and that they must support the extension of the bourgeois police and the further militarisation of everyday life.

Elections are a notable time for the crystallisation of 'issues'. Presidential candidates draw upon their pollsters for the significant 'issues' which are bothering the American people. Between 1948 and 1988, American presidents ran for election on the strength of their commitment to combat communism; from 1988 onwards, the enemy has become the 'criminal', who more often than not is the American Black. In 1988, the Republican incumbent George Bush introduced the figure of Willy Horton, a Black man who was released from a Massachusetts jail for a furlough under a humanitarian programme started by Bush's Democratic opponent Mike Dukakis. Horton, as it turned out, committed murder during his trip from jail. Using a picture of Willy Horton, Bush promised that he would not allow criminals to roam the streets; the spectre of the Black man was to haunt the campaign which Bush eventually won.

The Crime Bill of 1993 came on the heels of the Los Angeles rebellion of 1992 and owes much to the then president Bush's criminalisation of what should at the very least have been acknowledged as a political rebellion (as it was by Mike Davis, 'Realities of the Rebellion', *Against the Current*, July-August 1992). On national television on May 1, 1992, Bush had this to say. "What we saw last night and the night before in Los Angeles is not about civil rights. It's not about the great cause of equality that all Americans must uphold. It's not a message of protest. It's been the brutality of mob, pure and simple. And let me assure you, I will use whatever force is necessary to restore order."

The criminal riff-raff have to be put in their place. The Bush verdict repeated the finding of the Kerner Commission on the Watts riot in Los Angeles in 1965. In 1992, the Black community was not as organised as it was in 1965 to defend itself from state racism. This time, in the midst of a recession and an attempt at stabilisation of capital, Black America was to be the target of political rivalry: who could be more tough on (Black) criminals, the Republicans or the Democrats?

When the Republican Party released its 'Contract With America' in mid-1994, it did so in order to determine the legislative agenda. One of the items in the 'contract' was a direct response to the Crime Bill and it was aptly named: 'Taking Back Our Streets Act'. The proposal is aimed to assert the ruling cliques full ownership and control of more than the streets through a further extension of the bourgeois police and the system of incarceration. In order to keep "dangerous criminals off the streets", the proposed act asks that parole be denied, that the death penalty be made more 'effective' and that the police be securely funded. There is no effective legislative opposition to the targeting of 'criminals' and 'immigrants' as the reasons for the enduring recession and restructuring of capital. As the agents of capitalism attempt to stabilise a floundering economy by 'down-sizing', the population recklessly seeks any promises of action which may offer a hope of immediate relief (government tax-relief, aid for business, etc) or the prospect of jobs (on the police force, replacement of immigrant workers).

The Young Communist League activist and editor of *Race File*, Libero Della Piana, ends a very sharp editorial on the Crime Bill with the following statement: "Our society is reaching the point where there are only two classes of citizens: those in prison, and the police" ('From the Cold War to the War on Crime', *Third Force*, November/December 1994). Instead of a peace dividend after the end of the cold war, Della Piana argues, the 'merchants of death' produced a "new war budget – this time for police and prisons". The US which already spends $ 80 billion on law enforcement and incarceration, will now additionally spend at least $ 30.2 billion. If Della Piana is concerned about the increase in inmates and in the police force, Morris Thigpen, the director of the National Institute of Corrections, is more sanguine. "People joke [that] we seem to be heading toward the day when you're either going to be in prison or working in some sort of way with corrections" (Sam Vincent Meddis and Deborah Sharp, 'Prison Business Is a Blockbuster', *USA Today*, December 13, 1994). As fewer Americans find permanent, well-paying jobs with benefits, the working-class will be pleased to find work of any kind: building prisons is not a bad idea and working in prisons seems better than starving. But, as the adage goes, people do not live by bread alone. People live on freedom, on love, on solidarity, on bread too. those 'basic needs', however, seem to have lost their sanctity as America moves further towards an illiberalism whose only outcome is a polarisation of the population and either fascism or, the Left gets its act together, the institution of people's democracy.

Contract Labour

Since 1989, the median annual income for a working family in the US has dropped by $2,344, according to the 1990 Census report, an additional million families fell below the poverty line.[1] This is the underbelly of the

current recession during this phase in the general crisis of capitalism. Business, in an attempt to effect a momentary stabilisation, are reducing their workforce, demanding longer hours for less pay and cutting back all the gains of the labour movement (such as health care, unemployment benefits, etc). In 1991, the unemployment rate in the US jumped 15 per cent as companies 'down-sized'; the unemployment rate for managers rose by 55 per cent. What is most significant about these numbers is that between 1982 and 1988 (the 'magical' Reagan years), 15 million new jobs were created and most of these jobs were in the service sector (which has borne many of the recent cuts alongside manufacturing). "The mushrooming service sector", Richard Barnet argues, "turned out to be vulnerable to the same fierce competition that has shrivelled factory payrolls in the US and caused real wages in manufacturing to drop 9 per cent since 1975. Indeed, there are by and large more low-wage jobs today in the service sector than in manufacturing" (Richard Barnet, 'The End of Jobs', *Harper's Magazine*, September 1993).

Contract labour, piece-work (including homework, childcare as well as manufacturing outwork) and temporary labour are not new forms of labour, but they are increasingly becoming the paradigm for the American workforce. F W Taylor and Henry Ford would not recognise today's economy which relies less on factory discipline than on the discipline of starvation. Contractors or jobbers offer a hard-pressed population work under unenviable conditions and the employers rely upon the desperation of their 'outworkers' to produce the quotas. Quality, healthcare, vacation time, etc, are the responsibility of the worker: the employer takes the best products, rejects the bad ones, and does not hire the worker during lean times or if the worker is ill.

The US government's Bureau of Labour Statistics reported in 1994 that temporary agencies accounted for 15 per cent of the new jobs created in 1993 and 26 per cent of the new jobs created in 1992, in 1989 temporary agencies accounted for less than 3 per cent of the new jobs. Reporting these figures, *The New York Times* explained that "in the recession, many employers, here and elsewhere, tried to keep their costs low by increasing their use of part-timers and temporaries, who work only during busy periods and usually get no benefits" (March 10, 1994). College graduates are now confronted with a job market in which they are forced to work for short-periods doing data entry, conducting market surveys, going door-to-door selling products or driving trucks (the number of truck drivers with college degrees has increased from 99,000 in 1983 to 1,66,000 in 1990). A generation of temporary workers is now moving into the workforce. Some 30 million Americans, or 25 per cent of the workforce, are employed in such conditions and they cost 40 per cent less than full-time permanent employees.

Stabilisation as a result of capital's general crisis takes many forms: militarism is one way out, colonial expansion is another and a fundamental revision of the 'contract' between capital and labour is yet another form. In the current process of stabilisation, there are predominantly three components: structural adjustment programmes in the third world and in eastern Europe, technological developments of 'smart weapons' and 'down-sizings' in business in the overdeveloped world. For the purposes of this essay, I am setting aside the first two components. The overdeveloped world is able to lean on mechanisation and the increased potential productivity of labour to release its 'surplus' workforce (and add to the reserve army of labour). Who is to pay for the upkeep of this reserve army, this unemployed and shiftless population? Families can no longer absorb the costs. Rents are too high and landlords are very strict about the number of people who can 'camp-out' in an apartment. Hence, homelessness. In a unusually reflective article, *Time* magazine reported on "the dearth of working class jobs that pay enough to support a life with even the basic necessities". Stagnating wages and escalating real estate prices have raised the problem to "crisis proportions". A local journalist in Telluride, Colorado pointed out that homelessness "brings instability and a surly workforce. We can't expect nice worker attitudes when people come to work begging a shower." In the same town, a worker in a shop who sleeps in a sleeping bag during 40°F nights had a very different perspective. "The town doesn't realise that the people who do their dishes and clean up after them have to live someplace too" (G Jaynes, 'Down and Out in Telluride', *Time*, September 5, 1994). Welfare, or state financial support, is becoming increasingly unavailable. Obsessed with overturning Reagan's deficit spending of the 1980s, the current managers of the American economy are bent on cutting government spending. Rather than touch the military (one component of stabilisation), subsidies to farmers or subsidies in the form of tax breaks to corporations, the regime aims to end the social safety net for the working poor and the disabled. Who, then, is to feed, clothe and shelter the reserve army of labour?

As more and more people go to prison each year in the US, the jail becomes the storehouse of the redundant working population as well as its soup kitchen. The state would prefer to provide social services to the unemployed if they submit themselves to total surveillance; the jail is the ultimate place for such debasement. But the prisoners are not reduced to monitored consumers; on the contrary, they work in what are called correctional industries. If contract labour is the form capital chooses to hire workers and defraud them of state-mandated benefits, correctional industries are the way capital preys on prison inmates to defraud that workforce of both benefits and minimum wage as well as to ensure that the taxpayer pays for the upkeep of the labour-force. The taxpayer subsidises this expanding labour-force which is unable to bargain for higher wages and for the most basic contractual arrangements. Prison inmates are a captive workforce who have no rights, only duties to capital. If anything, correctional industries are the highest stage of capitalist extraction within a formally democratic framework.

Penal Labour

There has never been any possibility that United States labourers could complete with prison labour and still receive a viable living wage, and now it appears that our workers are going to have a choice – compete with serf labour in the maquiladoras or compete with slave labour from the [Mexican] prisons. (Representative Henry Gonzalez of Texas, March 18, 1992).[3]

Representative Gonzalez warned American labour that it would not be able to compete with foreign unorganised workers in free-trade zones and in prisons. The sad irony of Gonzalez's warning is that it was misdirected: the use of prison labour has been growing in the US and it is beginning to function as the lever for capitalist accumulation. Prison labour might be opposed to non-prison workers from the standpoint of trade unionism, but it is certainly not contradictory to the dynamic of capitalism. It might even be its most efficient form. From 1972 to 1992, the number of prison inmates working in 'correctional industries' has increased by 300 per cent, from 1,69,000 to 5,23,000. The prison-industrial complex now hires more people than any Fortune 500 company with the exception of General Motors!

The jail business in the US amounts to $ 31 billion, an amount which has local governments bidding for federal and state jails. Since 1980, the number of prisoners

in the US has tripled and so, the jails are running at about 118 per cent of their capacity. The Crime Bill has authorised an additional $ 9 billion for the construction of jails. Construction companies, ancillary manufacturing (the making of sprinkler systems which ensure that inmates cannot hang from them) and medical firms (which provide medical care for inmates) are bidding for state prison contracts. The US Census Bureau recently noted that the hiring and training of correctional workers is the "fastest growing fuction...out of everything that govvernment does" (Meddis and Sharp, 'Prison Business' quotes Meredith De Hart of the Census Bureau). Since the late 1980s, the advertisements in *Corrections Today* (the magazine of the American Correctional Association) have increased by 300 per cent. Products as diverse as handcuffs, chewing tobacco and dandruff shampoo are advertised to attract prison administrators. With the increasing number of life-sentences in jails, some people are speculating that soon prisons will have to build geriatric wards which will need more government-funded medical personnel. Jobs, jobs and more jobs. Money, money and more money.

On June 18, an uprising at an Immigration and Naturalisation Services prison for illegal immigrants at Elizabeth, New Jersey raised numerous questions about the privatisation of jailing and the turn to jails rather than social welfare as the strategy of the democratic state. The corporation barons of Esmor Correctional Services Corporation once ran 'half-way houses' for the homeless in New York City, but in 1989 as New York cut-back on social welfare, Esmor "turned to the next emerging housing programme: prisons". (John Sullivan and Matthew Purdy, 'In Corrections Business, Shrewdness Pays: A Prison Empire', New York Times, July 23, 1995.) In 1993, Esmor won a $ 54 million contract to run the illegal immigrant jail in New Jersey; their bid was $ 20 million less than their closest competitor. The upshot of such a low bid was revealed in the aftermath of the prison uprising: a government report released on July 21 detailed "an atmosphere of penny pinching in the hail [as] poorly paid, ill-trained guards physically and verbally abused detainees, shackling them with leg irons, roughing them up and waking them without reason in the night". Quality, in the New World Order, is below the bottom-line. Opened on August 3 1994, the jail did not even last a year before it experienced the wrath of its victimised residents.

The prison industrial complex makes a variety of goods: licence plates, infirmary beds, razor wire, flags, furniture, drapes, janitorial chemicals, garments and signs/decals. They also perform the following services: auto maintenance and body work, refinishing furniture, laundry, printing and general labour (in workcrews) And this list is only from Rhode Island, the smallest state in the US About 20 years ago, Rhode Island Correctional Industries (RICI) was set up to produce various services for the state and for municipalities. If the 1950s penal philosophy said that bibliotherapy would heal prisoners, the 1970s inaugurated a belief that work was the salve needed to straighten out and reform criminals. Criminology provided a scientific basis for the emerging system of penal slavery: work, not for remuneration, but for therapy. For this reason, RICI advertises its task as rehabilitation: "We provide an opportunity for inmates to practise and improve existing skills and work habits that are valuable in securing and retaining employment upon release". Instead of putting money into training schemes for laid-off workers (due to extensive corporate 'down-sizing'), the government is training prisoners, who (if released) have a difficult time finding employment for their skills (as they now have a criminal record). In jail, however, they offer 'quality workmanship' on furniture and 'professional service' on construction and as 'highly skilled technicians' they fix automobiles. 'The quality standards' for the production of garments, the Correctional Industry argued,"can match any privately operating sewing shop on the outside." Because of the low-costs and the high standards, the industry urges state agencies, municipalities and non-profit agencies to 'Make Correctional Industries Your FIRST CHOICE'

Working in prisons is nothing new. In most states, prison inmates are required to work 40 hours a week on yard maintenance or other such prison-related tasks. They earn 'pocket money' of about 15 to 25 cents per hour. Prison industries, on the other hand, are something different. Here the prison produces commodities or services which are sold in competition with the private sector. Further American correctional industries are a necessary component to stabilise the current crisis of capitalism (as well as to offset government costs). Chinese prison camps are for an entirely different structural purpose. The Chinese camps are intended to produce goods to make the camps self-sufficient (they raise livestock and crops for the market and for consumption) as well as to produce commodities for export. The Chinese camps are intended as a means for originary accumulation, particularly of hard currency.[3] The American criticism of China in early 1994 on the issue of prison labour was notable for its hypocrisy.

What is wrong with prison labour is not that prisoners work. The problem is that they do not get appropriate wages, that they are not allowed to organise, that they get only the harsh benefits of prison life and that they cannot change or choose their jobs. In other words, the problem is that the struggle between capital and labour is resolved in the prisons on the side of capital by coercion. Consent is not a relevant category here.

A few months ago, I ran into a pamphlet from the Rhode Island Correctional Industries which advertised "15 secrets of saving" for NGOs. One of the services offered was a work crew of minimum security inmates for painting, litter cleanup, grounds maintenance, interior building cleaning (including rug shampooing and floor stripping). "We are constantly called upon to handle unusual, labour-intensive projects such as cleaning beaches or removing snow," the pamphlet explained. I called the office and inquired about the service (Larry Walsh of the RICI, December 16, 1994). I need a crew of 10, I said, for a day. The day runs for six hours, I was told, and it would cost me $ 350. I asked how much the inmates earned, but I could not get the cent figure. The inmates certainly do not get minimum wage ($ 4.25). For 60 man-hours of work, the employer would have to pay $ 255 at minimum wage (without benefits). That would leave $ 95 for the supervising correctional officer, the transport of the inmates and for their lunch. If we leave out the lunch and transport, then the officer makes under $ 16/hour (95/6). That is well below the officer's wage structure, which leads us to assume that the inmates make sub-minimum wages.

There is actually no need to speculate. On November 1, 1993, the Supreme Court ruled that inmates did not have the right to minimum wage as prisoners.[4] 300 inmates who worked for the prison industries programme sued the state of Arizona for work done between 1986 and 1988 under the Federal Fair Labour Standards Act (FLSA). They were paid between 40 to 80 cents per hour for their work with Arizona Correctional Industries. Further, Arizona law requires all wages earned by inmates above 50 cents an hour to be used for victim restitution, repayment to the state for room and board and support payments to children or other dependents. Therefore, the prisoners effectively earn 50 cents per hour. This is so across the US.

After an earlier dismissal of the inmates case, the 9th US Circuit Court of Appeals reinstated the lawsuits after they found an 'employer relationship' between the inmates and the state prison. The inmates' attorney argued that the sub-minimum wage structure produced unfair competition "that is harmful to private sector businesses" The state's

attorney argued that the inmates who work for private business (such as those who make reservations for Best Western hotels) are paid at least the minimum wage (which they do not receive, since they can only effectively earn 50 cents/hour); those who work for other prison industries are not entitled to minimum wage. Of course, the state's attorney did not answer the charge of unfair business, since the correctional industries provided goods and services at a lower cost than the private sector, who are obliged to pay minimum wage. The court agreed with the state that "prisoners working on a programme structured by the prison" are not entitled to minimum wage. (The case, decided on November 1, 1993, is *Hale vs Arizona*, 93-353.) The inmates, in the words of the Arizona Correctional Industries, work not for economic reasons, but to be better prepared to re-enter society once they leave prison. With the rates of incarceration on the rise, however, it seems as if there are to be more and more forced labour camps which will attempt to produce cheap goods and services for state and non-profit agencies. Besides given the reticence of society to 'take-back' released prisoners, the rates of reincarceration force us to see the prison population is relatively permanent.

Contradictions of American Liberalism

The relationship between money and politics is so organic that seeking reform is tantamount to asking a doctor to perform open-heart surgery on himself (*Newsweek*, December 13, 1971).

The horizon of the possible – and the necessary – is not the quixotic project of becoming a 'loyal' fringe of one or another of the capitalist parties, but the fight to build an independent left politics that has real and effective social anchorage... if there is to be any popular left in the 1990s, it will develop in the first instance through the mobilisation of the radical propensities in the Black – and perhaps, Hispanic – working classes" Mike Davis, 'Inventing the American Left' in *Prisoners of the American Dream*, London, 1986.

In response to the cuts in social services and the formation of this new "jail-industrial complex," Jesse Jackson has recently said that America has taken "a substantial step toward fascism." Fascism is not a word that should be thrown around loosely, but Jesse Jackson is correct to employ it at this time. The sapce for political manoeuvre at the national level is very narrow. At the same time as the ruling clique is on the rampage against social welfare for the working poor, they openly encourage tax-breaks and other subsidies for corporations. The political process in America today needs to be lubricated with millions of dollars in order for campaigns to be conducted (purchase of time on television for political advertisements, etc); in order to get access to vast sums of money, politicians court corporations through Political Action Committee (a legal coffer for corporate donations to politicians). If the Republicans have a philosophy for their open partisanship towards big business ('supply-side economics'), the Democrats have their own archaic way of justifying this relationship to their trade union and progressive supporters (as the natural means to win elections and as the only way to create a climate for business). Within such a narrow political arena, the social control of people of colour (notably Blacks and Latinos) and the increased exploitation of labour is seen as 'realistic.' Not only realistic, but it is also defended as culturally necessary for the survival of America (here we can locate the attack on making the curriculum of schools diverse, the so-called attack on 'political correctness').

American liberalism is torn by a contradiction which it cannot overcome: it pledges to promote equality, but it is also

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pledged to a system founded on mechanisms of social control which are authoritarian. American conservatism attempts to resolve this contradiction by announcing that the goal of equity is precisely what creates inequality and forces a benevolent American state to act illiberally (the furore around Charles Murray and Herrenstein's spurious book *The Bell Curve* illustrates the reactionary urge to justify inequality by an argument for natural differences). Get rid of the equity programmes, the Right argues, and let 'individuals' fight it out. Corporations, however, are treated as an 'individual,' one with a lot of accumulated power and capital. Real, living people are matched against this foe, but since they are increasingly outside unions and other organisations, they must struggle without power and without capital (only 16 per cent of the American workforce is unionised). The deck is stacked overwhelmingly on the side of global corporations.

Despite their obvious corporate partisanship, American conservatives pose as the true champions of equality and freedom. The process of equality, in the conservative argument, is now 'privatised' or made the responsibility of each citizen. The government, in this scenario, must withdraw from the goal of producing equity and must actively pursue the role of executioner and jailer. The contradictions of American liberalism are now simplified: there is inequality because people don't try hard enough (therefore House Speaker Newt Gingrich's statements about closing down the 'department of happiness'). The inflection of American conservatism is deeply racist. The 'people' who do not try hard enough for conservatives are urban blacks: the stereotypes of the welfare queen and the drug pusher are emblematic. Here American liberalism's practices are articulated openly as legitimate practices by American conservatism: the convergence between Republicans and Democrats on this issue is remarkable.

Capitalism was founded on plantation slavery. We have now come full-circle to a form of slavery which goes on at the fringes of American public life: penal slavery. The figures for incarcerated black males are remarkable: 23 per cent of all black males between the ages of 20 and 29 are in jail and there are more black men in jail than in college (Marc Mauer, *Young Black Men and the Criminal Justice System: A Growing National Problem*, Washington, DC, 1990). As Manning Marable argues, "prisons have become the method for keeping hundreds of thousands of potentially rebellious, dissatisfied and alienated black youth off the streets" (Manning Marable, *The Crisis of Color and Democracy*, Monroe, 1992). The American state will continue the process of controlling disgruntled and politically angry populations by the threat of prison and by the politics of 'realism' which moves dissatisfied Americans to discourage an analysis of their situation and to immediately lay the blame for their ills on immigrants, on the poor and on blacks. It will be these people of colour who will man the correctional industries and produce the few products which will bear the bitter-sweet label, 'Made in America.' 'Made in Prison,' would be more appropriate.

The task for the years to come will be to rearticulate the anger of Americans towards the nexus between the government and global corporations. In November 1994, the Republican Party swept the polls on an anti-establishment and anti-government platform (although the Republicans are wedded to protecting their own enclaves and to expand the most establish agent in the American system, the military). The voting patterns depict a misplaced anxiety among the population which directed its anger against the government and absolved its partner in the crisis, global corporations (Richard J Barnet, 'Lords of the Global Economy', *The Nation*, December 19, 1994. This anti-government feeling motivated the growth of para-military fascist organisations which were instrumental in the bombing of the Federal Building in Oklahoma City in early 1995 (these 'militia' groups sup at the table of ultra-racism, as they want to build a nation of Aryans in the service of Jesus Christ: one influential group is called the White Aryan Nation of the Church of Jesus Christ). What is good for General Motors is no longer what is good for America, let alone for the world. There is a political need to reposition the concern over an expanding government with the anti-social dynamic of transnational corporations (which translates through the commercial markets into the dynamic of small business).

At the 1992 United Electrical Workers' Convention, Robert Wages (president of the Oil, Chemical and Atomic Workers Union) urged progressive trade unionists to re-energise the political arena. "The bosses have two parties," he said, "we just want one... We want you to join with us, as we join with you, to create that new political discussion" (United Electrical 57th International Convention, *Officers' Report*, August 31-September 4, 1992). Wages' union pioneered the Labour Party Advocates, which, in its very name, demonstrates the hesitancy to put itself forward as a legitimate opposition in the light of the convergence of the Republicans and the Democrats. Part of this hesitancy comes from the desire to work from within the Democratic Party and part of it comes from the political theory of the 'unorganised' Left which condemns itself to failure. Resolutely mired in the belief that 'hierarchy' and 'Party' are themselves totalitarian, the 'third force' in the US is unable to forge a bloc worthy of taking on the two-party monopoly. The creation of coalitions (even on the basis of short-term issues) within 'new social movements' are always preceded by strenuous deliberations on rules of procedure without a commitment to setting-up or joining long-term political parties. The stray attempts cannot get off the ground because of the inability to break through the two-party monopoly over public consciousness and media as well as because of the lack of political will of the participants within the evolving 'third force'. America needs a bold and organised political force which will not bend before the might of internal militarism, wavering Social Democracy, defeatism, jingoism and the financial muscle of global corporations.

On August 11, 1928, president Hoover made the following optimistic speech: "Unemployment in the sense of distress is widely disappearing. We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us. We have not yet reached the goal, but given a chance to go forward with the policies of the last eight years, and we shall soon with the help of God be within sight of the day when poverty will be banished from this nation" (*The Nation*, June 15, 1932).

America has indeed succeeded in this mission insofar as its poor have 'disappeared' into jails; its unemployed and its reserve army of labour are being held in place behind prison walls, working in correctional industries or being kept alive in case of a shortage of labour.

Notes

1 All figures in this section are culled from a number of publications from the US Department of Labour's Bureau of Labour Statistic and from the US Census Bureau documents.

2 Letter from Henry Gonzalez (Representative of the 20th District, Texas) to Carol Hallett, Commissioner of US Customs, March 18, 1992 (in my possession).

3 Hongda Harry Wu's *Laogai – The Chinese Gulag* (Boulder, Colorado, 1992) desribes the 'labour reform camps' (*laogaidui*) as an integral component of the new China's export-oriented policies.

4 The information on Arizona comes from *Corrections Digest* (November 17, 1993). I am grateful to Jenni Gainsborough of the National Prison Project (American Civil Liberties Union) for her help with information.

Structuralism Fights Back

Errol D'Souza

Poverty and Power: The Role of Institutions and the Market in Development edited by John Cameron with Hans Ramharak and Ken Cole; Oxford University Press, Delhi, 1995; Rs 395.

THE 1980s witnessed the demise of the Structuralist position in development studies and the ascent of the neo-liberal position which relentlessly criticised two characteristics of the Structuralist tradition. Firstly, they charged the Structuralists for de-emphasising the importance of relative prices as a means of affecting distributive and productive outcomes. The Structuralists emphasised non-price variables such as big investment pushes (Rosenstein-Rodan) and the cumulative causation of inequality (Myrdal) as important in affecting economic responses. Secondly, the style and extent of state intervention favoured by Structuralists was also criticised by the neo-liberals. The Structuralists assumed that reformist states exist. This assumption was also criticised by the Marxists who pointed out that redistribution of incomes would be against the interests of the owners of capital as well as by the non-Marxists who argued that governments have to reward interest groups that keep them in power and so would not jeopardise the status quo.

From the critique of Structuralism emerged the central thesis of the neo-liberals that long-run growth and development will proceed provided everything possible is done to achieve short-run allocative efficiency. They accordingly reasserted the primacy of economic growth amongst policy objectives, believing poverty will thereby be most effectively reduced. The belief they promoted accordingly was that imperfect markets are better than imperfect states. A recurring neo-liberal theme accordingly is the desirability of achieving a reduction in state spending in developing countries. In the social sectors they are advocates of the introduction of user charges for education and health services and the encouragement of their private provision. The Structuralists identify the state as the agent of change whereas the neo-liberals promote the market as an instrument of change.

The various contributors to the volume under review share a common background of being Senior ILO consultants and are Structuralists attempting to reassert a case for state intervention. Their common position is that economic behaviour is strongly conditioned by the institutional environment and that conflict (conditioned by modern technology or the pecuniary institutions of capitalism) is the business of economics rather than harmonious equilibrium and this requires the social control of economic activity. In the process they 'over-politicise' the state in contrast to the neo-liberals who 'under-politicise' the market.

The contributors would like to use the power of the state to eliminate some of the human costs of capitalist development whilst retaining its productive advantages. Though not spelt out, the elements of their proposed policy regime of active state intervention include: (i) Economic management techniques are to be used to smooth out business cycles which will increase the bargaining power of workers *vis-a-vis* their employers. (ii) The tax system should be used to correct the excessive inequalities of income and wealth resulting from capitalist development. (iii) The state is to promote the welfare objectives of eliminating poverty, providing for those with special needs, and contributing further to the reduction of inequality.

The practical success of such a programme is doubtful. Keynesian methods no longer have the desired effects in developing countries with a large informal sector (the sector 'discovered' by the ILO). Their effects are inflationary and result in redistribution not only between employers and workers but also between those in the informal sector and those in the formal sector. Second, the impact of the fiscal system on the overall distribution of income and wealth has had limited effects. Such measures have been circumvented on a large scale leading to a growing black economy, under-investment, capital flight, etc. Also, the welfare state has been unsuccessful as a means of tackling absolute poverty and diverting resources to those with special needs and it has been even less successful in mitigation inequality. Such a programme accordingly leads to an expanded state sector, an increase in the tax burden carried by nearly all social groups and no appreciable increase in social equality. It is in large part the perception of this scenario that has caused the defection of organised sector workers from socialist welfare perspectives towards neo-liberal views.

The strategy adopted by the writers in this book is empiricist and the major objective is to take on the neo-liberals by seeking to provide evidence that non-market institutions such as the state were responsible for beneficial developments whenever these occurred. Such a strategy is diminutive as it cannot undermine the more important normative arguments surrounding the broad claims of whether a good society can be built entirely around private property and market mechanisms. The reduced objective does not allow such a strategy to cope with its own limitations. The limits of state intervention as pointed out above pose problems for the strategy's favoured instrument of change – the state. When confronted with this the authors shrug and leave it at that. Ashok Rudra in a chapter that brilliantly surveys the two failures of Indian planning – neither growth nor social justice to any adequate degree – accounts for it in terms of the state being incapable of doing anything that adversely affects the interests of certain classes (big capitalist houses and the rural rich) and the dominant section of the bureaucracy being elitist. Keith Griffin, R Islam and Eddy Lee, and Swapna Mukhopadhyay who examine rural poverty in Asia add that given the nature of the state, domestic policies needed to reduce poverty are unlikely to be introduced. This presents a Radical Dilemma of agency – how does change occur, and in what sort of institutions and individuals does it gain momentum from?

A favoured institution the authors advocate is some form of co-operative system. The individuals that can usher in the required change are the rural poor who need to organise themselves politically. Co-operative systems are preferred as they promote employment, income equality, the provision of public services such as health and education, and provide an institution for local participation. Whether co-operatives promote employment is debatable. Capitalists hire workers whenever the marginal returns exceeds the marginal cost. If the employee can be hired for Rs 25 and makes Rs 26 profit for the enterprise, he will be taken on. In a co-operative, if income is equally distributed and if the going rate is Rs 30 per head, an extra worker will not be hired at Rs 25 as it would reduce incomes all round. Co-operatives accordingly tend to be smaller than capitalist firms.

Even income equality is a doubtful outcome. Co-operatives inevitably generate income inequalities of two kinds – inequalities within co-operatives stemming from differences of skill and responsibility among members, and inequalities between co-operatives stemming from variations in economic performance. Finally, if co-operatives do not produce all that is required

by their members, how is exchange between co-operatives to be mediated – through markets or state planning? Or is it that the market will provide most goods and services whilst the ownership of capital will be socialised? The book is silent on such issues on which the edifice of its policy proposals rest.

An important section of the book deals with the importance of institutions in market-led industrialisation. Here, Singapore's rapid industrialisation is attributed to domestic government policies (liberal investment policy and fiscal incentives) that took advantage of favourable external circumstances. Singapore is thus another example along with Japan, Taiwan and the Republic of Korea whose success is not the outcome of the operation of unrestricted market forces. Two phenomena that are emerging as important in the developing world are export processing zones (EPZs) and migration. Gus Edgren appraises labour conditions in EPZs and Rashid Amjad analyses the impact of migration.

EPZs are instruments which enable developing countries to undertake partial and limited liberalisation by creating an enclave where the free import and export of factors and products is allowed and the enclave made a part of the world market. Garment manufacturers and electronic component firms account for predominant employment in zones in Asia. Edgren points out that EPZs have almost exclusively concentrated their recruitment on young, unmarried females. Promotion prospects are minimal, very few jobs require supervisory or technical skills, overtime is a regular feature, strikes are often illegal, and a labour conciliation process and minimum wage laws are non-existent. Given that skills derived from training and education are not a prerequisite for employment in EPZs (except in software firms), it is not surprising that wage rates and working conditions approximate those in the informal sector of developing economies. EPZs may accordingly do well on the criteria of expanding the net foreign exchange earnings of an economy or attracting foreign private investment but the employment that is generated has the characteristics of informal sector employment. How do we then evaluate EPZs? Do they promote welfare? An empiricist approach such as that adopted by the contributors to the book does not unfold criteria for judgment. It allows us to understand the world as it is, but does not provide the leverage to change it. Paradoxically, however, the contributors want to change the dominating neo-liberal outlook on the economic world

The chapter on migration documents how the gross outflow of migrants as a percentage of the incremental labour force in 1982 was 45 per cent for the Philippines, 40 per cent for Korea, 33 per cent for Sri Lanka, and 50 per cent for the Indian state of Kerala. The subsequent decrease in outmigration that India and Pakistan experienced was avoided by the Philippines due to its high rates of school enrolment and the flexibility of its educational system. The migration of trained people whose education was subsidised by the state results in a social loss as the country does not get the benefit from its investment in the person.

Should the state then require migrants to pay the cost of their training or should it prohibit migration? This policy dimension is ignored, again because of the contributors to the volume shying away from the normative tradeoffs that are essential to public policy debates. Except in some industries such as construction, no skill shortages were experienced as a result of the migration. However, the quality of output suffered as more experienced workers left first. Also, remittances from migration offered much relief for countries facing balance of payments difficulties. Again, however, remittances which are potential sources of savings and investment capital formation have not had the requisite growth impacts as they have by and large gone into increased consumption expenditure (often durables) and unproductive investments such as land and housing that have fuelled inflation. The social costs and benefits of migration often outweigh the private costs and benefits and so corrective measures are essential.

The other chapters in the book deal with public sector growth in Malaysia (Supian Haji Ali), employment generation through private entrepreneurship in Vietnam (P Ronnas), a framework for enabling productive employment in Pakistan (James Cameron), and on an integrated framework for human development planning from the supply side (Christopher Colclough). When there is a dominant paradigm it is difficult to detract from its hegemony. Yet the authors have managed to question and expose its weaknesses. Though their position currently in the development debates is off-centre, they offer the ingredients that will be sought to replenish the thinking in the discipline when it is realised that markets also are like states in that they are not neutral as regards distributional outcomes and as to the significance they give to various individuals in the social scheme

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State, Society and Religion

S K Chaube

India's Agony over Religion by Gerald James Larson; State University of New York Press, Albany, 1995; pp xiv + 393.

A BOOK that announces in its preface that many of the discussions in half the text is "rather dense and difficult" and at the same time claims to be "primarily designed for the non-specialist general reader" (p xi) is difficult to review; for the reviewer does not know which yardstick he should use. He would rather suspect that the author of the book has covered unfamiliar as well as familiar ground.

Which appears to be the case here. There is no doubt about the vast scholarship that has gone into the writing of the book. Yet one has the feeling that the real domain of the author is Indology in the classical sense of the term. Though the references to Sanskrit sources are secondary the author is obviously aware of their meanings and contexts. This can probably be not said about the Islamic texts. The treatment of Islam is historical and synoptic as is the treatment of Christianity. The work, therefore, cannot strictly be classified as 'comparative religion', which is the author's basic discipline. It would be more apt to describe it as 'sociology of religion' in the Weberian sense – a description justified by the author's interplay of the phrases 'religionisation of politics' and 'politicisation of religion' and the use of the concept of 'civic religion'.

The author's 'broadly anthropological notion' of religion (p 166) entails three basic relations, namely, (1) the relation between the human organism and culture (enculturation), (2) the relation between human organism and society (socialisation), and (3) the relation between culture and society on the one hand, and the internalisation or reflexive awareness of the human organism, on the other (individuation). Furthermore, religion has to do with the development of comprehensive interpretative frameworks regarding the meaning and significance of human existence-as-such (together, of course, with an accompanying behavioural lifestyle in terms of rituals, normative patterns of behaviour, and so forth) (p 165) Religionisation is defined as "that process whereby the human organism becomes a mature, normal person through the assimilation and co-ordination of enculturation and individuation into a comprehensive interpretative framework (together with an accompanying behavioural lifestyle) that renders human existence meaningful and significant" (p 170).

The author shows appreciation of the complexity of the Indian society. He stresses that there is nothing like an abstract 'essence' of Indian civilisation. Of course there are distinctive cultural presuppositions operating in each of the historical periods. But there are no common features or presuppositions that hold overall. Instead, every historical phase is marked by "a certain distinctive kind of ongoing conversation or cluster of conversations" among diverse, even contradictory, cultural values and their 'basic warrants or authorities'. Hence the profound formulation:

> The deep and substantive coherence in Indian history and civilisation is in the ongoing conversation itself that cuts across or spills over the boundaries of periods and groups (pp 142-43).

The author observes that in the cultural history of India there are six major layers marked by discontinuities: the Indus Valley (c 3000-1500 BCE), the Indo-Brahminical (c 1500-600 BCE), the Indo-Sramanical (c 600 BCE-300 CE), the Indic (Hindu-Buddhist-Jain) (c 300-1200), the Indo-Islamic (c 1200-1757), and the Indo-Anglian (c 1757-present). But he sees their discontinuity as continuity in the sense that "in phase after phase of the unfolding of the history of cultures in India, what is apparently extraneous, foreign and utterly different is absorbed or assimilated, not by being transmuted into something other than itself in order to conform with some pre-existing Indic identity, but rather, by being allowed to stand in its very extraneous and foreign otherness as one more component of an identity that is indeterminate and always yet to be, but with the attendant paradoxical claim that somehow all such components have always been present at least implicitly" (p 52)

The author's identification of the Indus Valley civilisation with the 'village' or 'folk' religion (p 57) is somewhat sweeping. The association of the bathing tank at Mohenjodaro with "some sort of ritual bathing practice" is problematic inasmuch as there is no evidence of a temple around it. The author actually says "a majority of Hindus in present-day India still follow a prehistoric spirituality that predates even the Indus Valley layer of civilisation" (p 56).

The Indic period, popularly known as the 'Hindu' period, is but a synthesis of the Hindu, the Buddhist and the Jain traditions. In this period the specifically 'Hindu' traditions came into focus: the principal gods and goddesses, the basic patterns of worship and ritual performances among Vaisnavas, Saivas and Saktas in home and public temples, the compilation of 'smriti', the great epics and Dharmasastras, the appearance of ritual-erotic texts and formulation of the basic notions of 'karma' and rebirth.

When Islamic conquest of India began to occur, it was not of the original Arab variety. It came mainly during the late Abbasid caliphate when Islamic culture and civilisation had become cosmopolitan on the one hand and politically fragmented on the other. These facts diluted the monolithic character of that civilisation. For India, on the other hand, the Islamic challenge was total and could not be just accommodated or absorbed in the way of the previous ones. The confrontation of the two civilisations was to be exceedingly fruitful, "albeit also deeply frustrating and painful" (p 104). The author finds the Sufi agencies more effective at the popular level of Islamisation than at the elite level. At the same time, while at the popular level, there was a synthesis of the Hindu and the Islamic faiths, at the elite level the differences persisted.

Encounter with colonialism gave birth to an Indo-Anglian tradition and an Anglo-Islamic one. The former resulted finally in the modern 'secular' (and pan-Indian) nation-state or, what Ravinder Kumar called, the civilisation-state of India and the latter in the modern (regional) nation-state of Pakistan and, subsequently, Bangladesh, both as Islamic republics. In a somewhat sweeping generalisation the author puts Ram Mohun Roy, Keshub Chander Sen, Dayananda Saraswati, Ramakrishna, Vivekananda, Ranade, Gokhale, Tilak, Savarkar, Tagore, Aurobindo, Gandhi and Nehru all in the first group and Sayyid Ahmad Khan, Ahmad Riza Khan (Barelwi), the founding of the Muslim League, the Khilafalists, Jamal al-ulama-i Hind, Abul Kalam Azad, M A Jinnah (whom he calls "the first prime minister of Pakistan"), Muhammad Ilyas (Tablighi Jamaat) and Sayyid Abul Ala Maududi (Jamaat-Islami) in the second group (pp 121-221).

To some extent the author observes, the older Hindu traditions remained "defensive and in-grown" implicitly suggesting that they were politically inconsequential (p 126). The common features of the neo-Hindu reformist and nationalist movements, according to the author, have been (1) a primary focus on developing among the people of India a self-confident national awareness that will provide a solid foundation for India as a modern nation-state; (2) the reform of outdated, parochial and superstitious Hindu practices; (3) the rejection or radical reform of the caste system; (4) female emancipation; (5) improvement of the social conditions of the poor; (6) economic progress for the entire nation; and (7) development of techniques of communication and propagation borrowed largely from Protestant Christian model (pp 133-34).

Thus Indian nationalism, according to the author, is essentially a Hindu enlightenment

view with no Islamic input. One wonders how the author missed the facts that Ram Mohun Roy, at a quite early period of his social activity, wrote in Persian advocating the unity of all religions, Ramakrishna became famous for his 'iata mat tata path' (different ways to one god) sermon, Tagore insisted that the Indian civilisation was made up of Hindu, Muslim, Christian, Sikh and other religious persuasions and different ethnic stocks and Nehru subscribed to the same view! According to the author, this at least was the Muslim perception of the Gandhian nationalist movement (p 135). The author notes three different strands of Muslim response: the Aligarh variety (separatist), the Deeband variety (accommodationist) and the Bareilly variety (anti-modernist and anti-nationalist).

The south Asian religions (Hindu, Buddhist and Jain) are marked by cognitive indeterminacy ('nirguna bhava'). But there are exceptions:

> The Hindu-RSS-VHP-BJP, for example, or the Arya Samaj, appear to have close affinities with such cognitively determinate, polity-oriented, 'nation-state' tradition as the Islamic Republic of Iran or the Islamic Republic of Pakistan (p 175).

Elsewhere he notes the high political motivation of the Arya Samaj and the Hindu RSS-BJP-VHP as well as the Gandhian-Nehruvian neo-Hindu nationalist movement which he calls "Indic civil religion (Gandhian-Nehruvian)". One theoretical risk with the 'comprehensive interpretative framework' is the loss of autonomy of religion. To a certain extent, the concept of 'civil religion' violates the Weberian trichotomy of the primitive, the traditional and the rational by branding the Gandhian-Nehruvian nationalism as a religion. What else does a phrase like "the secular as religion" mean? What he describes under this heading is the growth of communal (and casteist) politics in India within the modernist framework. Is it necessary to identify communalism with religiosity?

While addressing himself to Indian politics he slides to journalism. His neo-Hindu 'secular' state is defined in terms of caste alliance of brahmins, scheduled castes, scheduled tribes and minorities following an article of Khushwant Singh in *Sunday*. Khushwant Singh, in turn, cited the authority of one Brother Stanny of St Ann's Church of the Dhule in Maharashtra who had "compiled figures of different castes in government employment during British rule in 1935 and as they were 35 years after independence in 1985" (pp 210-11, 275, 332). It is not even clear from the citation whether Singh's authority is published or if the data is all-India or based on Maharashtra. Considering the fact that Maharashtra is an originator of anti-brahmin politics, the citation is doubly suspect.

The blatantly inadmissible evidence wipes out any distinction between 'the Gandhian-Nehruvian' secular "neo-Hindu orientation" and "the BJP neo-Hindu conservative orientation" of the "highest ruling elites" (p 275), though the author is slightly uncomfortable with the recent ascendancy of the latter (p 277). The author approvingly cites T N Madan's dismissal of secularisation, i e, privatisation of religion as "very much a late Christian idea" (pp 281-82). Consequently, he joins the bandwagon of T N Madan and Ashis Nandy who consider the secular state as an empty notion in a country where 83 per cent of the population is Hindu.

The sociologist of India suffers from a dilemma – an inability to distinguish between the state and the society. Consequently, an unsound dichotomy between communalism and secularism is assumed for getting the fact that the former is a socio-political category and the latter a legal-political one. In other words, the former is a faculty of society, the latter of the state. Absence of religious-communal tolerance necessitates the secularisation of the state for the sake of its own autonomy. It is wrong to assume religious-communal tolerance itself as secularism. By the same token, the liberal dose of personal freedom of worship and communal rights to culture does not in itself make a secular state. Nor does its proclamation in the preamble to the Constitution. A long time ago, V P Luthra held India to be a 'jurisdictional state'. Whether India should be a secular state or not is a political question. But whether secularism has succeeded in India or not is a wrong question.

The concept of 'American civic religion', which the author adopts from Robert N Bellah (pp 201-02) and advocates for India as "a middle ground between the extremes of a neo-Hindu 'secular state', on the one hand, and a supposed Hindu state, on the other" (p 292) has itself grown outside the domain of the state. The term 'civil religion', according to author, "derives from Rousseau" (p 201). For Rousseau, however, the government had no autonomy. It is a fact of history that the French revolution abolished state religion.

So, what begins as a significant sociological perception of continuous cultural dialogue becomes a political obsession (tinged by the author's professional predilection?) issuing in the following prescription of a multi-religious state:

> No one religious tradition would be favoured or established, but all would be recognised (including secularist and agnostic traditions) and 'enfranchised', as it were, in matters of public policy, especially in the areas of research education and communication. Just as there is an All India Institute of Medical Sciences or an Indian Council for Philosophical Research, so there could be an All India Institute for Research in Religion or an Indian Council for Research in Religion. Membership in such an institute or council would be determined by participating religious groups that take part, in consultation, of course, with appropriate government officials. Whether there would be a department of religious affairs or simply an institute or council for co-ordinating research, education and communication regarding issues related to religion would have to be determined as planning develops (pp 282-83).

But even the source of funding is laid down keeping in view the stipulation of Article 27 of the Indian Constitution. An amendment of Article 28 (1) is suggested in the same breath . Obviously, the author has no time to ponder who 'recognises' and 'enfranchises' religions and who 'co-ordinates' research, education and communication in it. A blueprint for a Deen-e-Elahi or the vision of a brave new world?.

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Gender, Caste and Labour

Ideological and Material Structure of Widowhood

Uma Chakravarti

This paper examines widowhood within the larger structure of relations, material and ideological. Distinctive cultural codes form the basis for caste hierarchy and control of female sexuality with permanent enforced widowhood at the apex is the index of high rank. Conversely, widow re-marriage is not only an ideological rationale for low caste rank but provides a demographic basis for production relations. A single caste framework functioning both at the level of ideology and material arrangements requires distinctive patriarchal arrangements and cultural codes among the hierarchy of castes to reproduce the structure of production.

I
Introduction

IN this paper I shall attempt to explore the relationships among gender, caste and labour in the context of widowhood. I will look mainly at widowhood among the upper castes, an issue that has dominated our consciousness for over a century, but try to understand the larger structure of relations, material and ideological, in which patriarchal practices enforced permanent widowhood on women. I argue that patriarchal practices among the different castes, though dissimilar, are part of a larger structure of caste, production, and reproduction. Thus traditional patriarchal practices could be very distinctive for various castes to make for a hierarchy of cultures and a system of production in which the low castes labour and reproduce labour, whereas the high castes do not labour and reproduce only specialists - ritual specialists or a literati which performs specific types of non-manual work

Further, I suggest that the distinctive cultural codes form a basis for the hierarchy of castes in which not only are castes ranked in an elaborate hierarchy, but there is an ideological and material rationale for the hierarchy. The stringent control of female sexuality among other 'non-labouring' high castes with permanent enforced widowhood at the apex of the cultural codes becomes the index for establishing the highest rank in the caste system. Conversely, the range of marriage patterns practised in the case of widows among the lower castes, which the higher castes often impose upon them, nevertheless becomes the ideological rationale for ranking these castes as low. This serves a double purpose, since not only does it establish distinctions between castes and legitimises the hierarchy of caste, it also establishes a firm demographic basis for production relations. Thus a single caste framework functioning both at the level of ideology and material arrangements requires distinctive patriarchal arrangements and cultural codes among the hierarchy of castes to reproduce both the ideological and material arrangements of a certain structure of production.

I attempt to argue in this paper that the experience of widowhood must be firmly situated in a certain kind of production relations apart from its patriarchal context, as the discussion below will amplify.

Conceptualising Widowhood: Widowhood as Social Death

Widowhood in India among the upper castes is a state of social death [1] The widow's social death stems from her alienation from reproduction and sexuality, following the loss of her husband and her exclusion from the functioning social unit of the family. Once a woman ceases to be wife (especially a childless wife) she ceases to be a 'person' – she is neither daughter nor daughter-in-law The problem posed by brahmanical patriarchy therefore is: since the wife has no social existence outside of her husband, then as a widow who, or what, is she? The texts and the rituals attempt to work the problem out The problem itself was simply that although the widow is socially dead, she remains an element in society: the question then was how to incorporate her One way could have been to constitute a separate community of widows, a non-sexual community such as that of the female ascetics Another would be to retain her in society but place her on its margins and then institutionalise her marginality. This is what brahmanical patriarchy did with the widow. The widow's institutionalised marginality, a liminal state between being physically alive and being socially dead, was the ultimate cultural outcome of the deprivation of her sexuality as well as of her personhood.

The widow's marginal state meant that she was, in a manner of speaking, functionally incorporated into the household while being considered an outsider. Thus while she was functionally incorporated either into the natal or affinal family, the widow, especially in the affinal household, was the 'domestic enemy'. At the same time she was the 'insider' who had fallen, one who had ceased to belong and been expelled from normal participation in the community (for failing to prevent her husband's death). She was the object of divine and social disfavour. Widowhood was perceived as a disrupter of social order and a potential violation of the moral order. There are two modes of representing the social death of widows: one is intrusive, in which the widow was conceived of as someone who did not belong because she was an 'outsider' (as in the affinal home), and in the extrusive mode, the widow who had left her natal home following marriage became an outsider because she no longer belonged. The widow was both simultaneously – in the affinal and in the natal home she became the outsider who now no longer belonged, and in this sense she shared the sense of being an outcaste. It was not, however, the rules of purity and pollution but those of inauspiciousness that were the means of maintaining social distance in the case of the widow. The widow was socially differentiated by prescribed behaviour which she had at all costs to follow.

Symbolic ideas of a cultural system are usually given social expression in ritualised patterns. The death of the husband (without whom the widow ceased to be a social entity) among upper caste Hindus was ritually expressed through special ceremonies involving the marginalisation of the erstwhile wife who, as a widow, was defined as socially dead. The rituals of widowhood incorporated certain basic features, signifying the symbolic rejection/deprivation of the widow's sexuality. The rituals included the imposition of some visible mark to define and highlight this new status. Following the assumption of the new status the widow was relocated within the household of her dead husband. Unlike the marriage rituals, marking the women's entry into legitimate sexual activity, which are elaborate, the rituals marking the renunciation of the widow's sexuality are simple but always deeply humiliating and traumatic. The most dramatic and visible 'ritual' for brahmana women was the tonsure, or the shaving of the head. The unique practice of tonsure, prevalent among many south Indian and west Indian brahmana communities, requires some analysis of the notion of widowhood in brahmanical patriarchy so that we may unfold the cultural meaning of this highly symbolic act. It may be argued that to enforce permanent widowhood upon women the community needs to continuously reiterate its authority upon the widow; the enforced tonsure is a way of doing

that. It is a reiteration by the community of their power to control the widow's sexuality. Meyer Fortes and R Firth[2] have suggested that symbols, both private and public, constitute a major instrument of power when used directly or indirectly. This is true of the tonsure, which was deeply resented by widows and perceived by them to be an indication of their utter powerlessness in the hands of a cruel system, insisted upon by brahmana men.[3] Here the tonsure represents the social aspect of symbolic behaviour, referring to ritual processes by means of which symbolic ideas are acted out in term of real human interaction. That such actions are always highly formalised and ceremonial is evident in the removal of the hair of widows.

Widowhood is clearly a highly symbolised domain in the experience of upper caste Hindu society. While there are many elements of the widow's existence that are symbolised, there is an overwhelming concentration on the profound danger represented by the sexuality of the widow. The continued existence of the widow after the death of her husband was to convert what was most valuable to the husband in his lifetime into an awesome threat to his community. The theme that dominates the ceremonies and rituals of widowhood is the sexual death of the widow. And since the upper caste woman in brahmanical patriarchy is primarily a vehicle for reproduction, the sexual death of a woman is simultaneously a social death. The customs and rituals mark a social and ideological resolution of the tensions inherent in a conceptualisation of widowhood in which the widow continues to exist but is sexually a non-being.

II
Wifehood, Widowhood and 'Strisvabhava' in Brahmanical Patriarchy

From the evidence of the classical texts it is clear that the upper caste Hindu widow was an anomaly in traditional Hindu society, since she had no place and no function in the Hindu social order. The death of a woman's husband marked the transition from wife to widow, taking the woman from a central place in the family to its margins. In order to understand the upper caste widow's marginal/liminal place, it is thus necessary to look at the wife who is the obverse of the widow in the brahmanical texts.

Wife in Brahaminical Patriarchy

The wife is the most important focus of attention among the different categories of women in the prescriptive texts: symbols, rituals and norms are all concentrated in the person of the wife. A woman is recognised as a person when she is incorporated into her husband - only then does she become a social entity and in that state she is auspicious, a 'sumangali', a 'saubhagyavati'. It is therefore not surprising that marriage is the only ritual prescribed for women. Together with her husband she performs rituals and procreates a son or many sons.[4] These two acts define her as a social being, and for both the presence of the husband (who makes her complete) is imperative. Outside of the husband the wife has no recognised existence in brahmanical patriarchy.

The performance of rituals, and procreation, are acts in which women are perceived as agents or inferior partners through whom men discharge two of their three debts. The three debts are: to the sages, to the gods, and to the 'pitr'. The debt to the sages is discharged through 'brahmacharya', a compulsory stage that precedes marriage; the debt to the gods is discharged by performing 'yajnas'; and to the 'pitr' by reproducing sons.[5] The wife thus helps her husband in discharging two of the three debts, by associating with him in the sacrifice and by procreating sons. The role that the wife is assigned in participating in the ritual itself stems from the primary function of procreating sons. Manu states the relationship quite explicitly

> To be mothers are women created and
> to be fathers men, religious rites therefore
> are ordained in the Veda to be performed
> (by the husband) together with the wife[6]

While men discharged their debts and ensured their salvation, women helped men to achieve immortality and heaven through the son and thus discharge their obligation. The goal of the life of women was thus to get married and procreate sons – in fact, according to the texts women are created for the sole purpose of procreating sons.[7] It is not surprising that the *Dharmasutras* permit, or rather recommend, that the husband marry again even when the first wife was living if she had no son. The sonless wife should not be an obstacle in the fulfilment of the husband's goal.[8] That she was merely the medium through which the husband's goals were achieved and that she herself had neither personhood nor religious or social goals is evident from the denial of children (and through sons to immortality) to her in the event of her husband's death.

The rituals at the time of marriage explicitly recognise the crucial place of procreation. This is evident in the brahmanical texts,[9] and anthropological analyses of the Hindu marriage ceremony repeat the centrality of reproduction in the rituals so evident in the brahmanical texts. For example, in the crucial 'haldi' ceremony which precedes the actual marriage rites, the spouse is smeared with turmeric. According to informants the effect of the turmeric application is that the body is heated up for sexual intercourse. The source of sexual energy which *haldi* is believed to create is located unambiguously in women, in which sense they are perceived as active agents in the process of reproduction.[10] Further, the colour most often associated with brides is red. red is the colour of vitality because of its connotation of blood. It is appropriate where something important and life-giving is about to take place. The red colour of the 'kumkuma' and 'sindoora' applied only by married women symbolises the sexually active or sexually potent female. The bride's red sari and kumkuma together represent the fluids of creation, of life, female creative power, and specifically the capacity to bear children.[11]

It is significant that the symbolism of marriage rites represents women not only as a source of sexual energy, but also as having fertility closely identified with the fertility of nature and possessing qualities that are juxtaposed with other qualities supposedly held by men. However, these are held in such a way as to render them relatively 'wild' and 'disorderly'.[12] A concomitant of the ceremonies is that only in their relations to men as wives and mothers do they become fully cultural, or indeed fully human.

In handling the concept of wifehood the prescriptive texts too constantly attempt to resolve the basic contradiction that women represent between their nature and their function. A demoniac and innately promiscuous nature is ascribed as their lot due to the previous bad 'karma' that produces female birth; it must be suppressed in favour of their function as wives.[13] Women are perceived as being caught in a trap caused entirely by their karma; they are the sites of conflict between 'strisvabhava', their innate demoniac nature which is lustful, and 'stridharma', their function as wives. There is no greater delight and no more destructive urge than sex for women, and even very old women are considered to be consumed by passion. Women inherit 'svabhava' from their mothers while from their fathers they inherit their stridharma, their duties as women and their ordained functions as wives.[14] Thus a woman's biological identity is derived from the mother and her socially constructed identity is derived from the father.

The innate promiscuity of women requires the legitimate channelisation of their sexual energy in a stringently organised system of reproduction without which the social order would collapse. Thus to ensure the absorption of the wife's sexual energy frequent satiation is required, and the husband who does not approach his wife after the purificatory bath, following the end of the menstrual pollution, is to be punished.[15] This is a rare case of punishment advocated by the *Dharmasutras* to an 'erring' husband.[15] Even so, the innate sinfulness and lustfulness of women can easily lead them to adultery which is severely punishable with every form of humiliation to be publicly heaped upon the adulterous wife. Surveillance of the wife within marriage is regarded as necessary and is repeatedly recommended in the prescriptive texts.[16]

It was to channelise the overflowing sexual energy of women that early marriages become so crucial in the structure of brahmanical patriarchy. If a girl did not marry by the time she reached puberty she would easily and inevitably be led 'astray'. As Selwyn states, an unmarried menstruating girl eventually becomes an object of 'moral panic'. Such a woman, "untamed by wife-hood and mother-hood, is... a liability to her kin, her caste, and to society in general".[17] The brahmanical textual position is unambiguous in the responsibility it places on the girl's family if she remains unmarried after puberty.[18] The parents and the eldest brother go to hell in such a situation. If a girl is married after this point her husband

is to be socially excommunicated. According to some texts the father or guardian incurs the sin of destroying an embryo at each appearance of the menses as long as the girl remains unmarried.[19]

Marriage is thus imperative for women: within it alone can women's innate nature of sinfulness and lustfulness be channelised, and thereafter through legitimate reproduction women enable men to discharge their debts to the gods and ancestors and achieve heaven. Through wifehood and motherhood women discharge their functions in society, acquire personhood, and, in this capacity, perform rituals with their husbands as 'sahadharminis'. Within marriage as true followers of stridharma and 'pativratadharma', women can achieve great powers. Through marriage and wifely devotion the 'biological' woman, a wild untamed and disorderly entity, can be converted into the 'cultured' woman – a social entity who has vanquished all the demoniac force within her.[20] Only thus can women overcome the inauspicious marks of female birth and acquire the necessary karma to be reborn as men, preferably 'dvija' (twice born men) entitled to seek the goal of immortal heaven.[21]

The overflowing sexual energy of women, containable and legitimately expressible only in marriage, is regarded as assuming dangerous dimensions when the husband is away. Like the unmarried menstruating girl, a wife whose husband is absent is the object of moral panic. The didactic Sanskrit and Pali literature abounds in stories of women's licentiousness in the absence of the husband, thus bringing about moral and social disorder.[22] The way the prescriptive texts deal with this situation prefigures the manner in which the sexuality of women in widowhood is handled. All the advice given to wives to make themselves attractive and to invite the sexual attention of the husband are explicitly prohibited to the wife in his absence. Her movements are severely curtailed and so too her behaviour. The contrast in the prescription to the wife while the husband is home and when he is away is telling. While the texts prescribe a purificatory bath after her menstrual pollution is ended, she is exhorted to make sexual advances to him that night.[23]

But in contrast when the husband is away the 'chaste' woman – 'sati' – is expected to forgo perfumes, garlands, collyrium, the chewing of betel and even the use of the teeth cleaning stick. According to one authority the face of the wife whose husband is away should look pale and distressed, she should not embellish her body, she should be devoted to thoughts of her husband, she should not eat a full meal and should emaciate her body.[24] These traditional injunctions were repeated in the 18th century text for women which lays down that the woman whose husband is away "should abandon playing, adorning her body, attending gatherings and festivals, laughing and going to other people's houses, and even laughing with the mouth open".[25] These prohibitions are the general prohibitions observed by menstruating women and by widows. All these actions are regarded as making a woman attractive[26] and providing occasions for interaction with others, making the wife vulnerable to her own passions, and so must be avoided when the husband is unavailable either because he is prohibited to touch his wife, or is away, or is dead.

Widow in Brahmanical Patriarchy

As we have noted earlier the wife who becomes a widow creates an anomalous situation in the brahmanical prescriptive texts. Since the wife represents the core of womanhood she is the real focus of attention both in the prescriptive texts and in mythology. The texts concern themselves with converting biological entities into social or cultural entities. Once this ideal is achieved such women become prototypes and models for other women epitomising 'satitva', wifely power of the chaste woman. It is significant that there is no widow in traditional mythology except Kunti. But although she is important she is not central to the narrative in the *Mahabharata*.[27] The only woman who comes close to such a position is Savitri who is doomed to widowhood in the narrative. But the focus in the story is how Savitri fights off her husband's death. By implication the narrative lays the groundwork for the widely held belief that women who are widowed fall into that state because they bring it upon themselves. To that extent they are responsible for the death of the husband.

The mythology of chaste wives who predecease their husbands is consistent with the general position in the brahmanical prescriptive texts that widowhood is solely attributed to 'purva karma' and is the punishment for a sinful existence in the past. A true pativrata can never be widowed because she will never leave her husband even in death. She will either die before him as a 'sumangali' or will accompany him in death.[28] Indeed the wifely power of the pativrata lies in a woman's ability to snatch her husband away from the jaws of death as Savitri did with Satyavan; the texts tell us that just as a snake charmer forcibly draws out the snake from its hole, so too the spiritual power of the pativrata snatches away her husband from the messengers of death and reaches heaven with him. On seeing such a pativrata the messengers of death beat a hasty retreat knowing that they have been thwarted by her devotion.[29] The proper ideal type of a woman in the brahmanical texts is one who is imbued with the qualities of a sati. She is a woman whose chastity makes her a living sati and gives her the power to ensure that she dies before her husband. Alternatively if her husband dies before her she has the power and will to accompany him in death as a sati and thereby reject widowhood.

This is the background to the religious sanction for sati, the immolation of the wife to overcome widowhood. All the major texts exhort the wife to accompany her husband in death by performing 'sahagamana' or 'sahamarana'. The husband is to be followed always: like the body by its shadow, like the moon by moonlight, like a thunder cloud by lightning. In order to achieve this state the wife is prepared for such an action right from the time of the marriage vows.[30] There is no doubt that the woman who gladly follows her husband from his house to the cremation ground attains, with every step, the rewards of the horse sacrifice.[31] The woman who rejects widowhood can purify and rescue the most sinful and evil husband. Even if the woman has been a bad wife, who has until then, because of her wicked mind, despised her husband, even she, through the act of dying with her husband, confers merit on themselves. It destroys her earlier sin even when she does this out of anger or fear. This then becomes the scriptural justification for forcing women to burn themselves. It is the ultimate and only effective 'prayaschitta' for the bad wife; though this she redeems herself and escapes the future misery which her bad karma would normally have brought her.[32]

Following these arguments it is clear that according to the ideology of brahmanical patriarchy, if a wife is actually widowed she has certainly not been a pativrata, nor vanquished her innate weakness and sinfulness (which her birth as a female entails), nor availed of her last chance for redemption through satihood: in short she is an outcaste. She is therefore a doubly condemnable creature: feared and despised. The widow must thenceforth atone for her sins, for bringing widowhood upon herself: through bodily mortification and steadfast devotion to her departed lord she must stringently monitor her sexuality and master the promiscuity that inheres in all women. To enable others to have proof of her virtue she must occupy the darkest recesses of the house and submit herself to the constant surveillance of the patriarchal gaze, even as it might work through the women of the household, with everyone committed to upholding notions of family honour inscribed into the gender and caste codes.[33]

Widow in Prescriptive Texts

Since a woman becomes a social entity only when as a wife she is united with her husband, the death of her husband represents the cessation of her social existence and the end of her personhood. Once the husband dies the wife's sexuality, which in marriage served familial and social goals, is of no use to the community. The death of the husband thus marks a dramatic shift in the perception of the community towards the widow. Even more than the unmarried menstruating girl or the nubile wife whose husband is away, the widow of the dead husband is the object of real moral panic. While the sexuality of these other categories can be held in abeyance, the sexuality of the widow cannot; she must therefore be completely unsexed. And because this is not easy to achieve the widow must be represented as the most repugnant and despicable of characters. Feared and hated she must henceforth be confined to the 'dark spaces' where she is inaccessible.

The prescriptive texts lay down stringent codes of behaviour in order to ensure that the widow's sexuality is repressed, mastered or forcibly contained. These prescriptions are outlined in all the major texts beginning with

Manu, until which time the texts had recognised the possibility of redeploying the sexuality of the widow after a specified period of celibacy and mourning. The institution of 'niyoga' or levirate unions is mentioned in the *Rig Veda* and survived into the first millennium A D. However, the *Dharmasutra* literature indicates that the practice was being made conditional upon the absence of a son from the woman's first husband and had to have the sanction of the elders in the family.[34] Manu condemned the practice and upheld the norms of a celibate and perpetual widowhood. Following Manu, the emergence of the norm of celibacy became the basis for all the individual prescriptions; the widow must give up all ornaments, observe fasts, emaciate her body and remain steadfastly loyal to her dead husband. Manu lays down the following code:

> Let her emaciate her body by living on pure flowers roots and fruits; but she must never even mention the name of another man after her husband has died Until her death let her be patient of hardships, self-controlled and chaste and strive to fulfil that most excellent duty which is prescribed for wives who have only one husband "

The *Vridha Harita* is more explicit about the marked nature of the widow's appearance and behaviour, "She should give up chewing betel nut, wearing perfumes, flowers, ornaments, and dyed clothes, taking food from a vessel of bronze, taking two meals a day, applying collyrium to the eyes; she should wear only a white garment, curb her senses and anger, and sleep on the ground."[35]

The prescriptive texts provide only one model for the widow who continues to live after her husband, and that is the model of an ascetic widow This model closely corresponds to two other categories of males in the brahmanical texts who, like the widow, must transcend or renounce their sexuality: the brahmacarya' and the 'sannyasi'.[37] The first is a male who has not yet entered an active sexual phase, and the second is a male who has renounced sexual life after completing his duties as a householder and begotten sons, and is therefore free to pursue his salvation goals [38] For both these categories celibacy is compulsory and underpins all the codes to be followed. Indeed the widow's way of life is specifically called the renouncer's life, or in the widest sense a celibate life. But there is a crucial difference because the widow cannot leave home as a true renunciate.[39] Unlike the true 'pravrajya' she has no individual salvation goals apart from those of her dead husband. The widow's asceticism, bearing no personal results equivalent to the male ascetic, i e, cessation from rebirth or 'moksha', is nevertheless necessary in order to ensure the peace of mind and happiness of her dead lord. Devotion and loyalty to one's husband remains the key point of a widow's life; the widow's asceticism and celibacy is thus negative, not positive. Her 'stridharma' continues in widowhood and requires her to master her sexuality. It will ensure her salvation by ensuring her husband's salvation, otherwise he will descend to hell.[40] For this reason the widow's celibacy is not transient but must last as long as she lives. Thus, although there is certain similarity in the asceticism of the widow and that of the renouncer, the goals are so distinct that the widow is not an ascetic: the transformative space available to women within the ascetic tradition[41] is denied to the widow.[42]

In brief, the prescriptive texts clearly outline only two models of widowhood: that of the dying sati who mounts the pyre rejects widowhood, and proves herself to be the best follower of 'stridharma', and that of the living sati who becomes the ascetic within the home, remaining a celibate, steadfastly devoted to the husband till she dies. There is no third model, certainly not of the true renunciate, at least in the brahmanical prescriptive texts.

The two models of the dying sati who mounts the pyre, and of the living sati who mortifies the body, are repeated throughout the centuries in all the later texts of the brahmanical tradition. Of the two, the first remained the more valued ideal for a variety of reasons. The devotion of the dying sati who mounted the pyre, and the merits such an action brought to her relatives, were no doubt greater than those of the ascetic widow But at the same time it must be remembered that the sati also solved the problem of the sexually active woman whose sexuality must not be expressed. The hazards of the sexually active widow forced into celibacy was ever present in the texts.[43]

In the 18th century Tryambaka took an unambiguous position on the issue of the sati versus the ascetic widow The practice of dying with the husband was commended for all women. But its, for some reason, the wife did not follow her husband then Tryambaka exhorts that her virtue must be protected for, as he puts it, if her virtue is lost the woman falls down into hell. More important, the loss of her virtue causes her husband to fall down from heaven into hell [44] The rewards for good behaviour are both material and spiritual. The ascetic widow gains heaven for herself and her husband Further, she ensures rebirth as a high status man for herself Only the chaste widow is entitled to maintenance or the enjoyment of property during her life time. According to Katyayana, "A sonless widow, preserving the bed of her husband unsullied and being self-controlled should enjoy her husband's property till her death."[45] (This position was upheld in judgments in the 18th and 19th centuries).[46]

The limited and conditional rewards, one necessary for her survival and the other to secure an unseeable future, go along with an otherwise humiliating existence. While the rules regulate minutely the widow's conduct, it is clear from references that the lawgivers could not effectively restrain men from violating the injunctions regarding strict celibacy for widows. The *Adi Parva* (of the *Mahabharata*) recognises that "just as birds flock to a piece of flesh left on the ground, so all men try to seduce a woman whose husband is dead."[47] Taken together, the inherent sinfulness of women, their lustfulness, as well as the predatory character of men, required the segregation, isolation and marking of the widow.

It is in the context of the above discussion that the rites and customs associated with widowhood acquire meaning. These rites and customs were prevalent in different degrees in the case of most widows, but were highly concentrated in the person of the high caste Hindu widow and included the rite of tonsure. Control over female sexuality was almost obsessively applied among high caste women because the danger to the structure of brahmanical patriarchy was great in their case. The reproduction of the hierarchical caste order with its horror of miscegeny subverting the entire edifice necessitated such stringent control. Unlike the lower caste woman the high caste woman did not labour outside the home or participate in primary production. She was regarded solely as a receptacle through whom reproduction could take place. The death of the husband of the high caste woman and the consequent cessation of her reproductive potential created a dangerous situation. The anxiety about monitoring her sexuality doubled: while, as we have seen, the wife's sexuality had to be channelised, the widow's sexuality had to be abruptly terminated. The rites reflect the dramatic transition from one stage to another, from a controlled and channelised sexual life and social personhood to sexual death and social obliteration.

Symbolic Structure of Widowhood

The passage of a woman from the position of a wife and sahadharmini to that of a widow was marked by various rites. These rites are not the subject of sustained attention in the early sacred texts as the focus of attention was concentrated on the male corpse However, the texts do indicate that soon after the death of the husband, the appearance of the widow was distinctly marked off from other women as she had to give up all forms of adornment as well as those customs or symbols that were associated with the marriage of a woman. These include the 'kumkuma', the red mark on the forehead, the 'sindoora' applied in the parting of the hair in certain parts of India, and the use of 'haldi', among other banned items. These items as we have noted before are associated with sexuality and reproduction. Haldi, for example, has a strong relationship with fertility and prosperity and is considered so auspicious and powerful that 'naturally' widows could not be allowed to use it.[48]

Other customs not specifically mentioned in the texts are also widely prevalent, such as the breaking of glass bangles and the breaking of the 'mangalsutra', the sign of a married woman in many parts of India.[49] These acts are performed with a degree of violence which adds to the humiliation the widow must undergo for the rest of her life and which she begins to experience immediately after the death of her husband. Two other markers of widowhood are the white, ochre, or occasionally maroon coarse garment prescribed for widows, and, among the high castes in southern and western India, the tonsured head. The colour codes of red and white are systematically sustained in the wife/widow opposition Whereas red

symbolises fertility and sexuality, white symbolises asexuality In the place of the red kumkuma banned for widows it is customary for them to use 'vibhuti' or ash instead to mark their foreheads The white or ochre sari symbolises purity, coolness and the sexuality of the non-bride, more pertinently the renouncers. White is also the colour of death; the 'vibhuti' or white ash is associated with the funeral pyre,[50] and the exclusive use of this colour by widows among women indicates their continued association with asexuality and death [51]

The ritual of the tonsure marks a more extreme resolution of the asexuality of the widow It is significant that there are no references to the tonsure of widows in the early prescriptive texts On the other hand these texts rule that the widow should not adorn her hair with flowers and must keep it bound, so it is obvious that tonsure was not prescribed initially, and certainly not for all castes There is every possibility that widows of the royal families kept it unbound during the period of pollution and mourning. Unbound hair appears frequently as the sign of widowhood in the *Mahabharata* When Draupadi kept her hair unbound for 12 years she was symbolically proclaiming a state of widowhood and mourning [52]

As a custom, the tonsured head appears to have been taken over from a very early practice among the Tamils The Purananuru, a 2nd century AD text, portrays widows as subject to many restraints: they did not wear ornaments, slept on beds of stone, and caked their shaved heads with mud.[53] The custom is mentioned in the Sanskrit texts for the first time in the *Madanaparijata*, a commentary on the *Skandapurana* written in the 14th century [54] The text states that the widow, like the son of the deceased, had to shave her head Up to this point in the account the widow is depicted as sharing pollution or mourning along with her sons [55] However the text further states that widows were required to tonsure themselves continually at periodic intervals till their deaths[56] whereas the sons are not required to do so The 18th century Tanjore text, the *Stridharmapaddhati* of Tryambakayajavan, argues that the rules prescribing shaving the head apply only to brahmana widows while women of other castes kept their hair.[57] In 18th century Maharashtra the state enforced it in the case of brahmana widows,[58] and the custom was widespread among brahmana widows in Maharashtra, Tamil Nadu and Karnataka

The notion that sin and pollution both lodge in the hair appears to be widespread; it is for example a ubiquitously held belief among Hindus and has been documented in the case of the Hindus of Banaras [59] It is for this reason that funeral rituals require that on the last day the hair is shaved off, thus ensuring the removal of the pollution. Normally, in more everyday occasions of pollution the ritual washing of the hair is considered enough However death pollution for the upper castes requires more effective forms of ending the pollution (as in the shaving off of the head) [60] In the case of the widows, however, the requirement of periodic shaving must necessarily have other connotations than mere death pollution.

Anthropological evidence provides us with some clues to the relationship between hair, pollution, and sex Paul Hershman's field observations of hair grooming practices in Punjab shows that such practices are particularly important in the case of women [61] A similar notion of pollution is prevalent even where tonsure is practised. It was enforced by the popular belief that if the widows did not shave her head, every drop of water which fell upon the hair polluted the husband's soul as many times as the number of hair upon her head [62] Hair is thus a major marker of the state of pollution or purity and auspiciousness and the possible shift from one to the other, especially in the case of women

In this context of the symbolism regarding hair, it is notable that of all the parts of the body hair has the most mystical association There is hardly a culture in which hair is not for males a symbol of power, manliness, freedom It is the seat of strength in many myths and cultures, the most well known being the case of Samson It is also held to have fertilising powers as evident from Greek myths At puberty the hair, already the seat of strength, is considered to be enhanced and containing a double portion of vital energy, since at that point it is an outward manifestation of newly acquired power of reproducing the species Abundant hair is a sign of vigorous sexual energy, idealised as the essence of feminine beauty but indicative also of wantonness in the case of women [63] Since abundant hair is a symbol of life power, the way one handles it is a marker of what one does with this life power The grooming or exhibition of hair, for example, has a pronounced erotic element in Melanesia [64] Shorn head is conversely symbolic of the loss of power, freedom and even of castration

While Berg has analysed the unconscious meaning of an individual's community's attitude towards hair, Leach[65] and Obeyesekere[66] have, on the other hand, explored the symbolic structure of hair and its relationship to sexuality in the context of renunciation, asceticism and sexual restraint Both argue that symbols have meanings at different levels, and that apart from their personal meaning for individuals and groups they have a socio-cultural message which is public Leach argues that while the private has indeterminate meaning, the essence of public symbolic behaviour is that it is a means of communication in which the actor and audience share a common language – a symbolic language, every member of a certain culture will attribute the same meaning to any particular item of culturally defined symbols.[67] Leach and Obeyesekere thus contest Berg on the unconscious symbolism of hair On the basis of anthropological evidence from south Asia they argue that hair behaviour embraces a widely understood set of conscious sexual symbolisations It is because of this that hair plays such an important part in rites of passage involving the formal transfer of a person from one social-sexual status to another.[68]

The tonsured head both in the case of men and widows is clearly a public symbol, one that is recreated each time upon an individual. It is also part of a larger symbolic set in which the tonsured head, the half-shaven head of the brahmanas, and the matted hair of the ascetic, have different but related meanings; they are all linked up within a unit of specific cultural meanings attributed to hair and sexual behaviour.

In the case of the shaven head Obeyesekere and Leach accept Berg's analysis of the unconscious meaning of hair as symbolic castration. Leach argues further that allowing the dishevelled state is an ascetic repudiation of the very existence of sex. Referring to the practice of keeping a young girl's hair short in Assam and Burma, whereas married women wear their hair long, he suggests that short-haired women are those whose sexuality is under restraint [69] Similarly the elaborate half-shaved half-haired head grooming of the brahmana indicates the simultaneous control of sexuality and the legitimate raising of offspring In the symbolic system of brahmanism, the tuft means sexual restraint, the matted hair means total detachment from sexual passions and the shaven head means celibacy At leat in south Asia, then, sex behaviour and hair behaviour are consciously associated from the start [70]

Obeyesekere argues strongly for a sharp distinction between the shaven head and matted hair, which according to him are not interchangeable as their meaning is not confined to chastity alone. It is only the shaven head that implies castration, although it at the same time implies chastity and renunciation. The difference between the shaven head of the buddhist monk and the matted haired ascetic is indicative of the gradations within restraint in sexual behaviour. In the case of the celibacy of the monk, sexual passion must be eliminated, not just held in abeyance, as in the Shiva mythology, the archetype of the symbolism of matted hair The biologically obvious way for the complete elimination of sexual passion is castration. Coming close to that is expressing it indirectly and symbolically through a non-literal interpretation as an tonsure Obeyesekere concludes that the primarily psychogenetic meaning of the shaven head is castration, its further cultural meaning is chastity, and its extended interpersonal meaning is renunciation. While all three meanings are contained within the act of tonsure for widows, the most important level of meaning is that of castration.[71]

The tonsure of the widow with its attendant meaning of castration, chastity and sexual death, was at the same time a visible marker of the widow's entry into a state of social death. For the upper caste widow sexual death was social death as there was no other role assigned to her apart from that of reproduction. Such an ideology entailed the enforcement of grim conditions upon the widow's existence. Symbols and rituals of marriage and widowhood along with material arrangements affecting widows were linked together to form a structure that governed the lives of upper

caste widows which survived into the 19th and 20th centuries.[72] This structure had a counter but complementary set of relations which applied to lower caste widows, as the field based studies analysed below demonstrate.

III

Material Relations and Ideology of Widowhood: Two Case Studies

Widowhood in a South Indian Brahmanical Community

Anthropological analysis of the belief structure of a brahmana community with regard to gender relations provides a case study about latent ideas on widowhood among havik brahmanas in the Malnad area of south India.[73] The study uncovers complex emotions of fear and guilt located within a structure of power in which men wield total authority over women who are completely dependent economically upon, and subordinated to, them in every way: the most vulnerable section among women are widows. The study suggests that those who wield power over others in real life invert the actual relations in their belief system and portray as malicious and dangerous the very people over whom they wield power, as in the case of havik brahmana men and havik brahmana widows. At the same time the study shows that such beliefs are unique to havik brahmana society, and are absent among those communities in which gender relations are relatively less authoritarian and women have relatively higher status within their caste than do havik women.

It is believed by havik brahmanas, among whom widows occupy the lowest status position, that these widows poison others at random with a substance obtained secretly by them from a strange reptile. Widows without male issue are particularly suspect. The victim is said to develop an incurable stomach ailment leading to a distended stomach. In young women the symptoms approximate to a pregnancy; treatment is not usually secured till it is too late. A number of havik brahmana informants hold that widows poison others to ensure that in their next incarnation they will have many sons and will predecease their husbands.[74] The implication appears to be that brahmana widows are unhappy in this life and many perform a harmful act in order to be happier in their next one. What is significant is that the alleged victims are not selected for purposes of revenge or hatred; the widows act not against someone but for themselves to secure a different and better future than the one in which they have been widowed and subjected to infinite misery.

Havik brahmanas occupy the highest position in society in those villages where they reside and derive their livelihood from the possession of small areca-nut plantations and from land that they lease to agricultural castes. Since havik brahmanas never accept food from any other caste their poisoners have to be members of their own caste. Only widows are believed by the havik to at some time or other have been suspected of indulging in the practice. The deep seated belief may be interpreted as representing the destructive potentialities of havik brahmana widows. According to Harper the fear itself can only be explained in the context of havik social structure, especially its gender relations.[75]

All women, but particularly widows, are feared by havik men. Women are a potent source of pollution for havik men for whom ritual defilement is a major concern. Menstruating women and women who have recently given birth to a child – in other words women in states which emphasise their 'femaleness' – must be segregated. Even inadvertent contact with them causes much greater ritual pollution than does contact with a member of the untouchable castes. In a state of ritual impurity women can cause untold harm to their families, and should an impure woman accidently contaminate a god or deity it may cause illness or even death to members of her family.[76]

At a more general level all women are inherently dangerous because they are sexually passionate and demanding; as temptresses of the flesh they sap male vitality and stand between brahman men and their salvation goals. In the context of everyday relations women are believed to disrupt fraternal solidarity, a cherished ideal among havik brahmana men but hardly ever actualised in real life, and not because of women; this is a stereotype which, in Harper's view, has no bearing on the break-up of the fraternal household.[77] But it is brahmana widows who are most feared amongst women. The sight of the widow itself is inauspicious, so inauspicious that if sighted at the beginning of an auspicious venture, the venture must be postponed, even dreaming of a widow augurs ill. Further, in the system of religious beliefs all female deities are in general more dangerous and malicious than their male counterparts. Mariamma, the goddess of small pox and the deity who has the highest malevolence potential, is in local mythology represented as a brahmana widow. It is of utmost significance that 'according to the narrative she slew her husband in a fit of rage when she discovered that she had been deceived by him. Mariamma thus became a widow by murdering her own husband. This is clearly linked to a deeply held belief in brahmanical society that should a husband predecease his wife it is somewhow, in some mystical way, the wife's fault.[78] The belief in poisoning by widows is thus part of a more complex constellation of ideas around the theme of fear of women, but particularly widows. In the havik brahmana household the authority of the males over females is absolute. At marriage, performed ideally before puberty, authority over the bride is completely transferred from her natal family to her husband's family. Post-marital residence for women is virilocal and patrilocal for men, women are excluded from inheritance and, except for certain types of jewellery, women do not own property.[79] Divorce is prohibited, polygamy is permitted but rare, widows must never remarry, widowers are expected to remarry and often do. Since at marriage a woman is transferred from one patrilineage to another, her natal kinsmen have no jural control over how she is treated. A mistreated daughter-in-law (who as a bride occupies a low status and power position within her new house, where the male kinsmen have a right to discipline her severely) should not complain to her natal kinsmen because this would only cause them grief about a situation over which they have no control. The only recourse she has is to bring dishonour upon her husband's family through suicide. It is not surprising then that all havik families prefer to marry their daughters to less wealthy families in order to maximise their influence over their daughters' new social environment.[80]

Havik women labour only within the household unlike women of nearly all other castes in the region, who perform agricultural labour. Also, they do not handle financial matters. Havik males characterise women as weak willed, superstitious and constantly in need of male protection. Prohibited from possessing sacred religious knowledge they are characterised as having 'sudra minds'.[81] The perception about the subordination of women and girls around havik men expresses itself in a dual manner; positively with regard to comprehension and behaviour towards daughters and negatively when it constructs widows as malevolent.

Havik men hold deeply ambivalent and contradictory attitudes towards women. Mothers are revered, sisters and particularly daughters are regarded as dependents towards whom there is much affection. Harper argues that the havik male fear of women is linked to guilt about the subordinate status of females to males. This recognition of status difference accounts for the compensatory behaviour exhibited towards daughters — the expressed sentiment is that because daughters may suffer after marriage they must be made as happy as possible before the event.[82] In the value system of the male havik there is thus a great disparity between the attitudes expressed towards wives and women in general, and towards close agnatic kinswomen.

The fear about wives in particular is evident also in the way in which every structural mechanism, ideological and organisational, is used to prevent women from uniting in opposition to the male dominance within the marital household. Women from the same patriarchal family are barred from marriage into one household; indeed brothers should not marry girls even from the same village. These conventions prevent sisters, female patrilateral parallel cousins and childhood friends from residing together in the same house after marriage. The bride's isolation in the new house must be complete for the subordination to be effective. The life cycle of women has, however, a certain progression even within the husband's family. After a period of trial and tribulation occupying the lowest position in her husband's family, a woman may, and often does gain, in respect, especially when she produces a son. She may ultimately become a mistress in her own house and a mother-in-law with power over her daughters-in-law. Time thus appears to be in her favour.[83]

But as Harper points out, if she is widowed, especially without having borne a son, even time cannot lift her out of her oppressive situation. She will be permanently deprived of even the little she had as a wife - a husband and children. Forced to wear a distinctive garment and tonsure her head to symbolise her degraded status, she is publicly defeminised. More offensive than anything else, the widow is never again referred to as 'she' but instead by the neuter 'it'. Widows are ridiculed and commonly they are the butt of jokes. From then on the widow is called 'prani', animal.[84] A symbol of inauspiciousness, she can no longer participate in the domestic ceremonies that form a part of women's culture. Everyone concedes that the life of the widow is one of unalleviated misery. But this does not merit real sympathy. The fate that befalls a widow is believed to be deserved. Expected to pray daily that she should predecease her husband, a woman if widowed is considered to be at fault. "It ate up its husband", is what people would say.[85] Any move up or relatively high status that she might have gained through time is instantly diminished. That havik society would regard widows to be sufficiently bitter and resentful to harm others in order to escape (in future) the sufferings entailed in widowhood is thus entirely 'rational'.

In the larger structure of relations governing caste, gender, widowhood, and belief systems, there is a crucial but inverse connection between the real position of the widow's powerlessness and their imagined power to strike back. The subordinated status of the woman as widow is expected to breed the desire for revenge. The overt submission of widowed women is perceived as a mask which hides their suppressed anger and makes them infinitely dangerous, in some cases even blood-thirsty.

It is notable that the structure of ideas with regard to widowhood among brahmanas grows out of the material and social position of widows in high caste society. In marked contrast, widowhood is not pitiable, nor are widows regarded as particularly dangerous among the different categories of women in the lower castes. Widowhood is not marked by the kind of dramatic break in the life of a woman as in high caste society, it is a different state but the structural opposition between the wife and the widow does not exist in non-brahmanical society. Widowhood is organisable in the case of the non-brahmana castes, along the axis of production and reproduction rather than reproduction alone. Widows from these castes are thus incorporated in the social and economic order. This is strikingly brought out if we look at the labouring castes who work for the havik brahmanas in the Malnad region. Post-marital residence in the case of the labouring castes is determined by individual economic factors and sometimes may even be in villages where neither the man nor the wife has close ties but where work is available. Extended families are not glorified among sudras as among the haviks. Among untouchables the extended family is almost never found. Post-puberty marriages are the norm and divorce may be initiated by either party. Family authority is more equally divided between the husband and the wife; women earn and handle family finance. Menstrual taboos are less rigorous, and payment of a brideprice frequent.

Sudras and untouchable widows do not shave their heads, nor are they set apart by distinctive dress nor referred to as animals, nor excluded from auspicious ceremonies. In these castes widows and divorcees may and do contract second marriages. The status of a woman who enters into a secondary marriage is only slightly less than that of a virgin bride. It is significant that non-brahmana widows in the Malnad region are absorbed into productive and reproductive activities (if they are in such an age group); women's status is relatively higher in their own caste than is the case with havik women, and unlike the latter they are not considered dangerous or inauspicious.[86]

Widowhood among Low Caste Labouring Groups in North India

The manner in which material and social factors differentially organise conceptions of widowhood is examined and analysed at length by Pauline Kolenda in the context of a north Indian village. Kolenda's essay is comparative with regard to region and explores the connection between present practice and historical texts which make references to widowhood, the levirate and remarriage of women.

Kolenda examines widowhood among high caste rajputs an low caste chuhras in a north Indian village.[87] Drawing from other anthropological works especially on south India, she notices that widowhood as well as the status of women in the high castes is related among other things to control over property inherited by men, which may foster the degradation of women in order to exclude them from a share in inheritance. Ideologically this is portrayed as women being 'assimilated' to their husbands and becoming one flesh with them. In contrast, the lower caste women are not 'assimilated' to their husbands but in marriage remain equal and opposite to them. An important factor responsible for the differences between high and low castes is the contrast between high castes as landowners and the low castes as wage earners. There is here an equality between adult sons and father, and between husband and wife, which comes from their separate and more or less equal status as wage earners. The lower caste woman's economic role accounts for her more equal rights both in her marital and natal homes. Thus the difference between high caste and low caste women is caused by differences in relation to production.[88]

Kolenda carries forward the analysis of gender, caste and the economy with a close look at widowhood but particularly relating to enforced widow mating among low castes. To begin with, chuhras do not necessarily follow patrilocal residence. In their case there is much flux in the population as families change residence, chuhra families may settle in the wife's village or other villages where one might find kin, or just a place where work is available. Lack of land has resulted in the chuhras being more mobile, less anchored to locality than the high caste rajputs in the area. Because of their poverty chuhra women work outside the home, it is they who do the 'jajmani' work. A chuhra widow could support herself and her children as long as she could continue the jajmani work. There was no dramatic change in the chuhri widow's lifestyle or standard of living.[89]

The rajput widow on the other hand was stripped of jewels and remained in her dead husband's property contingent only upon her 'good' behaviour, and was forbidden to marry again. Only one sexual partner was envisaged for a rajput woman during her lifetime and that was her husband. To him she was given in sacred ceremony, with community sanction and a dowry. A woman along with her family was made impure by any subsequent sexual relationships she might have. An adulterous rajput wife or widow could be cast out and even executed. Sati was an ideal, and worshipping at a sati shrine was the first ceremony in every marriage of a rajput woman.[90]

The main contrast between rajput women and chuhra women is with regard to work, marriage, and widow mating. All chuhra women, along with other sudra or untouchable castes, could remarry, and the practice of levirate was common among these castes. In the structure of ideas widow-remarriage is one of the key defining practices that constitute the impurity of low castes. But, significantly, as has been documented elsewhere, low castes were expected to conform to the custom.[91] The insistence of such a practice was in part a reinforcement of closely guarded upper caste privileges including enforced widowhood which ensured higher ritual status for them. But it was also a means by which the upper castes manipulated and controlled the demographic structure of all castes - high and low. Patriarchal formulations were closely tied to caste and class formation.

That caste, class, and patriarchy worked together to organise the sexuality of all women is evident from widow mating practices among the chuhras. Chuhri widows of child-bearing age were expected to remate. Only widows with grown children, i e, one who was well past child-bearing age, was permitted to remain unmated if she made a declaration to the community to be a celibate.[92] This was not a recognition of the sexual needs of widows but an arrangement to utilise the productive and reproductive labour of widows. While maintaining land structures intact as among agricultural castes such as the jats (who were restricted to levirate widow-marriage), such an arrangement would ensure the full productive potential of a woman to ensure maximal replenishing of the labouring and servicing castes.

Key elements in chuhri widow mating were a hierarchy of mating patterns according to the distance of the second mate to the dead husband, and a set of rules for the disposal of the widow's sexuality. The power to dispose of a widow's

sexuality lay with the patrifraternal contingent of her husband's paternal family. The preferred mate to whom the widow will be assinged is the dead husband's unmarried younger brother. If there is no unmarried younger brother she may be assigned to a married brother with his, his wife's, the widow's, and the widow's father's consent. She may be also given to a patrilateral parallel cousin or a matrilateral cross-cousin of the dead husband, but here too her consent as well as that of her father is required. In the case of the latter the new mate must pay for her. Both the patrilateral parallel cousin and matrilateral cross-cousin have the right to sell her once she has mated with them. A married woman or a widow who commits adultery can also be sold. Once a woman is sold she may be re-sold repeatedly.[93]

The hierarchy of marriage types are (1) marriage by 'pheras' (the first marriage); (2) secondary marriage to husband's brother; (3) secondary marriage to husband's patrilateral parallel cousin; (4) being sold to a man who is a matrilateral cross-cousin of the husband; and (5) Being sold to a stranger.[94]

It is evident from the above summary that despite the relative economic independence and security of the chuhri women, it did not make them "close to equal to men"[95] as Kolenda establishes so decisively, the men could pressure her to take another mate and they could even sell her so that she was separated from her kin. Her inferiority was established through the mating rules but more so in the rules regarding the buying and selling of widows. Control over the sexuality and the labour of the widow lay not with the widow but in the hands of the husband's family. Kolenda's analysis of chuhri widow mating customs also considers the relationship of such practices to textual evidence, and she suggests that the customs among low castes are not an aberration accountable to unsanskritic patterns, but rather are an archaic survival of prevalent mating patterns before the brahmanical codes proceeded to lay down definite and distinctive sexual codes for different categories of women.[96] While they prescribed ascetic widowhood, deterministion and the sexual death of the upper caste widow and thereby raised the status of the entire caste in relation to others, they characterised widow matings,[1] conceptualised in the practice of niyoga (the traditional term of levirate) as fit only for 'cattle' and sudras.[97] It then became a crucial index of caste status in a deeply hierarchical order. The reproductive practices of the labouring classes were simultaneously castigated and utilised; multiplying cattle and those who must labour was consistent with the brahmanical caste order. Patriarchal formulations for women of the high caste and women of the low castes were structurally integrated into the ideology and material relations of the caste system. The high castes were required to restrict reproduction so that pressure on resources in their control were not strained. Equally, since they did not labour the increased reproduction of the labouring classes would expand the potential to exploit resources under the control of the upper castes. Chuhri widows like all low caste widows were socially subordinated but did not face sexual death (or social death) at the death of their first husbands; the chuhri widow was the structural opposite of the brahmana or rajput widow who faced sexual and social death when her husband died. While enforced widowhood was the rule among the high castes, enforced cohabitation maybe said to be the rule for widows of the lowest castes.

The apparent difference in widow marriage and widow mating patterns between high castes and low castes may lead to the conclusion that there were different patriarchies according to the respective caste status. This is only partly true because it needs to be stressed that these differences were arranged within a larger single conceptual and material organisational structure. Within the larger rubric of a brahmanical patriarchy, caste, gender, land control and demography were tied inexorably together both conceptually and in terms of material and social arrangements.

Notes

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1 I have made a free and associational use of this term borrowing from Orlando Patterson's classic work on slavery. Although the upper class widow was far removed from the slave someone who was uprooted from family and alienated from her/his culture – I find the concept of social death useful in capturing the peculiar status of the widow that of a non-being. The social death of the widow made her permanently into a non being, an indelibly defective state which weighed endlessly upon her destiny, someone who could never be brought to life again. Orlando Patterson *Slavery and Social Death: A Comparative Study*, Harvard University Press, Cambridge 1982, p 38.

2 Cited in Patterson, *Slavery*, p 37.

3 Radhabai Inamdar et al, *Position of Widows*, typeset pt 1911, Eur. Ms D 356, India Office Library, pp 11, 15.

4 P V Kane, *History of the Dharmashastras (HDS)*, Vol II Part I, Bhandarkar Oriental Research Institute, Poona, 1941, pp 428-29.

5 Ibid, p 560.

6 *Manava Dharmashastra*, IX 96, translated by George Buhler as, *The Laws of Manu, Sacred Books of the East*, Vol 25, Motilal Banarasidas, Delhi, 1984 (reprint).

7 Narada, *Stripumsa*, V 19, cited in Kane, *HDS*, p 561. As early as the *Satapatha Brahmana* it is said that a sonless wife is possessed with *Nir-rti*, ill-luck or destruction.

8 *Apastamba Dharma Sutra*, II 5 11 12-13, translated by George Buhler, *Sacred Laws of the Aryas*, Motilal Banarasidas, Delhi, 1975 (reprint).

9 According to the marriage rites of the *Asvalayana Grhyasutra* (173-18) the husband leads the wife thrice round the fire and the water jar (a symbol of fertility) keeping their right sides turn towards it and murmurs "I am heaven thou art the earth, I am 'saman' thou art the 'rk', let us both marry here. Let us beget offspring" (Kane, *HDS*, pp 528-30).

Later when the bride enters her husband's home the husband chants "here may happiness increase to you through offspring". Then he kindles the nuptial fire and as his wife is seated on a bull's hide he makes oblations chanting "may prajapati create offspring to us". As the bride enters her husband's house she breaks her silence and says "may my husband live and may I secure offspring"; Kane, *HDS* op cit, p 530.

The rites that relate to the 'garbdhanam' or the 'chaturthikarma' ceremony performed before the marriage is consummated follow the first menstruation of the girl. After the wife has bathed, her husband makes her pound rice which is then boiled and eaten. Then the husband fills a water jar and sprinkles the wife thrice with the water and repeats certain mantras.

> May Visnu ready your parts, may Tvasta frame your beauty, may Prajapati sprinkle and may Dhata implant an embryo unto you. May the Asvins plant in thee an embryo. As the earth has fire inside it, as heaven has Indra inside it, so I plant a garbha in thee.

Brhad Aranyaka Upanishad, VI4 13, 19-22.

In the rite of the 'chaturthikarma', three nights after marriage the husband performs certain acts and murmurs, "into thy breath I put the sperm, may the male embryo enter the womb as an arrow into the quiver, may a man be born here, a son after ten months"; Kane *HDS* pp 202-03.

10 Tom Selwyn, 'Images of Reproduction: An Analysis of a Hindu Marriage Ceremony', *Man*, Volume 14, No 4, December 1979, p 684.

11 C J Fuller and Penny Logan, 'The Navaratri Festival in Madurai', *Bulletin of the School of Oriental and African Studies*, Vol XLVII, Part I, 1985, pp 90-97, and Brenda Beck, 'Cooler and Heat in South Indian Ritual', *Man*, New Series, 1969, p 558.

12 Selwyn, op cit, p 687.

13 Julia Leslie, *The Perfect Wife: The Orthodox Hindu Woman According to the Stridharmapaddhati of Tryambakavajavan*, Oxford University Press, Delhi, 1989, pp 248, 266.

14 Ibid, p 268.

15 *Apastamba Dharmasutra*, I 10 28 19.

16 Uma Chakravarti, 'Conceptualising Brahmanical Patriarchy in Early India: Gender, Class, and State', *Economic and Political Weekly*, Volume 28, No 14, April 1993, p 582.

17 Selwyn op cit, p 688.

18 According to Parasara an unmarried girl beyond the age of 10 is described as a 'rajasvala' (a menstruating woman). If the father has not given a girl in marriage by the time she is 12 his 'pitr' have to drink her monthly discharge (Kane, *HDS*, op cit, p 444).

19 Kane, *HDS*, op cit, p 442.
20 In one of the rituals at the time of marriage the husband says to the wife, "Be firm like a stone, overcome the enemies, trample down the foes" (Kane *HDS* op cit, p 528)
21 Leslie, op cit, pp 266-72
22 Chakravarti, 'Conceptualising Brahmanical Patriarchy', op cit, p 582
23 The *Agni Purana* says, "anointed with unguents of ground turmeric and saffron, wearing bright garments, thinking only of her husband, beautifully ornamented, she goes to bed" (Kane, *HDS*, op cit, p 565)
24 Kane, *HDS*, op cit, p 566
25 Leslie, op cit, p 291
26 Ibid, p 97
27 Kunti was the senior wife of King Pandu and mother of the Pandavas. Kunti's widowed status is not important in the *Mahabharata*. The significant aspects of Kunti's life are - first, her power to conceive through invoking the gods, second, the conception of Karna before her marriage to Pandu and the consequent abandonment of Karna which causes her much anguish particularly when the great war takes place, since Karna fights on the side of the Kauravas and against her other sons, and third, Kunti's important role as mother of the Pandavas. For an insightful interpretation of Kunti see Irawati Karve, *Yuganta, The End of an Epoch*. Sangam Books, Delhi, 1974, pp 37-55
28 A 'pativarata', for instance, is defined by Brihaspati as one who is emaciated when her husband is away on a journey and who dies on the death of her husband. Leslie, op cit, pp 293-94
29 Leslie, op cit, pp 293-94
30 According to Tryambaka's *Stridharma paddhati* the brahmana priests should recite the words, "may you be the one who accompanies your husband always when he is alive and even when he is dead". According to the same text, there are great rewards in store for the pious sati: "if when her husband has died a woman ascends with him into the fire she is glorified in heaven, as one whose conduct is equal to that of Arundhati". Leslie, op cit, pp 293-94
31 Leslie, op cit, p 292
32 Ibid, p 295
33 Uma Chakravarti, 'Social Pariahs and Domestic Drudges: Widowhood Among Nineteenth Century Poona Brahmanas', *Social Scientist*, Nos 244-46, September-November 1993, pp 130-58
34 Kane, *HDS*, op cit, p 599
35 *Manu* V 157-60
36 *Vriddha Harita*, XI, 205-210, cited in Kane, *HDS*, op cit, p 584
37 Fuller and Logan, op cit, p 89 ff
38 Leslie, op cit, p 299
39 A widow who forsakes sons, brothers, and other male relatives after her husband's death and lives independently incurs great condemnation according to Tryambaka, Leslie, op cit, p 300
40 Ibid, p 299
41 Uma Chakravarti, 'The Rise of Buddhism as Experienced by Women', *Manushi*, no 8, 1984, pp 5-8, and *Therigatha*, translated by C A F Rhys Davids as the *Psalms of the Sisters*, Pali Text Society, London, 1932
42 That the widow is not an ascetic is evident from the observations of Parvatibai Athavale, a widow writing about widowhood in 1928. Describing the forced tonsure of widows Parvatibai distinguished between the voluntary acceptance of the renunciate status and the coerced celibate status of the widow as embodied in her tonsure. The voluntary shaving of the head as an initiatory rite, for those who 'give up' the worldly life, was regarded by Parvatibai to be a "rightful religious act" but not the compulsory shaving of the head of the widow against her volition. Volition therefore was the crucial difference between a true renunciate existence and a simulated renunciate existence of the widow based on coercion exerted by others. In her view the renunciate within the home was a contradiction in terms. Parvatibai Athavale, *Hindu Widow*, Reliance, Delhi, 1986 (reprint), pp 48-49
43 As early as the 2nd century AD, Tamil poems portray the asuterities required to keep the dangerous power possessed by women under control. One poem describes the hazards of a young, chaste high-born woman attempting such control: unable to do so she wanders towards the burning ground -- only there is she freed from the passions of her youth and able to protect her chastity. George Hart 'Woman and the Sacred in Ancient Tamilnadu', *Journal of Asian Studies*, Vol XXXII, No 2, February 1973, pp 233-50, p 242
44 Leslie, op cit, p 298
45 Kane, *HDS*, op cit, p 586
46 Honama vs Timannabhat, *Indian Law Reports (ILR)*, 1 Bombay 559, Bhikhubai vs Haribhai *ILR* 49, Bombay 459
47 Kane, *HDS*, op cit, pp 584-85
48 Beck, op cit, p 559
49 The breaking of glass bangles and the 'mangalsutra' are now the most common form of representing the transition from the wife as suhagan or sumangali to that of the widow on the visual medium. In the Indian cinema it is the transformative symbol for widowhood followed by the donning of a stark white sari
50 Fuller and Logan, op cit, pp 89-92
51 Beck, op cit, p 571, n 13
52 Alf Hiltebeitel, 'Draupadi's Hair', *Purushartha*, Vol 5, 1981, pp 179-214, 208
53 Hart, op cit, p 241
54 Kane *HDS* op cit, p 587
55 C Berg, *The Unconscious Symbolism of Hair*, Allen Unwin, London, 1951, p 26
56 Kane, *HDS*, op cit p 587
57 Leslie, op cit, p 303
58 Uma Chakravarti, *Gender Class and Nation: The Life and Times of Pandita Ramabai*, Kali for Women, Delhi, (forthcoming)
59 Fuller and Logan, op cit, p 94
60 Ibid, p 95
61 According to Hershman there are certain times when pollution occurs for women: at the death of the husband, during menstruation, and following intercourse. The end of the pollution period is marked by a ritual bath when it is crucial that the hair is washed, groomed and bound in the proper fashion (*Man* (New Series) Vol 9 No 2, June 1974, pp 274-98, 285-89)
62 Personal communication from my maternal grandmother, C Alamelu
63 Berg, op cit, pp 29-30.
64 Ibid, p 22
65 E R Leach, 'Magical Hair', *Journal of the Anthropological Institute of Great Britain and Ireland*, Vol 88, 1958, pp 147-64.
66 Gananath Obeyesekere, *Medusa's Hair: An Essay in Personal Symbols and Religious Experience*, The University of Chicago Press, Chicago, 1981.
67 Leach, op cit, p 148.
68 Ibid, and Obeyesekere, op cit, pp 45-50
69 Leach, op cit, p 154
70 Ibid, p 156
71 Obeyesekere, op cit, pp 33-34; 45-50. In an influential 19th century novel in Marathi, the young widow's resistance to the range of practices associated with widowhood is finally broken by her forcible tonsure, executed brutally by her cruel and orthodox uncle. At the end of the tonsure the uncle says, "You want to remarry! Go and remarry now. This is how one has to cut off the noses of the like of you". Hari Narayan Apte, *Pan Lakshyant Kon Gheto*, translated by Srinivas Kochar into Hindi as *Kaun Dhyan Deta Hai*, Sahitya Academy, New Delhi, 1961, p 484
72 Uma Chakravarti, 'Social Pariahs', op cit
73 Edward B Harper, 'Fear and the Status of Women', *Southwestern Journal of Anthropology*, Vol 25, 1969, pp 81-95
74 Ibid, pp 81-83
75 Ibid, pp 87-88
76 Ibid, p 85
77 Ibid, pp 89-90
78 Ibid, p 86
79 Ibid, pp 87-88. The material condition of women as permanent dependents of men is a crucial component of women's vulnerability. This is compounded when a woman is widowed because she is then regarded as losing even her limited entitlement to food and clothing to which she had access as a wife. She also loses the power she may have wielded as manager of the domestic domain. Cultural values legitimise a low allotment of food as widows are expected to fast often and eat minimally. In return for the 'maintenance' they receive from their male official kinsmen (or even natal kinsmen) they must render labour which is invisibilised. Widows are often taunted with the allegation that they are 'dudges', eating up the resources of a household. For an extended discussion of the material dimensions of widowhood, see Uma Chakravarti, 'Social Pariahs', op cit
80 Harper, op cit, p 88
81 Ibid, p 89.
82 Ibid, p 92. See also Pandita Ramabai's perceptive observations especially on the relations between mothers and daughters in *The High Caste Hindu Woman*, published by Pandita Ramabai, Philadelphia, 1888, p 17
83 Harper, op cit, p 90
84 Ibid.
85 Ibid, p 91.
86 Ibid, pp 91-92
87 Pauline Kolenda, 'Widowhood Among 'Untouchable' Chuhras' in *Regional Differences in Family Structures in India*, Rawat Press, Jaipur, 1987, pp 289-354.
88 Ibid, pp 299-300.
89 Ibid, pp 306-07
90 Ibid, pp 316-19.
91 Chakravarti, *Gender Class and Nation*, op cit.

American Political Science and South Asian Studies

Virtue Unrewarded

Paul R Brass

The study of Indian politics in the US has for long remained an insignificant and stagnant sub-field of American political science. There are academic and ideological reasons for this neglect, but it also stems from the restrictions placed on foreign researchers by the Indian government. In effect, American scholars have become agents of the government of India rather than of the CIA.

THE study of South Asia, primarily of India, by American political scientists has barely held its own as a sub-profession in both the discipline of political science and in South Asian studies over the past 50 years.[1] Though several individual political scientists have made extraordinary contributions in the quantity and quality of their writings, the number of specialists in the field has remained very small. And, though the coverage of subjects – from party/electoral studies to studies of ethnic, linguistic, and communal issues to issues of political economy – has also widened considerably, the field has remained intellectually stagnant, largely unmoved by challenges such as 'subaltern studies' and post-modernist approaches. My purpose in this paper is to argue that these results have been shaped in part by academic – disciplinary and scholarly – pressures and cross-pressures, by ideological constraints, and by restrictions imposed by government upon our work, in this case especially by the government of India. The first part of the article focuses on the academic and ideological issues, the second and longer part on the question of government control over our work.

In contrast to other area studies, notably of East and South-east Asia, the intellectual development of South Asian studies was moved less by cold war considerations than by the interactions between political scientists and their disciplines, on the one hand, and between political scientists trained more or less rigorously in the methods and theories of the discipline and the apparently undisciplined character of their subjects of study, on the other hand. Insofar as the cold war was concerned, there were a few early studies of Indian politics which fit easily into the ideological framework of the time. Specialists in the study of world communism did not ignore India. They included John Kautsky, who found more discipline in Indian politics, in this case the Communist Party of India, than any of us have ever since been able to discover. He documented carefully; if superficially, the extent to which the CPI marched in step with the dictates of the Comintern and later the Cominform.[2] Josef Korbel wrote an otherwise excellent work on the Kashmir issue between India and Pakistan, but sought by Procrustean means to fit it into the cold war framework, to identify local communists and fellow travellers, and to demonstrate that Kashmir was yet another aspect of the international civil war between communism and the 'free world'.[3] A third book, by Overstreet and Windmiller, provided a detailed and still authoritative history of the origins and development of the Communist Party of India, but eschewed any effort at polemics.[4] None of the authors of these works, however, except Marshall Windmiller, were political scientists trained in South Asian area studies programmes.

Scholars of Indian politics could hardly avoid studying the communist and socialist parties, which were the most important non-Congress political parties for several decades up to the 1970s. However, such studies mostly sought to fit these political formations into the landscape of Indian politics in general rather than into the context of the international rivalry between the superpowers. These studies reached a kind of culminating point in the competing compendia on radical politics in South Asia which appeared simultaneously, if fortuitously, in the mid-1970s. While these two volumes also emphasised the domestic aspects, they sought to place radical politics both in their south Asian and their international contexts. One, edited by Gough and Sharma, searched heroically for the revolutionary underpinnings of South Asian politics in hopes of demonstrating that there was a glorious revolutionary future for those countries.[5] The second, by Brass and Franda,[6] gave the 'liberal bourgeois' perspective and argued to the contrary that these hopes were unrealistic, that neither the communist nor socialist wings of the left in South Asia were capable of, or interested in, launching South Asia into such a future. Moreover, the contributors to the latter volume mostly argued that the parties of the radical left in South Asia were more influenced by indigenous than by international pressures. They also argued that international communist strategies were as much or more influenced by South Asian realities than by vice-versa. The fact, however, that such studies were still being done in the mid-1970s by confirmed South Asia specialists does demonstrate the existence of one set of cross-pressures on American political scientists – those coming from our training as such and those coming from persons and institutions interested only in the place of South Asia in the global struggle.

A second set of cross-pressures were those that came from the discipline itself, which were both methodological and, in a sense, were also more focused on the nature of the contemporary world into which South Asian politics might fit than in the relationship between South Asian politics and South Asian history, society, and culture. Respectable political scientists setting out to study India and other developing countries were supposed to demonstrate the theoretical relevance of their studies to the global processes of development and modernisation, mostly within frameworks derived from Talcott Parsons. These frameworks had names such as structural-functionalism and systems theory. There was also a monumental effort sponsored by the Social Science Research Council in the 1960s, out of which emerged seven volumes with a political focus on political parties, communications, education, and other subjects, set in a broad historical and comparative framework. The contributors were all descendants of Parsons in one way or another, though they proclaimed a new framework called 'crisis theory'.[7]

The central figure working on India from this perspective at the time was Myron Weiner. One of his early works was a survey of South Asian politics in the structural-functional mode, which appeared in Almond and Coleman's *Politics of the Developing Areas*.[8] His book on the Indian National Congress, published in the mid-1960s, made use of the SSRC 'crisis theory' framework.[9] Virtually all his books, in fact, were self-conscious attempts to demonstrate the importance of India to prevailing theories of development and modernisation, though his later works drew upon what are called

middle-range rather than grand, global theories of politics, development, and modernisation. However, Weiner, an inveterate empiricist and still the keenest observer of Indian politics I know, carried some of these theories lightly, with the consequence that the case studies he presented overwhelmed the theories. Fortunately, therefore, most of his writings continue to stand as invaluable accounts of politics as they were when he wrote.

Indeed, some of Weiner's work, particularly the book on the Indian National Congress, have become benchmark studies for political science scholars of a more recent generation working on India. Atul Kohli has followed in Weiner's footsteps literally and theoretically, revisiting all five of his case study districts and making use also of a variation of 'crisis theory' in his important and valuable book, *Democracy and Discontent: India's Growing Crisis of Governability*.[10] Kohli too carries his theory lightly. The book is really more an argument about the future of Indian politics and the dangers to Indian stability than an exercise in demonstrating the relevance of India to global theories of development and modernisation.

In fact, it has been rather difficult for trained South Asia specialists in general, and for political scientists in particular, to use such theories or even to take them seriously since the publication of the Rudolphs' *The Modernity of Tradition*,[11] which I have always read – though it has other messages – as having administered a fatal blow to attempts to fit India into global theories derived from the experiences of Europe and America. On the contrary, the Rudolphs set out to show that such theories have to be modified or even transformed in the light of Indian realities.

Now, whether attempting to operate within a given mode as Weiner has done or attempting to overthrow and replace it as the Rudolphs have done, it is clear that three of the most important and prolific writers on modern South Asian politics have been very much oriented towards the relationship between theory and empirical realities, between the pressures and demands of the discipline of political science and what they, as South Asia specialists, see and know. Yet, the results have not been any kind of truly fruitful interaction between the discipline and South Asian area studies. There are several reasons for this state of affairs.

One reason is that the theories themselves, global theories of development and modernisation, have become intellectually discredited – and this much before the post-modernist attack on global theories of all sorts. Few people take them seriously any longer though I would like to note that they lingered on for many years in political science, quite oblivious to the arguments of the Rudolphs. A second reason has been the Americocentric nature of American political science, the dominance of the discipline by American area studies specialists who know nothing or next to nothing about other cultures and world civilisations, and who have gone on decade after decade tirelessly reproducing tiresome studies of the factors influencing electoral turnout, public opinion, and other such trivial matters, fine tuning their methodologies, many of them simply administered to students in their classes rather than to 'real people' in the outside world. A third reason has been the constant lure, a sort of search for the Holy Grail, of a unifying theory, preferably one totally free of the need to examine and certainly not to visit, except touristically, 'research sites' – and especially not research sites in dirty and backward countries or even in the slums and ghettos of the US.

The latest manifestation of this latter search has been the sweep across the profession of rational choice theory. Although there may be a few graduate students in South Asian studies who have flirted with the application of rational choice theories to the subcontinent's politics, most of us continue to believe, I think – perhaps stuck in some sort of 'essentialist' attitudes towards India and Indians – that these theories will not have much predictive value or, perhaps more important, they will not tell us anything important or that is not obvious about Indian political behaviour. I should, however, in fairness hasten to add – for whatever it is worth – that Indian voting behaviour has lately proven susceptible to prediction by standardised questionnaires administered to random samples of the Indian voting age population. I happen to think, however, that this apparent predictability continues to fail to uncover the enormous variability underneath the apparent uniformities in voting behaviour. I also happen to think that such uniformities are themselves products of the process of study in a form of the self-fulfilling prophecy produced by the media and the public opinion pollsters themselves. In other words, India is becoming predictable like the United States because its democracy at one level – a most superficial one – has become manipulable by questionnaires.

The third reason for the failure of communication between South Asian area studies and the discipline of political science is that India has become a home and a source for anti-theory. There is now a whole new generation of both scholars of India and Indian scholars, mostly historians and sociologists, whose intellectual orientation is post-modernist. Here, however, the obstacles to fertile interactions between South Asian area studies specialists in political science and their discipline come as much from South Asianists as from non-South Asianist political scientists. In fact, for the most part, both the groups are among the most benighted upholders of old theories and methodologies in the social sciences today.

The Rudolphs again are an exception here, having fastened – as has this speaker – on to contemporary modes of thought. I have a feeling that in the more open intellectual environment of the University of Chicago, the Rudolphs do not face the dumbstruck comments which I have faced in this regard in various places, not just in my own university. A few examples: "Whenever I hear the word post-modernist – or Foucault – I reach for my revolver." "Who can read this deconstructionist claptrap?" Or, in a more indulgent mode, I am sometimes referred to as a person who did some good work in his "pre-discursive phase". Closer to the truth, however, is Peter van der Veer's comment to me at a recent conference that I have become a cross-dresser, shifting back and forth between post-modernist modes and a Lasswellian approach to politics as "who gets what, when, and how". In either case, for sure, it cannot be said that post-modernism or any other new and vital mode of contemporary intellectual thought has captured political scientists working on South Asian politics. Having said this, nevertheless, I do want to assure my colleagues, especially those who have made the comments just quoted, that I continue to find much of the contemporary work of political scientists of South Asia of great value.

However, my main point, insofar as the intellectual relations between political scientists trained in South Asian studies and their discipline are concerned, is that cross-fertilisation has not worked effectively despite some virtuous attempts by practitioners of South Asian political science to demonstrate the relevance of our studies to the discipline. I have also suggested that the faults lie on both sides. Most important, the cross-pressures on political scientists have fatally clashed, whether it has been the inapplicability of cold war perspectives and geopolitical theories in general to South Asian international and domestic politics, or the poverty theories of politics demonstrate when applied to the region.

II

I come now to another set of cross-pressures, those that have spread their tentacles out directly from the governments of the United States and India, which have also affected our work. There is no denying the fact that there was an inseparable connection from the beginning of South Asian studies in the United States with the expansion – some would say imperial expansion – of United States influence around the globe. However, I also believe that the importance of this connection has

been overstated and misinterpreted. South Asian area studies did not get funded because the United States government wanted to use it as an instrument of American foreign policy. On the contrary, we sought to attach ourselves to the largesse of spending on international projects of all sorts that was going on at the time without in the process becoming compromised by the acceptance of money from tainted sources such as the CIA, the department of defence, or even the state department. While there have been a couple of exceptions to the rule, most of the money provided has come openly and above-board and in relatively small quantities, by the way, from the Office of Education and the Smithsonian Institution. We were forced to accept the designation for our language and area studies fellowships of 'National Defence Fellowships' in order to satisfy Congress that it was really doing something in the interests of the United States rather than in the interests of feathering the empty nests of academic scholarship for its own sake But most of us, virtually all of us, were in fact doing nothing but that and accepted the 'National Defence' designation as a necessary and harmless compromise in the 'real world'.

The reward for our virtue in this respect has been the virtually universal designation of most of us by most academics and bureaucrats in South Asia as CIA agents. It should be noted, however, that such a designation, though it inspires dread among our South Asian colleagues, does not necessarily phase all politicians, government bureaucrats and military men in India, some of whom would prefer to make direct contact with the CIA and would be happy to know we have a direct line to the agency. The myth of the CIA penetration of American academic area studies has become so widespread that it affects the current generation of American students as well. At least half in my classes, at least, assume every time I go off to India for an election study or to attend some conference in India, leaving them behind a week before the end of term, that I am heading off under the orders of the CIA. The other half (keep in mind that I teach in Seattle), hearing my strange Boston speech and my constant criticism of the policies, politics, and politicians of the United States and seeing my beard and dark complexion, think I am Indian. There is also some overlap, I believe, in the minds of the students between these two perceptions.

Our virtues and our lack of rewards for them, however, are most evident not in our relations with our own government but in those with the government of India. Not only have we not been rewarded, but most political scientists and other social scientists and many, if not most historians, and even many scholars in the humanities and natural science disciplines as well, have not been welcomed by the government of India. Before I get to the treatment meted out to us by the government of India, however, let me say a few more things about our virtues. One virtue has already been more or less stated. Whatever our general implication in the expansion of American influence in the world, in cold war ideologies, and in the various discourses which have spun off from both of them, nearly all of us avoided accepting money from government agencies and other institutions which were direct instruments in the prosecution of the cold war, and avoided especially any relations with intelligence gathering agencies. I might add also that some of us actually argued, agitated, and demonstrated against the cold war ideology and its worst manifestations in general and in specific places like Vietnam and elsewhere Indeed, I never thought much of, and in fact deeply resented, the attitudes of people such a Sartre and his followers in other parts of the world, living in societies where 'resistance' has been more myth than fact, who boycotted the United States during the Vietnam war at a time when more than half the population either had already been mobilised against it or had been persuaded that it was an unjust war and one not in the interests of our country

Second, not only have American South Asian scholars not been cold warriors for our government or CIA agents acting to undermine the stability and national unity of India, but many of us have been advocates and spokesmen for India – even when we did not like particular governments. Most political scientists and economists specialising in South Asia argued for economic aid to India and against military aid to Pakistan from the 1950s through the 1970s, for which our reward, of course, was always the question in India, "Why do you support Pakistan against us?" In fact, we at least not only did not support Pakistan, but several of our international relations specialists and others of us as well argued that the United States should pursue an Indo-centric policy in South Asia, and one or two of them worked within the state department itself to try and bring this about. Our support for India's policies was most apparent in the declaration signed by many dozens of South Asia scholars from many disciplines against the Pakistani suppression of the popular movement for an independent Bangladesh, our support for the Indian action to liberate Bangladesh, and our condemnation of the Nixon-Kissinger intervention on the side of Pakistan in the third Indo-Pakistan war.

Now, it is also of course true that most of us were dismayed by the Emergency regime introduced by Indira Gandhi and condemned it. Many of us have also been appalled by the actions of the state police and security forces and of the government of India in Punjab and Kashmir, not to mention Assam, which never gets the same attention granted in the media to the former two places. In the matter of the gross human rights violations by the government of India, however, even here our 'virtues' in relation to that government have been too amply demonstrated. Although many of us, in one way or another, have shown where we stand on these matters, we have not as a group lobbied, agitated, or signed statements of protest against the policies of the government of India, despite the fact that its human rights record has been severely criticised by all the leading, impartial international human rights monitoring agencies.

Third, in general, though most of us have tried to maintain a scholarly stance of objectivity in our writings about India, it is also obvious from them that we have been sympathetic to Indian political and economic goals and aspirations. Although, in our private capacities as citizens of the United States, we sometimes placed ourselves on one side or another on particular economic or political issues, we usually did so within the confines of Indian political debates themselves Most of us objected to the political policies of Indira Gandhi, but so ultimately did most Indians in 1977. Some of us thought Nehru's socialist policies were too gradual, others thought them too radical, others thought them misplaced, but few, if any of us, stepped out of the confines of the prevailing debates that took place on these matters in India itself. Our scholarship faces a more serious challenge to its neutrality with the rise of militant Hindu nationalism in India, but that is a subject which is for the future and not for this paper, which deals with the past 50 years.

Finally, and most important of all, most of us have been associated with, and some of us have been deeply committed to, the idea of South Asian studies in the United States. By our association or commitment, we have truly believed that it is our vocation to teach each new generation of young Americans in our colleges and universities about India in a dispassionate, impartial, but also sympathetic way. We have sought to demolish myths about the South Asian countries, to convey as best we can what we have learned ourselves about their politics and the relationships between politics and South Asian societies, social institutions, and religions. We have struggled along with the rest of our colleagues for funds from our government, argued with the administrations in our institutions to establish and maintain South Asian area studies centres, and established the American Institute of Indian Studies to provide a steady source of fellowships for our graduate students to go to India to learn the languages and to do research so that they can come back and teach what they have learned to new generations of undergraduates. We have done

all this, moreover, against the grain of not only the virtually total ignorance of India in our society, but of the lack of much interest in learning about it. Our students have clear impressions about China and Japan and a good deal of knowledge about them even before they reach college, but most of them know nothing about India when they reach our classes, which many take mostly to fulfil some requirement or because the time in which the class is offered is convenient for them, or for some other equally irrelevant reason.

Now, what has been the response of the government of India to our sympathetic attachment to India, its goals and aspirations? First, American social scientists have been treated primarily as unwanted nuisances who have no legitimate business in India because they are always studying so-called 'controversial' issues. They are also perceived as wanting to go to the wrong places – to 'border' areas or to areas where insurrections are taking place or to 'the interior' in general. I once had a project – which incidentally never got completed for some of the reasons to be taken up below – comparing party systems in Uttar Pradesh, Bihar, Gujarat, and Tamil Nadu. When I visited the office of the Election Commission in New Delhi in 1973 to request electoral statistics on these four states, I was informed by the deputy secretary, who reacted with suspicion towards me, that these were all 'border areas'. On another occasion, in the course of a three-year long pursuit of project approval for one of my students who wanted to do his PhD research on agricultural innovation in north India, I was told by an education department deputy secretary in a hushed but friendly tone that the problem was that the government of India did not want foreigners to visit 'the interior'.

Some years ago, I collected numerous stories of this type from a partly selected, partly random sample of American scholars of India.[12] Many of the stories are darkly humorous, but the consequences have been serious for individual scholars, graduate students, and the profession. They have included and still include, as of this year, denials of project approvals to legitimate scholars who have been granted prestigious academic fellowships to study in India, inordinate delays which have caused terrible disruptions, anxieties, and financial and other losses to them, and a decline in the study of serious contemporary social issues by legitimate social science scholars. Access to India for research on what government of India bureaucrats consider to be 'controversial' subjects is now confined, on the one hand, mostly to an older generation of scholars who are either in the good graces of the government of India, or who manage somehow to prevail against the bureaucrats and get project approvals, or who get to India to do election studies. On the other hand, a new generation of Indian expatriate scholars in America have come up who have their own problems of this type as well, but who are better able because of family and other connections in India to go back and forth in spite of the obstacles.[13]

Second, however, the government of India does want some American scholars to come to India, partly because the scholarship done under certain headings and categories is appreciated by Indians of the class from which the politicians and bureaucrats come, partly because it would be detrimental to Indo-US relations to cut off access to India by all senior scholars and graduate students, and partly because of the apparent belief that it is useful to hold American scholars as hostages to be punished when Indian politicians and bureaucrats resent one or another action taken by the United States perceived to be against India and its interests.

On the first point concerning the appreciation of upper class and upper caste Indians for certain headings and categories of scholarship, it is obvious that there has been little or no political objection to studies of ancient history, Sanskrit and other Indian languages, art, and architecture – though, in the post-Ayodhya era, here also some problems may be in the offing. While the humanists working in these areas are no doubt pursuing their own scholarship on their own terms as they see them, it should be obvious that their easy access to India feeds into a nearly two-centuries long political drive by upper caste elites to establish a 'national culture' for India based on their own values and interpretation of Indian history. The time may yet be coming, however, and perhaps has already arrived, when scholars of Hindu religious and cultural texts may face the obstacles to their research encountered by our best scholars of Sikhism. They may not be placed on a 'hit list', but they may also be denied access to the study of subjects on which the results of their research may conflict with the ideals and goals of Hindu nationalism.

On the second point, it should also be obvious that a government which proclaims itself the 'largest democracy in the world' cannot deny access to all foreign scholars in the manner of the former communist regimes. Also, however much the government of India has resented past American world dominance, the still rather large remains of its influence in the world, and its policies towards Pakistan, all its leaders have wanted to maintain or rather to improve relations between our two countries. Even more important, however, and a point to which I will return, is that most upper class, upper caste families in India consider it their children's birthright to receive their higher education in American colleges or universities, though a large number also seek admission to Canadian and British universities as well. The parents of such families watch the tuition rates go ever higher with even greater concern than the many millions of parents of American families who will never be able to afford such an education for their children.

I have had middle class Indians say to me, "How will we ever get $ 60,000 to pay for the education..." of our son or our daughter, let alone for two or three sons or daughters. But somehow or other, a very large number of such parents succeed in doing so. And let me hasten to add that I am enormously happy to have their children and their children's children who have become American citizens in my classes. But the point here is simply that the parents of these children include many of the senior bureaucrats in the government of India who make the decisions on access to India for American scholars and realise that it would be unwise in such circumstances to close the door completely to American scholarship on India.

On the other hand, since not every upper caste Hindu family in India, and not even every upper caste bureaucratic family in India, can succeed in sending their children to America, an enormous resentment exists in the minds of many at their failure – or the difficulties they have encountered with the visa section of the American Embassy – in obtaining a visa once they have gained admission to an American institution. It matters little to them that if any of our bureaucratic friends asked one of us to do so, we would certainly write a letter to the consular section of the embassy or talk to one of our friends there, or even go and pound on the table on their behalf. It also does not matter to them that there is a gross disproportion in the nature of the issues between the aspirations of the elite of an entire society to gain higher education and, in many cases, a work permit and citizenship in the United States, and the aspirations of a tiny sub-section of the American academic community to come to India for research and to send its graduate students to India for a year of language training and a year of research for their PhD dissertation. It matters not to them also that their government's policies regarding the obtaining by foreigners of citizenship in India are among the most restrictive in the world and those of the United States, with all its defects, one of the most open.

Yet, we are held hostage to the resentments of Indian elites on the score of American immigration policy. Moreover, this is not the first time that we have been held hostage in this way despite the fact that our sympathies are almost overwhelmingly with them on the matter. I have already mentioned the support many of us articulated for Indian policy with regard to the liberation of Bangladesh. What

was our reward for that? – the imposition of a virtual ban on American scholars travelling to India for research that year.

Individuals also have been selected for victimisation in this way. I give as an example the case of Robert Hardgrave, Jr. for whom I can personally testify that he has always been absolutely opposed to any truck directly or indirectly with intelligence agencies. Neither he nor most of the rest of us in South Asian studies feel, however, that the same stigma should be attached to relations with the state department. Therefore, and probably also in part because he thought he might do some good for Indo-American relations, he agreed to write a group of papers on the future of India. He insisted that these papers be published openly and sent a copy of the original papers to the Indian embassy in Washington, DC and, later, a copy of the book which contained them to the ministry of external affairs in New Delhi.[14] Within the manuscript, Hardgrave speculated on the consequences for Indian politics should Indira Gandhi die. The reward for his honesty and openness was the launching of a smear campaign by the *Patriot* newspaper in New Delhi claiming that Hardgrave's manuscript was a secret and numbered document prepared for the CIA! Unfortunately, Indira Gandhi was assassinated three months after this campaign against Hardgrave, and Rajiv Gandhi himself and Congress politicians all over north India used Bob's little book in the heat of the 1984 election campaign as evidence of a CIA conspiracy to assassinate Indira Gandhi, which they knew to be totally false. Since I was myself moving about north India at the time, studying the election and hearing these speeches being made, and since Bob's name was not specifically mentioned, I began to run a little scared myself because I thought they might be talking about me for some reason and it was a couple of weeks before I discovered that the prime minister and the Congress were not in hot pursuit of me. Bob was allowed to come to India some time thereafter, but I am told he was accompanied everywhere he went by two security agents who watched his every movement as well as every person he went to see.

Now, there is nothing unusual about smearing and misrepresentation in electoral campaigns. We know well enough from the experience of our own country that the great majority of even otherwise decent politicians turn into swine during election campaigns, and we are seeing even during this current campaign a repetition of Bush's discreditable Willie Horton ads being used in New York and other places. Still, one must ask some questions about the importance attached in India to our writings and actions. Should the government of India not pay more attention to Hardgrave's textbook,[15] which still to my great regret continues to outsell mine[16] as the principal text on Indian politics in North American universities? Should it not be pleased to see the impartial and sympathetic approach taken to Indian politics and its leaders therein? Should it not want to see such an objective picture of Indian political institutions and behaviour presented as the first, basic source for most Americans who receive any education on that subject? Should its leaders not, therefore, recognise its friends, as well as good scholarship, rather than use us as political footballs in their electoral campaigns?

If you believe, as I do, that the answers to these questions are all "yes", then how on earth do we explain the behaviour of Indian politicians and bureaucrats towards us? The answer is passing strange and must be presented in several parts. The first part is the belief among India's leaders that they are spokesmen for a great and important country in the world. Second is the belief that, though their country is great and important, they and India are not respected as such by the United States. Third, however, the perceptions outside India if not the realities are exactly the opposite, namely, India is perceived as a great and important country. It is also neither respected nor not respected. The truth rather, which I have found no Indians who have not lived in the United States to be aware of, is that hardly anybody – except us, of course – has ever cared about India or thought about India. Further, we have all of us who read both Indian and American newspapers been struck by the fact that issues and irritations hardly anyone in America has ever heard about, from cyrogenic rockets to Super 301 to the Dunkel draft, and even for that matter to casual comments by State Department representatives about Kashmir, appear on the front pages of Indian newspapers, and that we are expected to answer aggressive questions put to us about why the United States government is again picking on India. Those of us who were in India this year also were embarrassed to have to point out that the visit of India's prime minister to the United States was one of the major non-events of the year in our country.

Now, how does this relate to the treatment American social science scholars have received in India? The fourth part comes here, namely, that the government of India has no weapons worth talking about to use against the United States, so they use us as hostages. However, since our own government hardly cares about us either, we provide the best test of the argument that, if the press does not publicise the taking of hostages and their plight is ignored, hostage-taking will not be undertaken in future because it will be shown to be unprofitable. But we are peculiar sorts of hostages. Those of us who are taken are confined to our own country and not allowed to come to India to do our research. However, since no fuss is made about us in the newspapers of either country and no one comes to our defence, most of us will ultimately be released from our confinement to come to India for research provided we agree to study panchayati raj in ancient India or some other suitable topic.

This brings me at last to the quite serious and damaging consequences of all this. The consequences of the use of American scholars by the government of India in these ways, not through an explicitly stated policy or set of policies but through a multiplicity of little and big actions in relation to us over the years, has been a subtle and damaging control over our academic studies and our professional lives in ways which we would certainly condemn as unacceptable, undemocratic, and even 'fascistic' were they applied to us by our own government. Yet, we have gone on accepting these controls and restraints partly out of fear and cowardice, partly out of a liberal breast-beating belief that we have no 'right' to access to India, that 'right' is on the side of the government of India against the American imperial state. In this respect also, we have fallen for an argument that liberal Americans would reject in all other circumstances, namely, that it is the state that determines 'right'.

We, American scholars, have become, in effect, agents of the government of India rather than of the CIA. Because of the restrictions placed upon us, which amount to an intolerable form of control over our academic work, we, that is scholars of India in general, do research that supports the image that the government of India wishes to present to the world, whether of its ancient culture or of its present goals and aspirations. And we are prevented from doing the research we want to do which the government of India feels will not serve its purposes. The only word for this is pre-censorship. Some of us manage to escape it one way or another, but we as a scholarly community, including our fellowship-granting agencies, have become implicated in this process. We interpret and publicise the information to fellowship applicants that the government of India is unlikely to approve certain topics, and most of us discourage our students from proposing such topics. We allow our projects to be vetted by government bureaucrats, not just for legitimate security concerns, but on broadly political and personal grounds as well. Instead of encouraging our students to pursue whatever research projects they consider most engaging or relevant to the theories prevailing in the discipline, we are supposed to steer them towards non-controversial projects which we hope will be acceptable to these same bureaucrats. I should add here that this kind of guidance often fails because we find that some people end up gaining project approval for work in Kashmir while one of our students with

a project on some harmless topic gets denied entry or suffers inordinate delay anyway.

The most damaging aspect of all this from the point of view of the future of South Asian studies is that it has caused the redirection of the careers of some promising young scholars, and discouraged many other young men and women in political science and other social science departments from seeking careers in our field. Associated with this, naturally, has been a decline in the contribution of the social sciences to South Asian area studies in general, something pointed out in a report by Kenneth Jones about 20 years ago.[17] Major South Asian areas studies programmes in the United States now lack coherent social science components. Some of them are reverting primarily to the Orientalist traditions of scholarship, emphasising Sanskrit and other classical languages, the study of Indian philosophy and religion, and textual analyses of all sorts, and are defending with less and less enthusiasm the goal of sustaining and developing interdisciplinary area studies programmes.

I had planned also to make some comments here on an extremely troublesome aspect of this whole matter, namely, the silence of our professional colleagues in India about these matters. As far as I know, one or two of our colleagues in India have occasionally drawn attention in some closed meetings to our problems, but I am not aware that there has been any significant public criticism of government of India policies towards our research in India. On the contrary, some years ago it was believed that many of the project approval problems we were then having were a consequence of the hostility of some Indian academics to our research in India. I believe that problem is no longer as serious as it was. However, when I have mentioned our problems to some of my closest academic colleagues, even those who would certainly never have been hostile to us, there has been either no response or a statement that they were not aware that we had such problems. I do not want to say anything more on this subject now except to say that the attention of our colleagues in the social sciences and history in India to our problems would be most welcome.[18]

I come finally to the question: why do we accept all this? There are several answers, already referred to above, but there are two which I want again to mention, which I consider especially discreditable or wrong-headed. One is that the majority of our scholars still get into India one way or another, especially those in the humanities. Those who get in, and the agencies which provide the fellowships for them, would rather not complain or 'rock the boat'. So, there is no solidarity amongst us. Second, as I have already mentioned, we think it is the 'right' of the government of India to do what it likes in these matters and we have no 'right' to complain about it. I have already indicated that I consider this a form of liberal muddle-headedness which is not at all truly liberal because it accepts the language of the state as defining our 'rights'. It also reflects a kind of paternalistic attitude towards India, a subject on which I would also have more to say were there sufficient time, that suggests that India has somehow been a victim of imperialist America and we have to acknowledge that we are agents of that imperialism whether we like it or not and must do everything in our power to make up for the actions of our government. My argument, on the contrary, is that this is backwards and that, if we are agents of any government, it is of the government of India.

Notes

[This article is a slightly revised version of a paper prepared for the panel on Themes and Trends in South Asian Studies: The Last Fifty Years, for the 23rd Annual Conference on South Asia, University of Wisconsin-Madison, November 5, 1994. I am grateful to the other participants on the panel and to members of the audience at Madison as well as the following persons who made critical comments on the first draft: Barbara D Miller, Daniel Neumann, Sumit Ganguly, Granville Austin, and Stephen Cohen. None of the named persons, however, share any responsibility for either the factual accuracy or the opinions expressed herein.]

1 One criticism of this paper made at the Wisconsin conference was that it neglected to mention the role of Indian scholars in the study of Indian politics. However, this is not relevant to my theme here, which focuses on the development of the field of political studies of South Asia in the United States by American scholars. There are some relevant points to be made about the early relationship between American and Indian political scientists, which do deserve further comment, on such matters as the initial mimicking by Indian political scientists of American methodologies and theories, their own incorporation into and then partial separation from 'American' political science, and their relationship to American universities and American funding agencies. Nevertheless, I have chosen, rightly or wrongly, not to step into that somewhat larger subject in this brief article, though I include within its scope by implication and specific notice the work and problems of scholars of Indian origin who live and teach in the United States. I should also say that my references in the text to the work of American scholars, including those of Indian origin, are not meant to be comprehensive but only illustrative of the issues I have raised.

2 John H Kautsky, *Moscow and the Communist Party of India: A Study in the Postwar Evolution of International Communist Strategy*, MIT Press, Cambridge, 1956.

3 Josef Korbel, *Danger in Kashmir*, revised edition, Princeton University Press, Princeton, NJ, 1966.

4 Gene D. Overstreet and Marshall Windmiller, *Communism in India*, University of California Press, Berkeley, 1959.

5 Kathleen Gough and Hari P Sharma, *Imperialism and Revolution in South Asia*, Monthly Review Press, New York, 1973.

6 Paul R Brass and Marcus F Franda, *Radical Politics in South Asia*, MIT Press, Cambridge, MA, 1973.

7 The theoretical bases of the series are laid out in the final volume by Leonard Binder et al, *Crises and Sequences in Political Development*, Princeton University Press, Princeton, NJ, 1971.

8 Gabriel A Almond and James S Coleman (eds), *The Politics of the Developing Areas*, Princeton University Press, Princeton, NJ, 1960. Weiner's contribution to this volume was reprinted in India in a collection of his early essays, *Political Change in South Asia*, Firma K L Mukhopadhyay, Calcutta, 1963.

9 Myron Weiner, *Party Building in a New Nation: The Indian National Congress*, University of Chicago Press, Chicago, 1967. See also his *Modernisation: The Dynamics of Growth*, Voice of America, Washington, 1966, and 'Political Participation: Crisis of the Political Process' in Binder, *Crises and Sequences*, op cit, pp 159-204.

10 Atul Kohli, *Democracy and Discontent: India's Growing Crisis of Governability*, Cambridge University Press, Cambridge, 1990.

11 Susanne H and Lloyd I Rudolph, *The Modernity of Tradition*, University of Chicago Press, Chicago, 1967.

12 The results of that survey were published in Paul R Brass, 'Problems of Research Access to India' in Glenn Shive et al (eds), *North South Academic Exchanges: Access, Equity and Collaboration*, Mansell Press, London, 1988.

13 Their problems, however, should not be minimised. Indian expatriate scholars have been harassed by officials of their visits to India, asked whether or not they work for the CIA, and are considered by some to be traitors to their country of origin.

14 Robert L. Hardgrave, Jr, *India under Pressure: Prospects for Political Stability*, Westview, Boulder, CO, 1984.

15 Robert L Hardgrave, Jr and Stanley A Kochanek, *India: Government and Politics in a Developing Nation*, 5th edition, Harcourt Brace Jovanovich, San Diego, 1993.

16 Paul R Brass, *The Politics of India since Independence*, 2nd edition, Cambridge University Press, Cambridge, 1994.

17 This was an in-house report done under the auspices of the American Institute of Indian Studies.

18 However, Stephen Cohen has reminded me in a personal communication that Indian scholars have their own problems with their own government and that Pakistani scholars have had even more serious problems in this regard. Has not the time come for us all, scholars in the United States and South Asia, humanists and social scientists to stand together against all our governments against any restrictions whatsoever on free access of scholars and writers for research, on an equal basis irrespective of citizenship, to materials, persons, places, and sources on any subject or topic for which access is not restricted for evident security reasons? Should we not also stand for the principle that any places accessible and sources available to citizens should be available also to non-citizens?

Economics of Population and Development

Manashi Ray

India is the second most populous country in the world with 934 million people and according to estimates, it will grow to 1.4 billion by 2030. However population growth is not simply a problem of numbers; it is a problem of human welfare and development. This paper contends that population growth is not the only, or even the primary, source of low levels of living, eroding self-esteem and limited freedom in the less developed nations. Contrary to customary assumptions, population growth in conjunction with other determinants of development has on many instances promoted social change, and in the recent past has been a boon to economic growth in the newly industrialised countries. It is therefore an issue of management and optimum utilisation of present and future human resources.

THE global population will increase during the next 35 years to around 8.5 billion with almost 90 per cent of the increase occurring in developing countries, additionally, about 70 per cent of the increase will occur in poor countries where the average person's income is less than two dollars a day. India, the second most populous country in the world with 934 million people will grow to 1.4 billion by 2030, and China with its 1.2 billion people will continue to remain the population giant in 2030 with 1.5 billion [World Bank 1994].

These increases are unprecedented in the history of mankind (Figure 1), but this phenomenal growth of population is not simply a problem of numbers. It is a problem of human welfare and development. However, the alarmist exhortation against the tidal wave of population increase makes little sense if attempts are not made towards a comprehensive understanding that would integrate demographic and economic as well as other developmental assumptions.

If development entails improvement in people's level of living – their income, education, health and their general well-being – and if it also includes their self-esteem, respect, dignity and freedom to choose, then the important question about population increase is: How does the present population situation in many developing countries contribute to or detract from their chances of realising the goals of development, not only for the current generation but also for future generations? Conversely, how does 'development' affect population growth?. Consequently, the major issues relating to this basic question are:

(i) What are the implications of higher population growth rates among the world's poor for their chances of overcoming the human misery of absolute poverty? Will world food supply and its distribution be sufficient to meet the needs of the anticipated population increase in the coming decades?

(ii) How will the developing countries cope with the vast increases in their labour forces over the coming decades? Will employment opportunities be plentiful, or will it be a major achievement just to prevent unemployment levels from rising?

(iii) To what extent are the low levels of living an important factor in limiting the freedom of parents to choose a desired family size? Is there a relationship between poverty and family size?

(iv) Will the developing countries be capable of improving the levels of living for their people with the current and anticipated level of population growth? To what extent does rapid population increase make it more difficult/easier to provide essential social services including housing, transport, sanitation and security?

(v) To what extent is the growing affluence and the desire to grow further among the economically more developed nations an important factor preventing poor nations from accommodating their growing population? Is the relentless pursuit of increasing affluence among the rich an even more detrimental force to rising living standards among the poor than the absolute increase in their numbers [Todaro 1989]?

With reference to the above questions, it becomes essential to analyse the population issue not simply in terms of numbers, or movement of people, or rates or densities, but as social trends which if favourable and well-managed open a man's options and enlarge his choices.

In the subsequent part of the paper I contend that population growth is not the only, or even the primary, source of low levels of living, eroding self-esteem and limited freedom in the less developed nations. At best, rapid population growth in many countries and regions may appear to be a serious intensifier or multiplier of integral components of underdevelopment. The position espoused in the essay essentially opposes the view expressed in 1968 by Robert McNamara who, on becoming president of the World Bank, called population growth the "greatest single obstacle to economic and social advancement in most of the societies of the developing world". This extreme version of population as a serious problem attempts to attribute almost all of the world's economic and social evils to excessive population growth. It is claimed to be the principal cause of poverty, low levels of living, malnutrition and ill-health, environmental degradation, and a wide variety of other social problems. Incendiary and value-laden words such as the 'population bomb' or 'population explosion' are often used, and dire predictions of food shortages and ecological disaster are attributed almost entirely to the growth in world numbers.

The essay is structured on three general lines of argument which endeavour to establish the idea that rapid population growth in itself is not a serious development problem as often mistakenly perceived by planners and policy analysts

The Real Problem

(a) *Problem of low levels of development is not population* per se *but other determinants of social change:*

The main thrust of this premise is, if strategies that lead to improved standard of living are promoted and pursued, population will cease to appear as detrimental. Thus, underdevelopment is the real problem and 'development' should be the goal.

Consequently, to achieve higher levels of living it is important to raise the overall levels of economic growth – not only for private consumption but also for improved public services.

The links between population and economic growth, especially food productivity has for long been the subject of intense controversy, but writers such as Julian Simon and Ester Boserup have asserted that population growth is beneficial, or even essential, to long-term economic growth. To illustrate this line of thinking , in Europe before 1800,[1] the living standards of the majority usually fell in periods of population growth, but on the other hand large-scale population declines were also observed during periods of improved living standards. This phenomenon suggests that the productive limits of cultivable land had largely been reached; that population growth could be combined with improved living standards only if technology - to produce more food, housing, goods and services from the same amount of land - advanced; and that technology did not, as a rule, move fast enough to keep pace.

The United Nations Food and Agriculture Organisation (1985), had observed that between 1974 and 1983 per capita food

production in developing countries increased almost twice as rapidly as in developed countries. This occurrence refuted the earlier unduly pessimistic position taken by the UN when it questioned the ability of the less developed countries to produce sufficient food to keep pace with population growth

Besides affecting the availability of land and the amount of labour expended on it, population size and growth also influence its productivity Although the expansion of agricultural land in the developing countries has been a significant factor in the growth of agricultural output, higher yield of crop output was the predominant factor. In this regard, Boserup's study (1965) indicated that population growth and the pressure it exerts are important stimuli for increasing agricultural yields. Further, a more recent study by Boserup (1981) as stated by Horlacher and Mackellar (1988), points out that population increase, which expands food requirements, also tends to produce increased food supplies by bringing about a shift towards more intensive land use. The 'green revolution' in Pakistan and in the north-western India are remarkable examples of this striking increase in agricultural output to meet the challenge of a rapidly growing population (Figure 2) by way of introduction of improved high-yielding variety of seeds and superior methods of land use.

Pakistan's 'green revolution' contributed to other aspects of economic development as well. First, the new technology not only produced a much higher output per man, but it also led to an increase in employment in the agricultural sector The increase in employment took place because more land could be cultivated and high-yielding seeds required more labour in preparing the seed beds, applying fertilisers and pesticides, weeding, harvesting and threshing. More labour was also needed because new techniques permitted multiple cropping as has been observed in the Indian state of Uttar Pradesh [Elkan 1973 and Agarwal 1985:91].

Mellor and Johnston (1984) have projected that the rate of growth of food production will continue to exceed the rate of population growth. This belief was largely based on the assumption that in many developing countries the infrastructural and other necessary requirements for accelerated agricultural growth are now in place, while population growth rate is likely to decline in future However, in many developing countries the task of meeting the nutritional requirements of a growing population will require an increase in the population supporting capacity of their agricultural land With regard to this, Wilkinson (1973) argues: "Development is primarily the result of attempts to increase the output from the environment rather than produce a given output more efficiently" Therefore population size – the quantitative dimension of biological man – and its impact decide the amount of labour which is available and the quantity of food and other materials needed; it can almost be regarded as the most important determinant of the scale of cultural operations which relates man to the production systems.

Additionally, apart from having a quantitative impact on the agricultural social system, the size of the population also has a qualitative impact. The limitation on the supply of resources can mean that quantitative change necessitates qualitative change. The 'carrying capacity' is a function of the kind of productive technology which is used. Subsequently, to increase the carrying/supporting capacity of any territory a new adaptive strategy based on new technology will need to be introduced, as has been noted in the 'green revolution' in India and Pakistan. Thus, on the whole it can be stated that much of the historical development of agricultural techniques the world over can be interpreted as a series of attempts to increase the carrying capacity of available land area in response to population growth [Wilkinson 1973]

Desirable Phenomenon

(b) *For many developing countries and regions population growth has been and is a desirable phenomenon:*

Recent economic-demographic simulation models tend to emphasise the role of population growth as an incentive for capital formation as compared to earlier models which laid stress on the negative impact of population growth on the capital-labour ratio. Nowadays, it is believed that by making labour more plentiful, population growth can raise the return on capital relative to the return on the real wage rate, thus encouraging capital formation. The increased rate of return on capital resulting from population growth might also be expected to encourage direct foreign investment. This becomes obvious from the table showing the seven Asian countries presently enjoying the world's highest economic growth rates.

Studying the total fertility rate (TFR) of these countries 25-30 years ago, which was relatively quite high, and the simultaneous decline in the infant mortality rate (IMR) in these years, there must have been a substantial population increase in the young population of these countries, now resulting in some 70 per cent of the seven's population being under 30 years. Moreover, as the TFR has declined in the last 30 years, the child dependency ratio[2] has also decreased, leaving a large section of the population in the labour force who are highly productive as well as voracious consumers, leading to capital formation and setting the economy towards a boom The fact that population growth rates change slowly and their effect on economic growth may take many years to become apparent, is also revealed in the table The relationship between population growth and per capita income growth involves both current and lagged components.

Table: Demographic Details and Economic Performance of Seven Asian Countries

	Countries	H K	IND	MAL	S K	SIN	TAI	THA	INDIA
PGR	25-30 yrs	2 6	2 2	2 9	2 5	2 4	-	3 1	2 3
PGR	15.20 yrs	2 2	2 4	2.3	1 9	1.5	-	2 7	2 3
PGR	MRE	0 7	1 8	2 9	1 0	2 9	-	0 6	2.1
CBR	25-30 yrs	27 3	42 7	40 4	35	30 7	-	41 2	44 8
CBR	15-20 yrs	18 1	38 4	32.1	25 9	17.7	-	32 5	37 5
CBR	MRE	12 6	25.7	30 3	16 1	17 3	-	22 2	30
TFR	25-30 yrs	4 5	5.5	6 3	4 9	4.7		6 3	6 2
TFR	15-20 yrs	2 5	5 01	4 6	3.3	2.1		4 6	5 3
TFR	MRE	1 5	3.1	3 8	1 8	2		2 5	3 9
CDR	25-30 yrs	5 7	20 2	11 6	11 3	5 5	-	10	20 3
CDR	15-20 yrs	4.9	15.4	8 5	7.4	5 1	-	8 3	15 1
CDR	MRE	5 5	8 5	5 3	6.2	5.2	-	7	10 6
IMR	25-30 yrs	27	127 6	55.2	62.2	26 1	-	88 4	150
IMR	15-20 yrs	14.9	108 6	37 2	39 8	13.9	-	55	130
IMR	MRE	6 6	61 2	15 9	17 1	6.6	-	27 2	92
GNP	25-30 yrs	620	30	320	130	530		140	90
GNP	15-20 yrs	2180	210	820	580	2550	-	360	170
GNP	MRE	11490	570	2320	5400	11160	-	1420	350
	A (Per Cent)	5 4	6 4	8 5	7.5	6 0	6 8	8 6	-
	B (Per Cent)	18	14.3	18	11 4	9 5	9 2	12.3	

Key: MRE: Most Recent Estimate; PGR: Population Growth Rate, in Annual Percentage, CBR: Crude Birth Rate, per thousand population, TFR: Total Fertility Rate in births per woman, CDR: Crude Death Rate, per thousand population, IMR: Infant Mortality Rate, in thousand live births, GNP: Per Capita Gross National Product (MRE = 1990), in US $, A: Growth Projected 1992 GNP increase, B: Export Projected 1992 Growth

Countries: H K: Hong Kong, IND: Indonesia, Mal: Malaysia, S K: South Korea; SIN: Singapore, TAI: Taiwan; THA: Thailand

Sources: *Social Indicators of Development 1991-92* (published for the World Bank: John Hopkins University Press, Baltimore) and *Time Magazine*, September 14, 1992 (from Pacific Economic Co-operation Council, Population Reference Bureau)

The past population growth is reflected in an increase in the current labour force, whereas comparatively a smaller rate of current population growth, consisting primarily of additional children, will add to the denominator of per capita income.

Furthermore, there is usually a concern that the capital stock will not expand rapidly enough to absorb into the modern sector the increase in the labour force resulting from rapid population growth. In most developing countries, however, those who do not find employment in the modern sector will find work in the other sectors rather than join the ranks of the unemployed. The informal sector promotes skills that are a prerequisite for advancing into modern sector employment, apart from being productive [Sinclair 1978, Horlacher and Mackellar 1988].

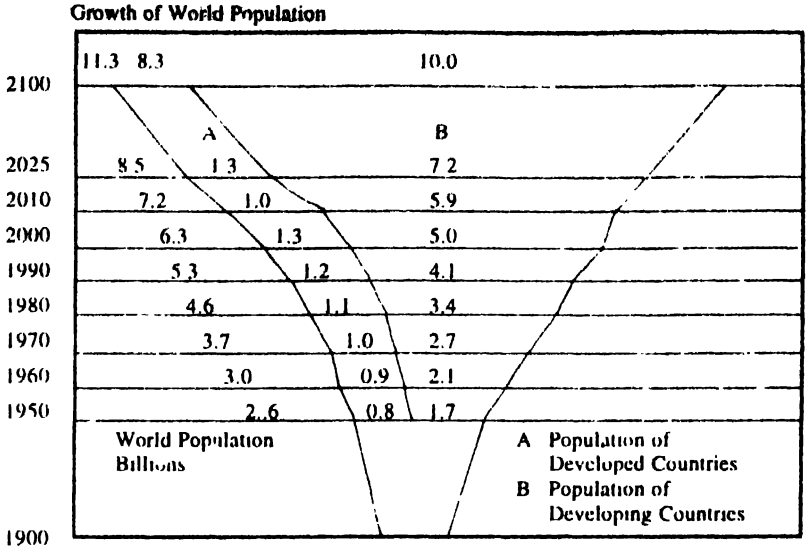
The price mechanisms by which population growth affects economic development are highly complex. However, it can be reasoned that one of the routes is through their effects on savings and investment. In poor countries, having additional children is a form of saving in itself: parents forego present income in order to provide for their old age just as people in developed countries put money aside for pensions. But as the need for extra children declines as an old age security, funds that were to be spent on children now become available as savings for other type of investment, thus setting the ground for economic growth. This is another illustration of population and income growth which involves both current and lagged components. It can also be speculated that countries with a large young population such as India and other developing nations, a shift from a high- to a low-childbearing pattern is usually one in which there are more young households saving for retirement relative to the number of elderly households drawing down accumulated assets [Mason 1988].

Interestingly, a study by the National Academy of Sciences in 1986 pointed out that some investments in land improvement may require a certain minimum population density before they can become profitable. The same has been argued by some third world neo-Marxist pro-natalists, that many rural regions in developing countries are in reality underpopulated, in the sense that much unused but arable land could yield large increases in agricultural output if only more people were available to cultivate it. Many regions of tropical Africa and Latin America and even parts of Asia are said to be in this situation. With respect to Africa, for example, some observers have noted that many regions had larger populations in the remote past than what exists today. Rural depopulation resulted not only from the slave trade but also from compulsory military service, confinement to reservations and the forced labour policies of former colonial governments. For example, in the 16th century the Congo kingdom is said to have had a population of approximately two million. But by the time of the colonial conquest, which followed 300 years of slave trade, the population of the region had fallen to less than one-third of that figure. Today's Zaire has barely caught up to the 16th century figure. Other regions of western and eastern Africa provide similar examples [Todaro 1989]. Comparably, Pingali and Binswanger (1987) attribute the failure of some large-scale irrigation schemes in sub-Saharan Africa to the sparseness of the population and a corresponding lack of demand.

With reference to Clark, Simon and Eberstadt [Todaro 1989, chapter 6], a conventional argument is that population growth is an essential ingredient to stimulate economic development. Larger populations provide the needed consumer demand to generate favourable economies of scale in production, to lower production costs, and to provide a sufficient and low cost labour supply to achieve higher output levels and larger markets, which should permit greater specialisation and division of labour, reduced cost per head of public goods of various kinds and reduced costs per head of transportation, communication networks, and other forms of social structure.

Although the possibilities of beneficial effects of population growth through

FIGURE 1: WORLD POPULATION GROWTH BY REGIONS

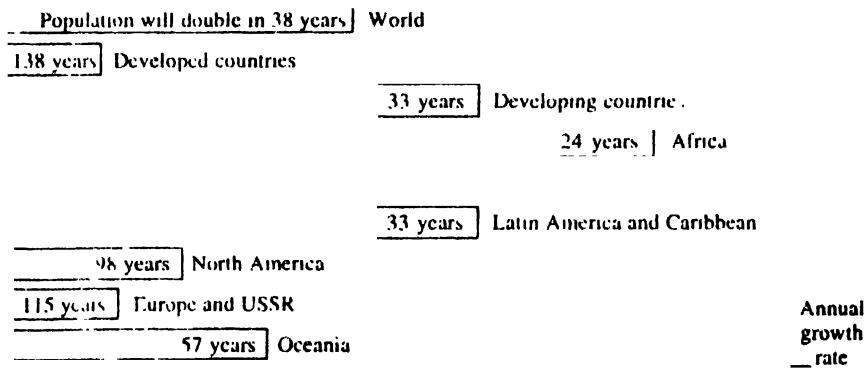


Figures are based on the latest projections. These are rather higher than those projected until recently, due to slowing down in the decline of fertility rates in a number of countries.

Population by region, in billions

Region	1990	2025	2100	Region	1990	2025	2100
Africa	0.8	1.6	3.0	North America	0.3	0.3	0.3
Asia	3.1	4.9	8.3	Europe and USSR	0.8	0.9	0.8
Latin America and Caribbean	0.5	0.8	0.9	Oceania	0.03	0.04	0.04

Annual growth rate as measured in 1990 and time for the population to double



Source *Population, Resources and the Environment*, United Nations Population Fund, 1991

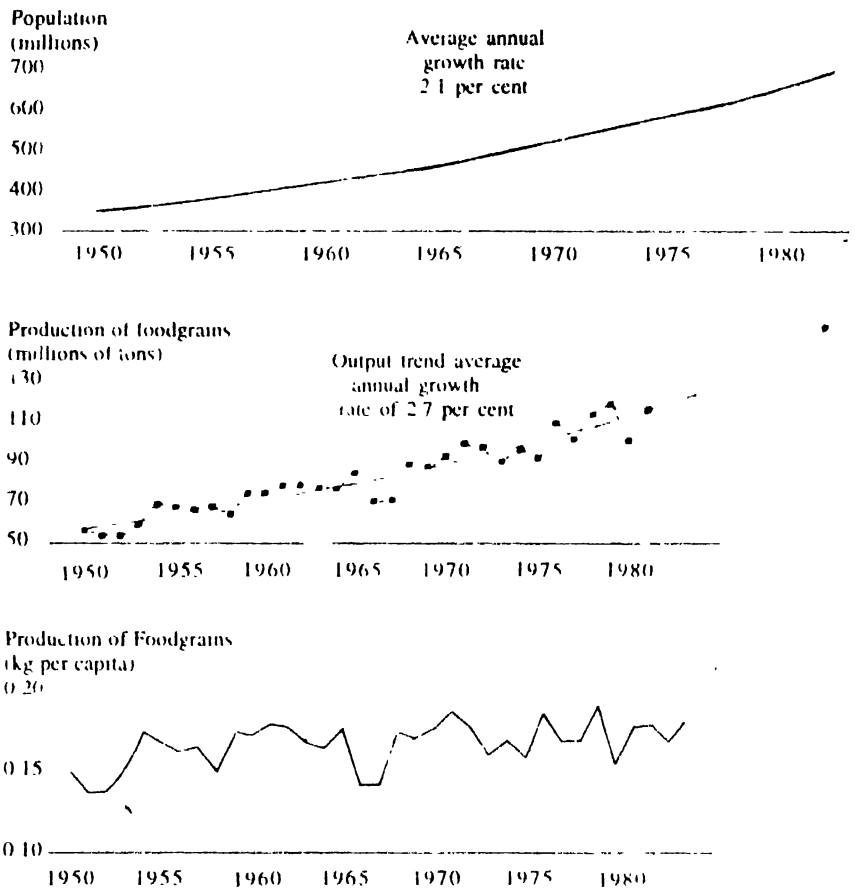
economies of scale is generally acknowledged, there is less agreement as to where these economies are likely to be found. For instance, in the US, rising population densities stimulated the development of the transport system during the 19th century. An improved transport system in turn greatly facilitated the growth of agriculture by lowering transport costs and by raising the farm-gate prices of agricultural products, whereas the potential benefits to be gained from higher population densities was not realised in rural Bangladesh. transport, marketing and storage facilities, as well as extension services, were all inadequate [World Bank 1984]. In this context, the National Academy (1986:52) asserts that "manufacturing economies of scale exist principally at the urban level and are exhausted at a moderate level of city size", while "economies of scale are likely to occur in agriculture, especially by spreading the fixed cost of infrastructure and research over a large number of people".

Insofar as population growth increases demand, it can contribute to the realisation of economies of scale. This argument is found to be true in the case of the British Virgin Islands. In these islands from 1980-91, the population grew at an annual rate of about 4 per cent and if the growth rate is allowed to continue unchecked, the population would double every 17.3 years. This increase in population affected the economy positively as there was a considerable increase in working age group primarily due to in-migration, due to which remarkable economic progress has been realised. GNP - at factor cost in constant prices - has grown from 77.07 (US $ million) in 1984 to 112.44 (US $ million) in 1989, an increase of about 9.2 per cent per annum, and per capita income has increased from about 5,800 (US $) in 1984 to about 7,130 (US $) in 1989, an increase of about 4.6 per cent per annum [British Virgin Islands, Statistical Abstract No 3, 1990]. Hence, it can be inferred that population growth in conjunction with other socio-economic determinants provided the necessary stimulus for favourable economies of scale to occur in these islands.

Therefore, it makes sense when population 'revisionist', neoclassical economists of the 1980s such as Julian Simon and Nicholas Eberstadt argue, for instance, that a free market will always adjust to any exigency created by population. For example, scarcities will drive up prices and signal the need for new cost-saving production technologies. Thus, free market and human ingenuity will solve any and all problems arising from population growth. This revisionist perspective is clearly in contrast with the traditional 'orthodox' argument of the 1950s to 1970s that rapid population growth had serious economic consequences and if left unchecked would slow down economic development.

Figure 2

Foodgrains and Population in India, 1950-83



Years shown are end years for the agricultural season. Data for 1983-84 are estimates.

Source: World Bank data adapted from Cassen 1976.

Source: *The World Development Report, 1984*.

Population and Natural Resources

(c) *Myth of population pressure and depletion of natural resources*

The environmental dimension to population is firmly grounded in economics, among other factors. Behind the demographic issues of population growth and its uneven distribution, fertility levels, age dependency ratios, migration patterns and urbanisation, lies the pressing concern of economic advancement and sustainable development. Therefore, the search for sustainability necessitates that the population issue be addressed within the context of natural resource management (Figure 3).

The concept of 'carrying capacity' has often been used as an effort to build a bridge between the environment and population issues. To quote Kingsley Davis (1991): "The general idea is that by analysis of soil and other elements of the environment, one can estimate how many people can be supported on a given amount of land". Also, a definition by T N Srinivasan, "the maximum population that can be sustained indefinitely into the future", cited by Davis, provides a good basis for contesting this point.

First, why should the definition be pre-occupied only with the 'maximum' population? Why not consider the 'minimum' population as well? For instance, in the counties of western Texas, US, there are not enough people to man the existing infrastructure. The same individual may therefore have to occupy more than one post. Yet few would venture to say that this population is too small to be 'sustained'. An animal species runs the danger of suffering extinction if its number falls below a critical level, but hardly anyone would reckon today that this could possibly be true of human species as well in certain circumstances. As a matter of fact, population in itself is rarely the problem. Its scarcity or density in a

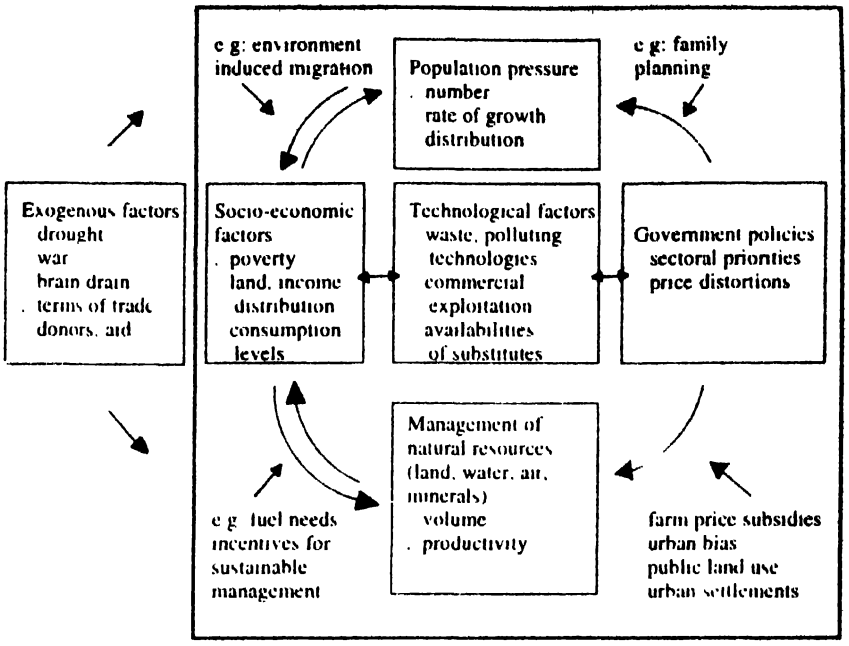
region in relation to resources make people adjust their institutions and behaviour to the situation as elucidated subsequently in two unlike conditions.

The immediate effect of the increased resource demand resulting from population growth would be higher resource prices. In these circumstances, it would encourage the exploration of ecologically friendly sources of energy and stimulate research on alternative technology. There is evidence that the development of renewable resources, such as commercial forests, had responded to price signals in a similar situation. Further, increasing natural resource prices and improving technology might lead to adaptation in institutional arrangements, for example, the conversion of common property resources to private property resources thereby promoting conservation and improved management [Horlacher and Mackellar 1988] With the help of this argument can be defended the remarkable success of village forest protection committees (FPCs) in West Bengal, India. In 1972, the forest department recognised its failures in reviving degraded sal forests in the south western districts of the state The traditional methods of surveillance and policing had led to a complete alienation of the people from the administration The department changed its strategy, making a beginning in the Arabari forest range of Medinipur district Here, the villagers were involved in the protection of 1,272 ha of badly degraded sal forests In return for their help in protection, they were employed in both silvicultural and harvesting operations, given 25 per cent of the final harvest and allowed fuel, food and fodder collection on payment of a nominal fee. With the active participation of the villagers, the sal forests showed a remarkable recovery, and in barely 10 years, a previously valueless patch was estimated to be worth Rs 12.5 crore [Gadgil and Guha 1992 26-29].

Additionally, consumers would be persuaded to adjust to less resource-intensive goods as natural resource prices increase and producers adopt less resource-intensive methods of production Therefore, there are reasons to believe that population pressure on scarce natural resources, usually resulting from population density and growth, can be an important decisive factor associated with natural resource development and management of an area. Unlike the above example, Australians and Canadians do not find their sparse populations to be an obstacle to maintaining a high level of living. Thus, the presence or absence of poulation is not the obvious problem.

Second, the 'carrying capacity' supposedly refers to the commodities wholly or partially necessary for the individuals to live, but from the context in which it is usually referred to one concludes that the commodity really being considered is food. For the very same

FIGURE 3: LINKAGES BETWEEN DEMOGRAPHIC AND NATURAL RESOURCE ISSUES



Source Population Resources and the Environment, United Nations Population Fund, 1991

logic, Davis (1991) has called the usual 'carrying capacity' reasoning the 'the bread alone fallacy' The writers on population issues concentrate on food not only because it is necessary for existence, but it is intimately, continuously, and appetitively involved with the individual organism. It is therefore viewed as a proxy for population itself. Thus, to analyse why a given region is populous, an observer may simply point out that the soil there is singularly fertile. Consequently, the special role of food in an individual's life makes it easy, in reasoning about population and resources, to confuse a necessary cause (food) with a sufficient one.

The in-built food bias in 'carrying capacity' leads to other distortions as well, for example, in unwarranted and largely unconscious assumptions regarding the nature of demographic changes. The biggest error of this kind is the tendency to automatically consider mortality as the chief mechanism by which human numbers are adjusted to resources. As an illustration, if the discussion concerns contemporary sub-Saharan Africa, the usual reasoning takes the following sequence: If the production of food in central Africa continues to fall, the result will be more famines, which will drive up the death rate and thus slow down the rate of population increase. Little account is taken of population being regulated by other important factors such as migration or fertility.

The fixation on food — the assumption that self-sufficiency in food production is desirable — gives rise to another misinterpretation. Contrast this trend of thinking with actuality, where for good reason international trade in foodstuffs has been increasing Since people must eat every day and since most foodstuffs are perishable or seasonal, international trade in food may have more advantage than it does in many other commodities. As a result, if a country has certain advantages in non-food trade, it can use these to buy food. Therefore, a policy of self-sufficiency in food makes no sense for countries like Taiwan, Japan, the US or any other country that has access to international trade The earth is to be perceived as one large trading system and so the 'carrying capacity' must refer not just to food that could be grown within the national borders, but to the total of what could be gained in all ways [Davis 1991].

Further, many times the idea of 'carrying capacity' is treated as a norm or optimum that should be sought. For instance, to admit that the world can support 33 billion[1] people and not more is to imply that below that figure there would be enough to eat for everyone, but above the mark of 33 billion people would starve. Clearly, the underlying assumption is, as the increase in population reaches a high level, it automatically will stop it self – primarily through diseases caused mainly by malnutrition. Hence, according to this idea, people are perceived as automations passively waiting to be killed by their own reproductive success. Overlooked is the possibility that the increase in human numbers may be stopped by people

themselves at a point far below the theoretical 'carrying capacity' not essentially because of a scarcity of food and other requirements, but for the love of the frills and foibles of advanced civilisation and a distaste for the arduous tasks of bearing and rearing children.

Conclusion

It can be asserted that although in the 1980s income in countries whose population had grown more slowly in the 1965-80 period grew 1.8 per cent faster than in countries with faster 1965-80 population growth – unlike most studies of developing countries in which no connection could be found between the growth rates of population and of per capita incomes up to around 1975 – the statistical link is probably an expression of several factors [United Nations Population Fund 1992].

Though the strength of the population factor can be judged by comparing it with the most obvious alternative explanation for the slow income growth in the 1980s, the high debt levels, no correlation could be found at all in the 82 countries between the debt levels in 1980 and the growth in incomes over the 1980s [UNPF 1992] Consequently the explanation to the statistical link has to be explored in other determinants One is the way in which rapid population growth commandeers a large share of investment merely to maintain the same amount of capital per person, leaving little left over to improve capital per person. However, more widely the link almost certainly expresses the impact of other factors that contribute both to slower population growth and faster economic growth, especially higher levels of education and health in the workforce, and increased access of women to the labour market.

To conclude, for any particular level of population growth there is always a big gap between the best and worst economic performance Good economic and trade policies can combat adverse circumstances, whereas bad ones can fail even in favourable situations Even if the recent figures on economic and population growth do suggest, at the very least, that rapid population growth since 1965 may have created problems for economic development in the more difficult climate of the 1980s, good management can diminish the population effect to a considerable extent and has the potential of transforming this impediment to growth into a boon Conversely, a review of studies in this field affirms, where management was poor, rapid population growth has magnified other difficulties. Thus, the question to be addressed seriously is that of good or poor management of population and not of population *per se*.

Notes

1 The famous English monk Thomas Malthus states (1) population is necessarily limited by the means of subsistence, and (2) population invariably increases where the means of subsistence increase, unless prevented by some very powerful and obvious checks

2 One frequently used index summarising an age distribution is known as the dependency ratio Strictly, this is the ratio of economically active to economically inactive persons in the population, but often, because of lack of data or difficulties in defining economic activity in many countries, a ratio of age group is used instead Then the ratio is

$$\text{Dependency Ratio} = \frac{\text{Children+ Elderly}}{\text{Working Ages}} \times 100$$

Therefore, ratios using only children, or only the elderly in the numerator, are also sometimes calculated Accordingly, it is referred to as 'child dependency ratio' or 'old age dependency ratio'

3 The estimated 33 billion human beings under stipulated conditions was the result of a major study of this type by FAO, UNFPA and IIASA The following quotations describe the procedure adopted: The study "combines a climate map, with soil map and then divides the study area into grids of 100 sq kms each the 15 most widely grown food crops were considered Three alternative levels of farm technology were postulated " Given these estimates of potential production along with the calorie and protein requirements of the human body as recommended by FAO and WHO the investigators computed the maximum population which can be supported" [Srinivasan 1988 14-15, cited in Davis 1992]

The findings were as follows

Farm Technology	Billions of People: Carrying Capacity	Billions of People: Projected in 2000
Low	5.6	3.6
Intermediate	14.9	3.6
High	33.2	3.6

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Liberalisation, Innovation and Exports

Rajat Acharyya

One peculiar aspect of India's technological development is that whatever little innovation has taken place has been 'minor' innovation, including adaptation of process to indigenous raw materials, instead of major innovations at the frontiers of technology. Can the present liberalisation efforts through successive reduction of tariff rates reverse the trend? If so, how much tariff cut is needed? These issues are examined in this paper.

I
Introduction

THE infant industry argument that an industry with inferior or primitive technology may acquire the technical know-how over time through research and development (R and D) and learning-by-doing while operating behind the tariff-wall in the initial phases provoked many LDCs to adhere to an inward-looking protectionist regime during their initial stages of development. Critics have pointed out that on the contrary, such an 'infant industry' will never come out of its infancy thereby belying the dynamic gains to be had from such protection. A debate has thus emerged over export promotion (or outward orientation) and import substitution (or inward-looking strategy) as the appropriate development strategy for the LDCs.

Country experiences are however, not alike. There are the instances of South Korea and Taiwan who have performed better by adopting export promotion strategies than the inward-looking countries [Balassa 1978, 1989]. The statistical and empirical works on the relationship between exports and growth also provide some support for the export promotion hypothesis [Feder 1983; Michaely, Papageorgiou and Choksi 1991, Tyler 1981].[1] But on the other side of the coin, export growth had declined after liberalisation for Colombia, Pakistan, Sri Lanka and Yugoslavia. There are also the instances of Ghana, Tanzania and the southern cone countries of Latin America where outward-oriented strategy widened the trade gap rather than narrowing it down.

Actually significant export growth can hardly be achieved in the long run unless export promotion policies are also aimed at upgrading the quality of the exports.[2] This quality factor alone might explain to a large extent the asymmetric export performances of the outward-looking LDCs given the fact that the buyers in the industrialised countries are quality-conscious and more sensitive to quality alterations than to price changes. For example, as pointed out by Chatterjee and Marjit (1992), according to World Bank estimates India's export growth is expected to be stimulated at a much lower rate compared to Hong Kong and South Korea if the developed countries dismantle all their trade restrictions [WDR 1990]. This can also be explained in terms of poor quality of many Indian exports. Entry of Indian products in the western countries including the US are subject to meeting the ISO-9000 quality standards. In addition, the US is going to impose a new set of ISO-14000 environmental standards on Indian exports forcing the exporters to adopt 'cleaner technologies' for manufacturing.

In fact, the quality problem is apparent in all dimensions – from poor quality of production to poor packaging and delivery. The packaging problem is so serious that we lose foreign exchange worth of Rs 540 crore on an average every year due to rejections, spoilage and breakages arising from poor packaging. Engineering products are the worst sufferers of poor packaging accounting for more than 35 per cent of the foreign exchange loss, followed by garments and marine products accounting for 20 and 14 per cent of the losses respectively. In addition to the poor packaging, our exporters are also often not very punctual in delivering the goods which seriously affects reputation and future export orders. Similar situation prevails in other LDCs as well with notable exceptions of course. Let us briefly review some of the major theoretical explanations of such observed poor quality of many LDC-exports.

II
Explanations of Quality Problem

The major explanations of the quality problem are put forward in terms of 'informational externality' [Chiang and Masson 1981, Donnenfeld and Mayer 1987], high cost of overcoming quality moral hazards through seller reputations [Esfahani 1991] and in terms of negligible R and D efforts under a protectionist regime[3]. The informational externality argument runs as follows. Foreign buyers often have incomplete information about quality of products sold by an exporting firm. Accordingly, average industry quality instead of individual product quality determines the price the buyers are willing to pay which reduces the incentives for an exporting firm to produce socially optimum quality.

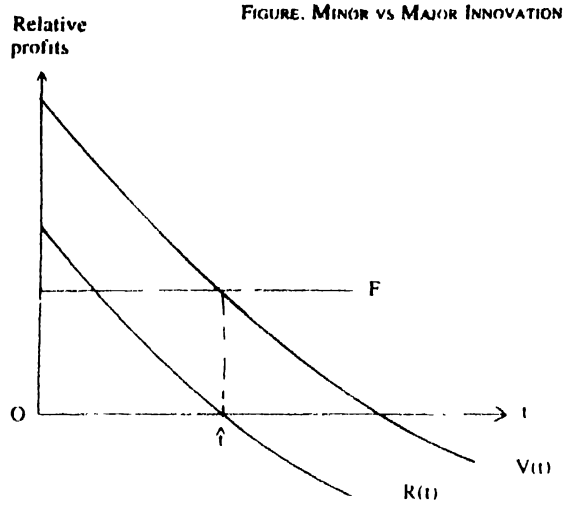
Esfahani (1991), on the other hand, suggests that the uncertainties in cost functions of small producers may be an explanation of the 'quality puzzle' in the seemingly competitive LDC-markets. Such uncertainties make sellers' commitment to uniformly high quality very costly and therefore encourage quality variations. On the other hand, easy entry puts a pressure on quasi-rents and reduces the benefits of continued operation which are the main incentives for maintaining reputation.

Another popular explanation is put forward in terms of protectionist trade and industrial regime. Protection typically leads to monopolisation of the domestic market by a few domestic producers and the consequent market structure may not be conducive to innovation. In other words, protection by ensuring high profits from sale of even poor quality goods reduces the incentives to upgrade quality through uncertain R and D and look forward to export markets.

A slightly different argument focuses on the X-efficiency aspect of liberalisation. Similar in spirit to the Schumpeterian hypothesis that "competition is not necessarily conducive to innovation",[4] Rodrik (1992) argues that protection providing larger market share increases at the margin the incentives for cost-innovations and is likely to spur technological efforts.[5] Suppose a domestic monopolist having higher marginal cost invests in technology and 'overall tinkering' and only after a particular point of time it fully catches up with the foreign technology. In such a case, liberalisation slows down the pace of productivity increase and delays technology catch-up since it shrinks the domestic monopolist's sales and thus reduces the incentives to invest in technology. On the other hand, in case of domestic duopoly with Cournot behaviour there will be over-investment in technology and "liberalisation will be inimical to technological performance".

What emerges from the analysis of Rodrik (1992) is that technology performance and exports depend on the 'nature' and 'intensity' of competition. While it is true that some market-power is a prerequisite for innovation and consequently liberalisation might adversely affect pace of the innovation, too much market power may not be conducive for innovation [Frenkel 1971, White 1974].[6] On the other hand, Porter (1990) has found little empirical support that "domestic competition is wasteful as it leads to

FIGURE. MINOR VS MAJOR INNOVATION



duplication of efforts and prevents firms from gaining economies of scale" Contrarily, the few 'national champions' with virtually unrivalled domestic positions are observed to be uncompetitive internationally though they are often heavily subsidised and protected Domestic rivalry creates pressure on firms to innovate and to sell abroad in order to grow (p 119) With little domestic rivalry firms are more content to rely on the domestic market"

III
Major vs Minor Innovation

In the whole literature, however, neither the relationship between liberalisation and quality-innovation has been clearly spelt out nor any attention has been paid to what guides firms to choose between the nature of innovation, cost (minor)-innovation or quality (major)-innovation, when both require investment in uncertain R and D projects For example, one peculiar aspect of India's technological development is that whatever little innovation has taken place has been 'minor' innovation including adaptation of process to indigenous raw materials instead of major innovations at the frontiers of technology [Desai 1980, Lall 1989] "In such circumstances, can the present liberalisation efforts through successive reduction of tariff rates reverse the trend' If so, how much tariff cut is needed' We now examine these issues in terms of a simplest possible theoretical framework

Let there be two types of good low-quality (L) and high-quality (H) While the domestic monopolist can produce the low-quality good at constant marginal cost (MC) and zero fixed cost, it does not have the technical know-how to produce the high-quality Only through 'successful R and D can it produce that good The trade regime is specified as follows There is an *ad valorem* tariff on low-quality final good, t, as well as a very high duty on an imported input required to produce goods of both quality The imported input can be replaced by an indigenous input which is only a poor substitute and its marginal productivity is so low that the MC of producing the low-quality final good using it is very high, say, $\bar{c}$ In case the imported input is allowed to be purchased duty free, the MC of producing the low-quality is equal to $\underline{c}$ But, the duty on the imported input makes the MC higher and suppose it exceeds $\bar{c}$. That is, the duty on the imported input is prohibitive This is the case as long as the firm sells its output in the domestic market only But if it is a 100 per cent export oriented unit (EOU), i e, sells the entire output in the world market, the government pays back the whole duty on the imported input

Suppose, while the world market for the low quality is perfectly competitive with world price, p_L^*, equal to $\underline{c}$, that for the high-quality good is imperfectly competitive. Such an assumption has two implications First is that the home firm will have no incentive to export the low-quality good, i e, exports require quality-innovation Secondly, without any tariff protection the domestic production of low-quality good ceases

Now, given the *ad valorem* tariff on low-quality foreign good, the domestic firm can charge a price equal to $(1+t)\,P_L^*$, but no more than that If such a price covers its MC of producing the low-quality good by using the indigenous input, $\bar{c}$, the firm will produce and, given constant MC, supply the entire demand at that price Suppose the demand function is linear,

$$p_L = a - x_L, \quad > 0 \qquad (1)$$

where, p_L is the tariff-inclusive price of the low-quality good and x_L is the quantity demanded Since the home firm essentially behaves like a 'price taker', its production of low-quality good will be,

$$x_L = a - (1+t)\,p_L^* \qquad (2)$$

and corresponding profit will be,

$$\pi(\bar{c},t) = [(1+t)p_L^* - \bar{c}]\,[a - (1+t)\,p_L^*] \qquad (3)$$

Thus, the domestic firm will produce only if,

$$t > \frac{\bar{c} - p_L^*}{p_L^*} = \tilde{t} \qquad (4)$$

Now it can be easily verified that as the tariff rate is raised higher and higher above $\tilde{t}$, home firm's profit increases at a decreasing rate reaching maximum at t_m, where t_m is such that,

$$(1+t_m)p_L^* = (a+c)/2 = p_m \qquad (5)$$

That is, for $t \geqq t_m$, the home firm can earn the monopoly profit by charging the monopoly price, p_m. Accordingly, domestic price, output and profit will remain invariant with respect to change in the tariff rate beyond t_m. In this set up, let us now examine the impact of liberalisation on cost and quality-innovation

Consider first the case of cost innovation. If such an innovation is successful, the home firm can produce the low-quality good at the lower cost, $\underline{c}$, and earn a profit equal to $\pi(\underline{c},t)$ On the other hand, in case of unsuccessful innovation the home firm must be satisfied with the pre-innovation lower profit $(\bar{c},t)$ Suppose, this minor or cost innovation has a success rate equal to 'q' and that it requires a fixed investment, F_c, only Then relative profit from minor innovation is given as

$$R\pi(t) = q\,[\pi(\underline{c},t) - \pi(\bar{c},t)] - F_c \qquad (6)$$

Now, given our assumption that $p_L^* = \underline{c}$, $R\pi(0) = -F_c$, and for $t > \bar{t}$, $R\pi(t) > 0$, where $\bar{t}$ is such that $R\pi(\bar{t}) = 0$. In other words, to induce the home firm to innovate around costs, there must be some degree of protection and this varies positively with fixed R and D cost, F_c, and inversely with the success rate, q We, however, assume values of q and F_c be such that $\bar{t}$ is very small.

On the other hand, suppose major or quality innovation has the same success rate, q, but requires greater fixed cost F_q:

$$F_q > F_c \qquad (7)$$

If quality innovation is successful, the home firm can export the high-quality good and earn a profit equal to, say, π_x "At this point we assume that the home firm sells the high-quality good only in the world market so that it can produce the good with the help of duty-free imported input On the other hand, when quality innovation is unsuccessful the home firm produces the low-quality good at the higher MC, $\bar{c}$, using the indigenous input and earns $\pi(\bar{c},t)$. Thus, the relative profit from major innovation and exports is given as:

$$R\pi_q(t) = q\,[\pi_x - \pi(\bar{c},t)] - F_q \qquad (8)$$

Clearly, $R\pi_s(t)$ is a decreasing function of the tariff rate.[11] Let, $\underline{t}$ be the rate for which $R\pi_s(t) = 0$. Therefore, if the tariff rate is too high, i e, $t > \underline{t}$, domestic market becomes relatively unprofitable compared to export market and the home firm is uninnovative and inward-looking

We are now in a position to examine the domestic firm s choice between minor and major innovation In this context we assume values of the parameters be such that $\bar{t} < \underline{t}$, otherwise the analysis becomes trivial Subtracting (6) from (8) we obtain

$$R(t) \equiv R\pi_s(t) - R\pi(t) = q[\pi_s - \pi(\underline{c},t)] - F \quad (9)$$

where, $F = F_q - F_s$

Now, $R\pi_s(O) > 0$ ensures that $R(O) > 0$; it is also evident that $R(t)$ falls with 't' Let, $\hat{t}$ be the rate for which $R(t)$ is zero In the accompanying figure we draw the $R(t)$ curve to illustrate the choice between minor and major innovation The $V(t)$ curve represents the 'gross' profit from major innovation relative to minor innovation, i e, $V(t) = q[\pi_s - \pi(\underline{c},t)]$.

Therefore what we observe is that the domestic firm will prefer quality-innovation to cost-innovation and consequently will look forward to the export market instead of being tied to the protected home market only if the tariff rate is lowered below $\hat{t}$ If the initial tariff rate, t_o is greater than $\hat{t}$, the required degree of liberalisation, $t_o - \hat{t}$, varies among others, inversely with F_s and q, and positively with F_q On the other hand, lower is $\underline{c}$, i e, lower is the MC of production when the duty-free imported input is used, and hence greater is $\pi(\underline{c},t)$ for a given tariff rate, smaller will be the value of $\hat{t}$ This means, more is the quality or productivity difference of the indigenous and imported input and consequently greater is the "gain" from cost innovation, greater will be the required dose of liberalisation to induce the domestic monopolist to innovate around product quality and become outward-oriented This analysis then provides an explanation to the findings of Porter (1990) that innovation is likely to occur around selective factor disadvantage.

IV
Conclusion

From the above analysis we observe that liberalisation does have a positive impact on the decision to export through quality innovation. All depends, however, on the nature and intensity of domestic rivalry, as well as on the opportunities in the foreign markets. But, full liberalisation is not at all a necessary condition. The required degree of liberalisation to induce the monopolist to innovate varies inversely with the level of investment in cost-innovation (F_s), and the success rate (q), and positively with the level of investment in quality innovation (F_q) and the gain from cost innovation, $(\bar{c} - \underline{c})$.

Notes

[I wish to thank Sugata Marjit for his valued comments and suggestions on an earlier draft The usual disclaimer applies, however]

1 But regression analysis of Colombatto (1990) with a sample of 47 LDCs in 1971, 1978 and 1985 reveals that higher export growth rates do not necessarily benefit economic growth

2 Recently government has decided to set up an India Brand Promotion Fund to promote the image of India as a supplier of quality goods and services wordwide as well as to protect Indian brands and disseminate information about them This may reduce quality distortions and deviations arising out of informational externality'

3 Another explanation of observed low quality is in terms of income disparities [see Gabszewicz and Thisse 1979]

4 All these competing theories have challenged the conventional view which focuses on factor endowment and technological conditions [Balassa 1980]

5 The literature identifies two hypotheses as Schumpeterian [Kamien and Schwartz 1982] (i) innovation and monoply power are positive-related, (ii) large firms are more innovative than small firms

6 An alternative explanation of the X-efficiency hypothesis is that protection increases the rents to the producers who then are inclined towards less work effort and more leisure thereby raising X-inefficiency But as pointed out by Corden (1974) this will be the case only if the labour supply curve is backward bending

7 For example, it is often argued that 'dominant' firms can concentrate only on exploiting the negatively sloped demand curve in the domestic market, and can avoid exporting as it increases demand elasticity since the firms essentially become 'price takers' [Glejser, Jacquemin and Petit 1980]

8 Porter (1990) cites the example of number 2 German competitor in pencils, Staedler, who concentrated very early on foreign markets because the industry leader, Faber Castell, had a strong hold on the domestic market

9 Another feature of India's technological development is that the inward-looking regime by protecting both efficient and inefficient firms has led to coexistence of few firms that are innovative and dynamic overseas with a multitude of others that rarely innovate and are tied to domestic market [Bhagwati and Srinivasan 1976, Katrak 1990].

10 To simplify the analysis we simply assume that the home firm can earn a positive profit by selling the high quality good in the world market without going into details of it

11 We must assume $q\pi_s(\underline{c}) > F_q$ so that $R\pi_s(O) > 0$.

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DISCUSSION

Once More to Feminification of Theory

Saraswati Haider

THIS piece is an exposition of some thoughts on Dipankar Gupta's 'Feminification of Theory' (March 25) and the reply to it by Malavika Karlekar (June 17). This is not to say that the other communications which have appeared in the *EPW* do not demand consideration. For reasons which shall be clear in the following lines I have confined my argument only to the two mentioned above.

Gupta seems to be first of all trying to demonstrate that postmodernism and feminist studies get together and postmodernism has found most fertile ground in feminist studies among all the social sciences. And, secondly, he seems to be trying to plead a case for those lost, mostly postmodernist males, who, though eager to be feminist, find themselves marginalised by feminist academics for, in making the body the text, and in proclaiming that it is only women who can understand women, feminists condemn them to be actually ill-equipped to study the female sex.

In making his two attempts first of all, as Malavika Karlekar has rightly pointed out, Gupta has not pinpointed the feminists he is talking about. For, unfortunately, or may be fortunately, there is not just one group of feminists but several each with its own underpinnings of understanding of the woman question (as it came to be called in the 19th century). In fact the attempt to apportioning the meaning to feminism but the inability to either arrive at a consensus of opinion on what feminism is or accept a definition(s) that could serve as a point of unification have become a central problem within feminist discourse. "Without agreed definition(s) we lack a sound foundation on which to construct theory or engage in overall meaningful praxis" writes Bell Hooks, the Black feminist (1987 62). Carmen Vasquez, expressing her frustrations with the absence of clear definitions comments, "we can't even agree on what a Feminist is, never mind what she would believe in and how she defines the principles that constitute honour among us. In key with American capitalist obsession for individualism and anything goes, so long as it gets you what you want. Feminism in America has come to mean anything you like, honey. There are so many definitions of feminisms as there are feminists, some of my sisters say with a chuckle. I don't think its funny" [Vasquez 1983 11]. Delmar writes in the same vein that "the fragmentation of contemporary feminism bears ample witness to the impossibility of constructing modern feminism as a simple unity in the present, or arriving at a shared feminist definition of feminism. Such differing explanations, such a variety of emphases in practical campaign, such widely varying interpretations of their results have emerged that it now makes more sense to speak of a plurality of feminisms than of one" [Delmar 1986.9].

Delmar, however, professes that it is certainly possible to construct a baseline definition of feminism and the feminist, which can be shared by feminists and non-feminists. "Many would agree" she writes "that at the very least a feminist is someone who holds that women suffer discrimination because of their sex, that they have specific needs which remain negated and unsatisfied and that the satisfaction of their needs would require a radical change (some would say a revolution, even) in the social, economic and political order. But, beyond this, things immediately become more complicated", and that "recently the different meanings of feminism for different feminists have manifested themselves as a sort of sclerosis of their movement, segments of which have become separated from and hardened against each other. Instead of internal dialogue there is a naming of the parts, there are radical feminists, socialist feminists, Marxist feminists, lesbian separatists, women of colour, and soon, each group with its own carefully preserved sense of identity. Each for itself is the only worthwhile feminism, others are ignored, except to be criticised" [Delmar 1986 8-9]. Delmar however, misses naming liberal feminists, cultural feminists and the third world feminists who are also very much present on the scenario. A reading of Karen Offen's paper 'Defining Feminism: A Comparative Historical Approach' gives a good idea of the cross-cultural, i.e. American, British and European, development of the concept of feminism [Offen 1992].

Offen herself proclaims "what is feminism? what is a feminist? Across cultures? These questions are raised everyday by activists in the contemporary women's movement, by scholars in the press and in informal conversation. Everyone seems to have different answers and every answer is infused with a political and emotional charge. The word 'feminism' continues to inspire controversy – indeed even to invoke fear among a sizeable portion of the general public. If words and the concepts they convey can be said to be dangerous then 'feminism' and 'feminist' must be dangerous words, representing dangerous concepts. Despite Virginia Woolf's attempt some 50 years ago to 'kill' the word 'feminism', it continues to be used. The concept it stands for clearly retains 'a force of power' "

Offen continues, "Scholars who do claim a label of feminism owe it to the public and one another to respond to these questions and to address the fear that induces would-be supporters to disclaim this label even when they support what we would consider feminist goals. To allow so many to get away by saying, 'I am not a feminist but...' seems highly problematic in the light of current political necessities. To speak effectively, we must arrive at some understanding of the term 'feminism' that we can agree on. However, to be truly useful, such an understanding cannot be desired exclusively from contemporary Anglo-American culture. It should reflect the cumulative knowledge we have acquired about the historical development of feminism in other comparable cultures" [Offen 1992.69]. Offen then re-examines and reconceptualises the public understanding of the word 'feminism' based on the history of the word and its cognates and on evidence of its use from comparative history of England, America and the European countries. By doing this she discovers that by 1900 a veritable taxonomy of self-described or imputed feminisms had sprung into being. 'familial feminists', 'integral feminists', 'Christian feminists', 'socialist feminists', 'radical feminists' and 'male feminists' among others [Offens 1992 73]. She also discovers that there are 'proto-feminists' and, nowadays, 'feminists anti feminism', 'anti feminist feminism' and post-feminists' [Offen 1992:72, 73].

Offen writes in another place that contemporary scholars employ both dualistic and tripartite distinctions. Among the dualistic distinctions proposed in recent years are 'old' and 'new' feminisms, 'social' and 'hard-core' feminisms, 'first wave' and 'second wave' feminisms, 'classical' and 'modern' feminisms, 'equal rights' and 'female superiority' or 'equal authority' feminisms, 'maximalist' and 'minimalist' feminisms, 'congruent' and 'complementary' feminisms, and 'humanistic' and 'gynocentric' feminisms. Tripartite distinctions include the 'egalitarian', 'evangelical' and 'socialist' feminisms identified in the recent British past (that is since 1800) by socialist Olive Banks (1981). Alison Jaggar and others identify a present day 'socialist feminist' category distinct and separate from Marxist feminism, about which a sizeable literature has developed [Jaggar 1983]. To these Offens adds what she calls 'relational' and 'individualist' feminisms [Offen 1992].

One must also note here that Black feminists and third world feminists, including those of India, consider themselves as a breed apart from the Anglo-American and European variety of feminists whom the former consider imperialists, white and middle class thus having interests alien to the black and third world feminists engaged in struggles against race, class and colonial oppression in which they are united with their male counterparts. These feminists have agendas of their own

Thus, within this mind-boggling variety of feminisms, which one does Gupta have in mind, who he thinks have been enthralled by postmodernism, for not all of them could suddenly have come together in a much longed for, but not achieved, unity, and found postmodernism to be their awaited panacea? Had this happened it would be a singular achievement for it would have brought together the so far fragmented and disparate feminists But to disappoint Gupta, that has not happened. It is only a small group of western feminists, as Malavika Karlekar has pointed out, who are applying the theories of the postmodernists in their studies and where the west goes, can India be far behind. In India also there is only a handful of women academics who have turned to Irigarey, Lacan, Kristeva et al.

Gupta's tracing of the trajectory of feminism seems also not to conform to what one has read As far as our knowledge goes, it was the liberal feminists, whom Gupta does not mention at all, and who are still very much present, that first took to the course of women's rights. By liberal feminists I mean those who are known as 'first wave feminists' or suffragettes whose movement formally started at Seneca Falls in 1848. Marxist feminists came later on the scene primarily because, contrary to Gupta, embarrassingly for Marxists, and especially Marxist feminists, Marx is supposed to have totally ignored the presence of womankind in the reality that he was analysing.

Writes Michele Barrett, a Marxist feminist, "On the question of feminism, however, even the most committed Marxists now suspect that our idol has feet of clay. Many feminists, indeed, see this weakness as one which vitiates the whole of Marx's works. Gone are the days when 'the woman question' could be answered from the writings of Marx; his treatment of the issue is now widely regarded as scattered, scanty and unsatisfactory. The situation is scarcely improved by the fact that much of what is attributed to Marx, particularly in relation to a programme for the emancipation of women, was in fact the work of Engels. It is not entirely clear how far Marx himself accepted arguments such as those eventually set out in Engels' *The Origin of the Family, Private Property and the State* (1884)" [Barrett 1987: 44]. And again "In general the writings of Engels often read as more sympathetic to what we now identify as feminism than does the writings of Marx Engels appears to be more modern in his touch on these questions and one has less sense of a Victorian patriarch worthily espousing doctrines that he believes correct rather than believes in. Random examples are somewhat unfair, and can be misleading, but they illustrate the point. Engels can deride Duhring's solemn comment on the demand for prostitution '.. nothing of the kind is possible for the women'. He simply remarks that 'I would not care for anything in the world to have the thanks which might accrue to Herr Duhring from the women for his compliment' and wonders how Duhring has managed to get by for so long without having heard of men living on 'petticoat pension'. These sentiments would not disgrace a male Marxist in 1983, let alone in 1878 and they are characteristic of Engels' sympathy with women. Although, no doubt, a thorough search would reveal many sexist remarks in Engels' correspondence and private papers, one suspects that these would be little to match those 'howlers' that can be found in Marx"

Alison Jaggar, whom I quote at length, rather harshly pillories Marx and Marxists She has much to say about Marxism and feminism About Marxism, Gupta says "gender consciousness and feminism, in the generic sense, were not absent in Marxism, and indeed found their edge within the context of its larger theoretical problematic" and about which, and about whose connection with feminism, an interesting article to read is Hiedi I Hartmann's 'The Unhappy Marriage of Marxism and Feminism: Towards a More Progressive Union' (1981).

Jaggar writes, "Marxist theory was not designed primarily to provide an account of woman's nature and woman's oppression. What Marxism has to say about women is peripheral to the central claims of the theory, so that Marxist reflections on women's situation could be dropped entirely without changing the system in any substantial way. Instead Marxism was designed to explain how a minority of individuals is able to control the lives of the majority because of their control over the productive resources of a society. In order to explain this Marxists have recourse to their theory of class, a theory which has been enormously successful indeed in providing a unified explanation of many historical phenomena and much of the direction of historical change. In analysing contemporary society, we have seen that traditional Marxism [Jaggar calls another variety of feminists who are also Marxists but who have tried to couple together the Marxist thoughtful insights with the insights of the radical feminists, socialist feminists, as distinct from what she calls traditional Marxism] focuses on human beings in relation to commodity production and in this relation, of course, people appear only as members of classes such as bourgeoisie or the petit bourgeoisie. They are seen as having neither sex nor gender. Thus women in the market are viewed simply as workers rather than as women workers."

Jaggar continues, "while women in the market are invisible to Marxist political economy, women in the home are virtually ignored. Verbal acknowledgement is given to the necessity of procreative labour, but this long and complex process receives no theoretical attention. Marxist political economy assumes that, as Sartre puts it, an individual is born at the time of applying for 'his' first paid job. Women's procreative labour is not part of commodity production, that is, it is not part of the mode of production that defines capitalist society. Consequently, women who work at home do not have an independent place within a Marxist analysis of capitalism, they take their class position from that of their husbands and fathers (often, indeed, women's class position is assumed to be identical with that of their husbands and fathers even when they do work in commodity production. The result is an essentially gender-blind picture of social reality)"

"Social reality", writes Jaggar, "of course, is not at all gender blind and on a personal level all political theorists are aware of this. Even on a theoretical level, Marx and Engels not only acknowledge the necessity of procreative labour but make a tremendous contribution in pointing out that women's subordination is not 'natural', that women are indeed oppressed. But the remarkable success of their theory of class has led Marxists to assume that this concept of class is the master key to unlocking the secret of all domination. They assume that the most significant feature of contemporary society is its division into classes; that all history is the history of class struggle. They assume that, as Engels states, class has replaced kinship as the major organising principle of society. Consequently, they believe that class is what counts in the life of an individual, gender conflict is only apparent; class conflict is real. Thus while traditional Marxists recognise that there is indeed a 'woman question', they interpret this question as asking how women fit into the capitalist system of production."

To continue, Jaggar proclaims, "The traditional Marxist way of formulating the 'woman question' assumes that women are oppressed principally as a result of their exclusion from public production In contemporary times, this exclusion is disappearing; yet it is far from clear that women's oppression is diminishing. Feminists argue that many manifestations of women's oppression are not captured in the categories of Marxist political economy.

Women share common experiences of oppression, which, though they may be mediated by class, race and ethnicity, nevertheless cut across class lines All women are liable to rape, to physical abuse from men in the home, and to sexual objectification and sexual harassment; all women are primarily responsible for housework, while all women who have children are held primarily responsible for the care of those children, and virtually all women who work in the market work in sex-subjugated jobs In all classes, women have less money, power and leisure time than men "

Jaggar goes on to opine "Marxism's failure to provide an adequate historical account of the sexual division of labour is more than just an omission from the theory It is an omission that works systematically to obscure women's oppression Within the conceptual framework of traditional Marxism, some questions cannot be raised. For instance, there seems to be no specifically Marxist way of raising the question 'why it is men who routinely beat and rape women, rather than vice versa. Again, given the Marxist conception of class, it makes no sense to ask whether women might occupy a special class position '

'Women in the market share the class of their male co-workers and women outside the market are in their own right, outside the class system altogether Finally, given the Marxist conception of procreation as a process that is relatively fixed by biology, it makes no sense to raise political questions about what is done in this process and how it is done, about who does the work and who makes the decisions, or about how the organisation of procreation might be improved or made more democratic From the point of view of Marxist political economy, men have no special privileges and there are no special needs and interests that are shared by women and which are in opposition to the interests of men. The only exception is women's exclusion from so-called public production and that is only arguably in the interests of men and is, in any case, rapidly disappearing "

Jaggar then proclaims that "By discussing women's oppression, Marxist theory provides a rationale for its perpetuation. The biological conception of procreation legitimates women's continuing responsibility for procreative labour This responsibility in turn hinders women s full participation in non-productive labour and legitimates sex-regulation in that sphere At the same time the biological conception of procreation leads to the devaluation of procreative labour; women's work may be socially necessary but it is not fully historical and hence not fully human work Similarly, the biologistic assumption of hetero-sexuality together with the view that men's sex drive is biologically determined to be stronger than that of women, legitimates sexual harassment and rape. Taken together biologistic assumptions about procreation legitimate Marxism's focus on the 'masculine sphere' of commodity production as the main stage of history and its emphasis on class as the fundamental social division. They obscure the special oppression of women and so legitimate the view that any conflict of interests between the sexes is apparent rather than real. Women's struggle against their oppression is itself delegitimated "

Jaggar goes so far as to say that "The apparent gender-blindness of Marxist categories is in reality a gender bias... gender is a constitutive structure of contemporary human society By concealing this, Marxist theory mystifies social reality and legitimates the continued oppression of women Insofar as it is this, it is another ideology of male domination "

Jaggar concludes that "Just as traditional Marxist categories of social analysis are apparently gender-blind, so too is the traditional Marxist account of human nature on which they are based One writer states that Marxism presents us with a conception of human nature that is essentially of 'abstract, genderless individuals'. The gender blindness of the traditional Marxist account of human nature, however, like the gender blindness of Marxist social categories is apparent rather than real In fact, it is not a conception of humans as genderless, but rather a conception of humans as male, and one might add, as permanently adult. According to the Marxist conception of human nature, human beings create themselves and their world by labouring to transform nature to satisfy their needs Although this account is apparently gender-neutral, Marxists in fact have interpreted 'labour' to mean primarily the production and exchange of objects the kind of work that they associate with men As I have argued, they exclude much of women's work, and especially, procreative work from the category of labour and construe it more as biological process. The traditional Marxist account of human nature is in fact androcentric and constitutes the conceptual basis for a political theory that is profoundly gender-biased". [Jaggar 1983: 77-79]

In view of the above expostulations of Barrett and Jaggar, Gupta's claim that "gender consciousness and feminism, in the generic sense, were not absent in Marxism, and would find their edge within the context of its larger theoretical problematic" based on a few lines from *The German Ideology* ends up with a big question mark put in front of it

Gupta again tumbles when he includes Simone de Beauvoir within the coterie of Marxists when Simone de Beauvoir and Sartre, one thinks, were always basically existentialists adopting only some bits of Marxist theory to fill in the gaps in their existentialist intellectual baggage. But, they can certainly not be dubbed Marxists.

When writing about radical feminists, whom Gupta calls "male bashers", he again drops some bricks. He professes "After males were castrated what were the women to do: become men themselves? This was the only viable option which led women to smoke, drink, frequent strip clubs, and in some cases, shun men altogether " If the only viable activist option open to women was to become men themselves, how does "shunning men altogether" fit into this option? In actual fact it was the radical feminists, as one has been told, who did not want to become like men. They, in fact, deified womanly attributes The analysis of radical feminists has pointed out that there was a need felt among them to emerge from the cage of forced motherhood and sexual slavery which the radical feminists considered the main causes of women's oppression. The immediate goal of radical feminist politics, one believes, was for women to regain control over their own bodies In the long run radical feminists sought to build a woman culture, a new society informed by the radical feminist values of wholeness, trust and nurturance, of sensuality, joy and wildness In order to create such a society, radical feminists tried to prepare themselves. They needed a womanpace, a space free from male intrusion. In this space women could nurture each other and themselves They could begin to practise their own values and become clearer about them by doing so. They could develop the skills and the strengths forbidden to women under patriarchy. They could begin to lay the foundations on which the woman culture would be built [Jaggar 1983.270].

Many feminists, some quoted in this write-up in the beginning, in all probability, conditioned by the male need for domination and disinclination to exist with plurality, feel perturbed at the profusion of feminisms and feminists but it is felt that instead of being an unhealthy sign and anarchic, pluralism demonstrates a basic fact about any social reality or the complete or full perception of phenomenal truth Reality and truth are multifaceted, but more important, multivisional. They alter, change, taken on new nuances and new shapes from different standpoints But each of the truth-views and reality-views from varied standpoints contain within it some element of truth, some perception of reality, and is therefore valid from the particular perspective from which it is gazed at. Reality and truth cannot be captured in totality by one single gaze. They are too polychromic to be revealed *in toto* to any one individual. Therefore, the fact that a social reality like women's oppression gives rise to a myriad of perceptions, multiple viewpoints, hence

several feminisms, several feminists should not be surprising nor discomforting. Every reality is bound to have a plurality of dimensions and women's oppression is but one such reality. What is discomforting, however, and should be taken as not a healthy sign, is the rigidity that the advocates of each type of feminism, again in all probability, conditioned by the male penchant for individuation and subjugating, have developed instead of realising the fact that a multidimensional quality of the phenomenon of their interest is in keeping with an intrinsic quality to be found in any phenomenon, and initiating a dialogue between their, at present, fragmented selves, to arrive at a consensus and to accept the polychromic diversity of the reality that they are trying to expose, and find an explanation for, and with their individual bits of insights integrate and try to build up the reality in a fuller form To do so they have to respect each other's viewpoints and learn to exist within plurality and diversity and not try to outsmart each other and attempt to proclaim one view as supreme. They must, however, still be aware of the fact that the attainment of an ultimate and final truth, meaning or explanation of a reality is but a mirage and this is not only true about feminism but about any social reality The debate with the ghost of Marx still goes on. If postmodernists' mean all this by disclaiming truth, as Gupta claims they do, then they certainly have something meaningful to say and we must afford their viewpoint its due validity

At one point Gupta writes, and I quote at length, "unlike economics, or history, or political science whose field can be objectified, in sociology, it is up to the scholar concerned to come up with a research agenda which is above the level of interesting gossip or privatised obsession/version. For, in the ultimate analysis, a discipline can perpetuate itself as one only if the practitioners can rise above pure subjectivity. It is only then that the minimum conditions of arriving at consensus are present, whether or not the consensus is actually arrived at. In the same sense then a tendency that privatises an object of analysis can only do so on pain of undermining disciplinary specifics. No matter how attractive it might appear to knock down disciplines, the truth is that objective consensus cannot be arrived at without disciplinary goals.

"In my view this is why theories are important, too. Theories force the subjective to come out in the open and communicate with others in a situation of simulated objectivity. Simulated because nothing is objective in the absolute sense of the term but it is still possible to agree on the legitimacy of certain kinds of facts which are above the strictly personal and thus can be obtained without recourse to poetry, metaphor or trope. This is also why theories set out in advance their areas of competence, or also the order of facts necessary for their demonstration. But no theory lives in its own world but has to contest with other theories. If this contest is held in terms of incommensurable qualities then no advance, no communication, and no consensus can ever be conceived. A theory is a theory because it is open to other theories, and, *de jure*, willing to retreat if the agreed upon order of facts are openly hostile to it."

Gupta's above passages have a disturbing ring of dogma to them. They seem to leave no scope for entertaining any other point of view. This is the final word and thats it. The two passages smack of authoritarianism. For, are the rules of any discipline once laid down sacrosanct for ever? Can the rules of scientific endeavour be so rigid that they cannot be changed if found to be a hindrance in a more authentic collection and presentation of facts? Gupta's above discourse displays a marked tendency towards ossification and inflexibility, not healthy, one feels, for a dynamic, spirited, innovative, alive, ever-truth-seeking social science His discourse is very distinctly cast in a male world where military action words and words symbolising competition, a distinctive feature of the capitalist patriarchal order, abound Thus, we have contests, advance, retreat, hostility, without doubt symbols of a male supremacist lingo. The two passages leave an uncomfortable feeling that it is not consensus that is being sought but a battle of theories being fought.

I have quoted Gupta at length here to also bring out the fact how hopelessly confused he is where concepts of subjectivity and objectivity in scientific endeavour are concerned. How does a practitioner know what is pure subjectivity, less subjectivity, high subjectivity, etc. Is there an objective barometer within his or her system which indicates to him the degree of his/her subjectivity that is involved. If one is able to know what degree of subjectivity is involved in one's endeavour one cannot but know this only subjectively. Subjectivity is a state which is elusively unknowable and unpredictable for it is not only present in one's conscious being but one's unknown unconscious as well. It is indeed difficult to wrench out subjectivity from one's system as Gupta himself realises and says "nothing is objective in the absolute sense of the term". It is not easy to run away from one's subjectivity, which is such an integral part of ourselves and pervades all our actions, even those involved in the much-being-made-of Gupta's disciplinary grid if not consciously, then unconsciously. It is omnipresent in the way we formulate our hypotheses; the way we collect our data; the way we explain data, build our theories and in the way we present our findings. No matter how much we may wish it one has to realise that there is no escape from one's subjectivity. The use of the disciplinary grid seems to be just a formal ritual played out in a forcefully imposed so-called scientific academic procedure which all social scientists have been made duty bound to follow like a dictum but which in no way lessens the involvement of their subjectivity in their chosen pursuit. An adherence to the disciplinary grid in no way assures the sanitising of a social scientist's investigation from subjectivity which is highly tenacious and has a knack of cropping up at the most odd and unknowable of occasions without its owner being aware of it.

For Gupta to proclaim with such unshakeable certainty about a most chimerical phenomenon that objective consensus cannot be arrived at without a disciplinary grid particularly theoretical formulations, is an assumption only being claimed as truth perhaps without going in-depth into the matter The stress on objectivity has been made into a fetish and is, in all probability, a hangover from the days when social science was trying to emulate natural sciences In spite of the positivist approach horse being flogged umpteen times, the hangover persists. One has to repeat again and again that in social sciences it seems to be fairly obvious that there can never be any objectivity even if we try to simulate it and simulating is another of those self-deceiving acts which social scientists seem to go through without any purpose being served.

One does not know why these adherents of objectivity cannot by now have got wise to the fact that forced creation of objectivity by a social scientist also involves his or her subjectivity. He or she creates objectivity subjectively. The act of simulation of objectivity, which Gupta talks about, can but end up distorting the subjective but rich experience of reality that the social scientist may have gone through. Here simulating objectivity is like playing a game at the cost of sincere, honest, feelingful presentation of data in the very subjective and personal way the social scientist must have collected it. For, as far as one's experience goes it seems that authentic, revealing, flesh and blood data is perhaps only obtainable when one is intimately, subjectively and personally involved with one's subjects. When one does not go to them like an inquisitioner or an aloof, alien outsider but tries to become a part of their life within one's limitations.

But to come back to simulating objectivity – this again looks like the brainchild of the male species with their emphasis and inordinate valorisation of reason over emotions and hence objectivity over subjectivity. Theory building and use of disciplinary grids, even though they obviously cannot immunise one from subjectivity, seem to be games that male social scientists play to conform to their belief in deified reason and their denigration

of emotion which is considered to be an element of subjectivity and hence needs to be curbed. And why can consensus be arrived at only through a self-deceptive simulated objectivity? Why cannot consensus also be arrived at when data are presented subjectively? If postmodernists call Gupta's concept of theories fictions and are irreverent to his rigid disciplinary grid, as Gupta claims they are, then again post-modernists are perhaps only pointing out a truism, however much a bitter pill it may be for malestream social scientists to swallow.

Gupta in his paper also makes a highly unsubstantiated charge that feminist scholarship typically ignores those areas where women interface with men. This is just not correct as Malavika Karlekar has pointed out by furnishing titles of papers published in *Signs*, which journal Gupta in his paper has proclaimed as happy hunting ground of postmodernist feminist academics. Karlekar's point can be further corroborated by a glance through the contents of another feminist journal, *Feminist Review*, and by a look at the scores and scores of books being published abroad and in India within the orbit of what are known as women's studies which one hopes will bring home to Gupta that the "confident women" as he calls the non-postmodernist feminist social scientists, seem to be far outnumbering the postmodernism bitten "chained feminist sorority". This is, however, not to say that the views and studies of postmodernist feminists have no validity.

Coming to the subject of intersubjectivity which I think Gupta brings up to plead the case of those male feminists who, according to him, are dissuaded from studying the women's situation on the ground that they lack the sensitivity that women possess and that only women can understand women.

Intersubjectivity is, of course, a must for arriving at consensus and even if one does not feel so convinced about the objectivity of the simulated type Gupta seems to insist upon, subjective academic findings should also most definitely allow scope for intersubjectivity but where men and women are concerned the matter becomes tricky. It is a fact that men have shown and perhaps continue to show a singular insensitivity and lack of understanding of female sensibilities. They have, in fact, in the sciences totally invisibilised women. This, one feels, is because for centuries now women have been kept submerged in the 'culture of silence'; they have been muted; their experiences have remained unarticulated leading to the lack of understanding of their being by men who did not feel the necessity to acquire such an understanding and surprisingly neither did many women either. In such a situation men will have to allow women to give voice to their pent up emotions, feelings, desires, hurts, agonies, sufferings and aspirations, if in their intimidated situation they could develop any, now, that through women's studies, they have a chance to do so. Men will have to, for the time being, learn patiently to listen, for, listening is a very important adjunct to successful intercommunication. But male feminists, of course, cannot go on forever listening. They certainly should study women and women's studies can only be enriched by the contributions to them made by male feminists. For the time being, perhaps, one important contribution that male feminists can make is to study their own sex *vis-a-vis* their relationship with women. Masculinity within patriarchy needs to be studied as much as femininity. But as Malavika Karlekar asks, where are these male feminists? Gupta has raised aloft the banner for a tribe that does not seem to exist or exists in such a minuscule number as to be equal to not existing at all. Perhaps, Gupta has raised the banner aloft for himself? However, so much for Dipankar Gupta's paper.

Coming to Malavika Karlekar's reply to Gupta's paper, one feels she is at too great pains to establish that feminist academics are very much within Gupta's theory and disciplinary grid syndrome. What has been said about subjectivity and objectivity earlier in this piece can be repeated for Karlekar too. Karlekar now, with all her experience must, most surely, have realised that women are indeed different from men. They feel differently about situations, react differently, speak differently, relate differently to people and so on. They may be different because they have been an oppressed and marginalised group and are socialised as discriminated beings within a patriarchal order but different they are and it is felt that to study them, different perspectives, new methodologies, new approaches and even different styles of presentation of data about them are required. It is also felt that at the present juncture such experienced academics like Malavika Karlekar give their subjects a chance to speak, to have their say, to articulate, to start a discourse, to come out with all the bile and bitterness accumulated over centuries unimpeded, unencumbered, undisturbed by the intrusion of the voices of the academics who, it is felt, should refrain from using the voices of their protagonists to prove their (the academics') own theories, which is what is at present being done, following the 'malestream social sciences' disciplinary grid. It is felt that their conventional ways of proceeding with academic inquiries laid down by men to suit their own mind set are ill-suited to study the second sex.

It is felt that to study women – the pained, broken, fragmented, disembodied, suffering beings that they are new and more innovative models are needed. One also feels that in social science, especially where women's studies are concerned, there is a time just to hear and a time to analyse. The present, in feminist academics, it is felt, is a time to hear and for the time being to put theorising, analysing, all on the back burner. It is a time to take the narratives of women so trustingly recounted to academics and to use these narratives and the voices in which they are recounted as received to become a direct means to communicate the agony and the pain that womankind have been made to suffer. Let the suffering woman communicate directly with people at large with the academics serving as only conduits for the present to make such communication possible. The voices of those hapless victims of male domination should not be, it is felt, selectively used to prove the own-believed theoretical points of the academics. This, it is felt would amount to a betrayal and would most certainly rank as an exploitative act. One feels that for women academics, who are often also as alien to the psyche and behaviour of their subjects as men are to that of women, this is a time to get to know their in-other-ways subjugated sisters, to build bridges, to share, to bring their protagonists centre stage, to make them subjects and not to condemn them to be the 'other' once again or to use them to serve as guinea pigs in a patriarchal scientific model which model unfortunately, it seems, many women academics also unknowingly have adopted proving that patriarchy has deeper roots in woman's psyche, then one can think of or wrench away Patriarchy has, it seems, even the most aware of us still shackled by its devious chains.

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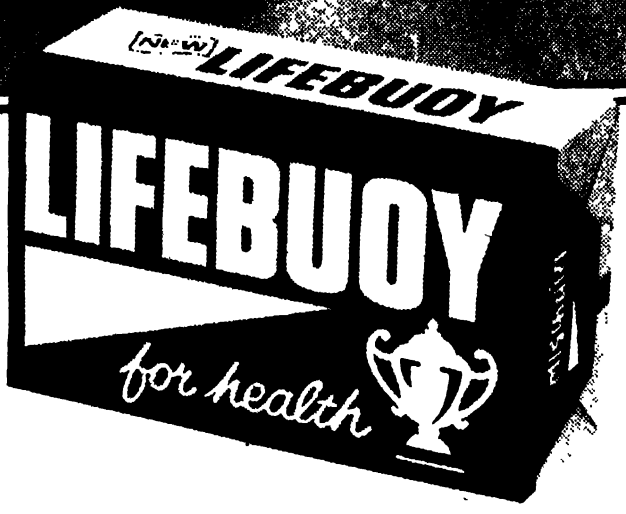
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Showing Labour Its Place

Karl Marx wrote *Das Kapital* less than a century and a half ago, inspired by the ideal to serve the interests of the working class. Arguing from the opposite perspective, and motivated by the final breakdown of the socialist economies, capital has now decreed how labour should behave if it is to attain a better future. The central message of the World Bank's capitalist manifesto, in the form of its *World Development Report 1995* devoted to the theme of 'Workers in an Integrating World', is how a drastic restructuring of the balance of power in favour of capital is a precondition for the economic well-being of the developing countries particularly. **2294**

Conflicting Moralities

The policy of the British colonial government on the making and drinking of indigenous liquor, ostensibly directed at checking intemperance and safeguarding the people's morality, often came into conflict with another morality, that of the peasants, especially the adivasis, and illustrates the impingement of the state upon what may be called the private, collective domain and the resistance, overt and covert, of the affected communities. A study in Thane district of erstwhile Bombay presidency. **2323**

Fiscal Reform

The World Bank's Country Economic Memorandum on India for this year reviews the progress of fiscal reforms at the central and state levels, but as in the past the emphasis is on reducing fiscal deficits rather than on increasing public savings. Moreover, the blanket assertion that there is no further scope for compressing government expenditure can only encourage vested interests to seek and obtain large increases in budgetary allocations. This assessment goes against the avowed objectives of the economic reforms of stabilising the economy and improving the efficiency of resource allocation. **2317**

Education and Mission

Neglect of the socio-political context of Christian education has come in the way of realisation of the liberating potential of its ideals and purposes. **2332**

Gone Haywire

The government's avowed objective of keeping the monetised deficit under check notwithstanding, the market's lukewarm response to its borrowing programme has pushed it into overwhelming dependence on the Reserve Bank. Unprecedented levels of monetised deficit in the current fiscal year so far have been the result. **2287**

Missing the Real Village

The concept of the revenue village was introduced by the British as the lowest administrative unit in the settlement hierarchy for revenue collection. The adoption of the revenue village by the Census for collection of data considered useful for micro-level planning and development, however, gives rise to many problems. **2301**

Pedagogy in Action

In the context of the present din over Total Literacy, a small effort by a social group from Calcutta at putting into practice a critical pedagogy should show our pedagogues how to stop canting and start acting. **2303**

'Empowerment' in History

While women's 'empowerment' is a concept of recent origin in feminist theory, women's struggle for empowerment, latent or manifest, visible or invisible, symbolic or concrete, is as old as the history of collective protest and resistance. A study of peasant movements and grass roots mobilisation in Bengal. **2306**

Abdication by UN

At the World Social Development Summit in Copenhagen the United Nations legitimised the role usurped by the Bretton Woods institutions, thus giving up its own powers and functions in the economic field mandated by its Charter. **2304**

LETTERS TO EDITOR

Mani Ratnam – And (Other) Midnight's Children

THIS piece should be called 'Roja and Bombay', to be fair. For I do not know any more of his work. He is a most talented film-maker and he makes a deep impression The music is good, the photography excellent. The story moves you and you come out full of that feeling which comes out of any really good aesthetic experience So what is all the noise about?

But there is a real problem. He has aroused so much protest, so much discussion And young(er) intellectuals are coming to his defence or expressing misgivings. To them Mani and 'Ham Aapke Hain Kaun' are events as important as, say, Ayodhya. For today's progressive – is not that an abuse? – and radical academics are no 'textbook Marxists', no crass mechanical materialists. Culture and feeling, ideology and experience are as much, perhaps even more, issues basic to human existence than mere hunger or physical subjugation.

But to return to Mani. 'Roja' did not hesitate to see Kashmir in black and white. No greys for him. The happiness of a charming young (Hindu) couple was so important. The militants there had no idealism. Their 'azadi' was no real thing. India's nationhood and, of course, its prosperous middle class was all. I could be being uncharitable. But this part of the truth about 'Roja' is indisputable verity

Then comes 'Bombay' If you ask why it could not have been a Hindu girl and a Muslim boy, you are being maliciously MCP, a victim of the ideology where girl is property and not person, free to love and being loved. But when you are vicious enough to ask why Bal Thackeray was allowed to preview and censor, however minimally or not at all, the same high idealistic tone is not adopted. Even Sathyu is cited, how reliably one cannot say, for having said when producing 'Garam Hawa' that it was better to avoid future trouble if it can easily be by such devices. But a similar effort is not made with, say, the Shahi Imam or Shahabuddin or even Rafiq Zakaria.

I must say, seeing 'Bombay' one felt no qualms about it at all. Until one remembered the foregoing. And then unfolds a larger and wider chain of thought. One would like to defend artistic freedom, creativity and admire talent and essentially laudable feats of creative endeavour all around. But there is a disturbing pattern which emerges from events like this of which our younger academics in their 40s or so are not always conscious. And they are understandably not. They have lived in a Hindu majority India, an independent India where they have not had communal riots as a daily fact not only of life but of political significance capable of determining the future in some very clear ways. Earlier, Jinnah was very much there and there was always the question of whether you will get a free and united India or not. The British were very much there, too, sitting as umpires ready to give their verdict, to adjudicate and divide. So one went on trying: *Hindu Muslim ek ho, Gandhi-Jinnah milen, Congress-League ek ho* or even *Congress League-Communist ek ho*. When the INA provided the occasion, it was Sehgal-Dhillon-Shahnawaz. We were called upon to *construct* and assert our national identity, to weld disparate looking communal (today's 'ethnic') entity(ies) into a national identity. We were always reminded that we needed to build not a Hindu but an *Indian* India which would be no mere 'geographical expression' as the British put it.

Midnight's children do not face this problem. But they also face – but do not always face up to – a deeper problem. Sudhir Chandra in his study of this question produces such a clear and erudite picture of it. These people have their India already made, or ready-made, for them. It is, Nehru notwithstanding, already a Hindu India into active but dangerous thing. One has known some of these innocent young (not so young now really) things to shift from strong anti-Mandalism during V P Singh's regime to *hallelujahs* to Mulayam's finesse when he won the UP elections last ("the exploited and the poor express their urges in caste terms" and "caste will break communalism as a political force", etc) and back again to reservations about the caste ideology of much of our politics. The problem is the lack of ballast in terms of either theory or experience which would provide stability to one's outlook. It is such an approach to India's society and culture which lauds Mani Ratnam's work and overlooks the dangerous but highly attractive cultural basis which he and others like him provide to the construction of an India which will look as 'secular' and 'modern', one suspects, as the US or the post-communist Czech or Yugoslav republics but which could be as Hindu – and oppressively so for non-Hindus, atheists and others – as you could think of.

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ECONOMIC AND POLITICAL WEEKLY

Narrow Vision

THE Reserve Bank of India's annual report for 1994-95 is a cautionary document, contrary to first impressions. While it applauds the improvement in the overall performance of the economy, it reflects serious concern at developments in many areas of economic management. The report's earnestness in discussing, within the structural adjustment framework of course, the successes and slippages of economic, fiscal and financial policies is to be commended. Having said this, it must be added that many aspects of the RBI's review of economic developments are less than satisfactory. First, contrary to the impression the report seeks to convey, the RBI cannot absolve itself of responsibility for some of the areas of concern, such as the persistent price rise, the continuing fiscal mess and the low rate of domestic saving. Second, the report's explicit perception that it is enough to judge the performance of the economy in terms of macro numbers of GDP, agricultural and industrial production, budget deficit, export-import performance, the current account deficit and so on is seriously questionable. These macro numbers very often hide grave socio-economic malaise, as indeed they do in the case of the Indian economy today. Conspicuous in this respect is the silence of the RBI's report on the performance on the employment front, the impact of current policies on distributional goals, the adverse developments in the sphere of social infrastructure so vital for improving labour productivity and competitive efficiency and the long-term implications of the present policies towards foreign direct investment and investment by foreign institutional investors in the capital market. Finally, reflecting its well known prejudices, the RBI has shown little vision or innovation in regard to the need for special credit programmes for the poor and neglected sections of society and has generally moved only when it has been pushed by the government. Further, in the implementation of special credit programmes the RBI has willingly gone along with the commercial banks in diluting the importance of advances to agriculture, small-scale industries and other priority sectors. It is impossible not to be struck by the contrast between the RBI's disinterest in these areas and its high-voltage initiatives in the money and foreign exchange markets.

The central bank is not, of course, solely responsible for bringing about desired structural changes in the economy. But it cannot also hope to be left in splendid isolation to pursue monetary and credit policies geared to the sole objective of achieving price stability to the neglect of the more fundamental issues – for instance, growth of employment and incomes or the regional and functional distribution of the gains of development. These issues have now come to the fore all the more because, in the absence of physical planning and given the proven inability of the market to cope with structural distortions, financial policies and the financial system they seek to promote have to shoulder the burden of achieving many of the larger goals of development. The RBI's failure to perceive this and to incorporate it in its financial sector policy framework must be blamed for many of the current distortions in the economy. Consistent with its new-found enthusiasm for central banking autonomy, one wishes the RBI would also show greater concern for social goals in charting the development of the financial system. When, for instance, will the RBI disabuse itself of the notion that starting private banks for high-street banking will usher in competitive efficiency in the economy, except at a completely superficial level. There is not a word in the RBI report (except concerning prudential supervision) on the performance of the new private banks *vis-a-vis* the goals and objectives set for them.

The report has the usual glossy data on the economy's performance in the past year: accelerated GDP growth of 5.5 per cent, backed by 5 per cent and 8.4 per cent rise in agricultural and industrial production respectively, an impressive 24 per cent expansion of capital goods output, export growth of 17.9 per cent coming on top of a 20 per cent growth in 1993-94 and an average annual export volume growth of 12.6 per cent in the first three years of the Eighth Plan, non-POL import growth of 27.4 per cent and relatively stable balance of payments underpinned by a strong current account position. The external sector's role in the economy has grown significantly, with the share of exports in GDP galloping from an average of 5 per cent in the 1980s to a little over 9 per cent in the past two years. The merchandise trade (including imports) to GDP ratio has shot up from about 13 per cent in the 1980s to 19.8 per cent in 1994-95. To quote the report, "underlying the evolving openness of the economy is the strength of current earnings which underscores the ability to withstand both current account shocks as well as volatility in the capital account." Against these positive elements, the persistence of strong inflationary pressures throughout the year with the wholesale price index rising year-on-year by 10.4 per cent in 1994-95 on top of a rise of 10.8 per cent in the previous year and the deterioration in the government's fiscal position as reflected in the higher levels of gross fiscal deficit (whether put at 6.2 per cent or 6.7 per cent of GDP) and revenue deficit (3.8 per cent) than the original budget estimates have been areas of concern. The RBI report also raises the question of the sustainability of the growth rate achieved in 1994-95 with a domestic saving rate of just around 20 per cent of GDP and calls for steps to raise the saving rate.

But while these macro concerns are valid, what about the quality of growth? With their focus overwhelmingly on

liberalisation, marketisation and globalisation, the so-called economic reforms are making for acute inequalities in the distribution of incomes and wealth and inadequate societal support for such basic social needs as education and health care, which have implications for the already miserable standard of living of the common people and also limits the growth of labour efficiency and the size of the domestic market. Growth in the circumstances is necessarily narrowly-based with a strong built-in inflationary bias. In this sense, the growth in the recent period is very similar to that of the 1980s. The persistent revenue and fiscal deficits, essentially for financing unproductive expenditures, have generated sizeable domestic demand. The demand for industrial goods has been further augmented by large reductions in taxation boosting the incomes and consumption of the upper classes. The domestic saving rate has been pushed down further and there has been a significant diversion of resources away from development expenditures which have been curtailed in real terms. As the data presented in the RBI report shows, while the aggregate expenditures of the central and state governments have fallen from 32 per cent of GDP in the late 1980s to 29 per cent in 1994-95, the compression in development expenditures has been much more severe, from 64-65 per cent of aggregate expenditure in the 1980s to 53 per cent in 1994-95. Apart from the government's domestic borrowings, foreign capital inflows with implications for immediate increases in the country's foreign liabilities, particularly FII inflows into the capital market, have been responsible for the sharp increase in liquidity in the economic system which have in the short run helped to step up industrial activity. This cannot be hidden away behind the facade of the current account deficit in the balance of payments having been negligible, unlike in the 1980s. While the RBI approves of the liquidity generated by foreign portfolio inflows, it is hard on the government for indulging in large domestic borrowing.

The RBI may find it difficult to admit this, but its two supposed policy successes, namely, the formal agreement with the government on the use of ad hoc treasury bills and the stability of the rupee-dollar exchange rate have been made possible entirely by the sizeable foreign portfolio inflows. The RBI applauds the sharp reduction of the average monetised deficit in 1994-95 as unique in that, for the first time in almost two decades, monetary expansion during the year was not attributable to the monetisation of the budget deficit. This, it believes, "was rendered possible by the fundamental reform announced in the Union Budget 1994-95 and the agreement reached between the government and the RBI to delink automatic monetisation from the budget deficit". But the fact is that as soon as the portfolio inflows from abroad dried up in the current year the 'landmark agreement' collapsed and the use of ad hoes has generally remained well above the Rs 9,000 crore ceiling. Some limits on the recourse to ad hoc treasury bills are of course necessary for monetary stability, but the financing of government borrowing, albeit indirectly, through foreign portfolio inflows is hardly the way to achieve this. While the RBI recognises the importance of enlarging domestic saving, its own credit policies, as much as the government's economic and fiscal policies, have tended to stimulate lavish consumption among the middle and upper classes, and that once again on the strength of the liquidity gained by the banking system from the foreign portfolio inflows.

The RBI's policy stance on government borrowing is in fact rendering more intractable the stabilising of the fiscal positions of the central and state governments. The RBI has favoured a monetarist policy involving the elimination of the monetised deficit and, more significantly, the payment of so-called market related rates of interest on government borrowing. The nonchalant manner in which the RBI views the sharp increase in interest rates even up to 14 per cent on 10-year government bonds and the consequent rise in the government's interest burden enlarging the revenue deficit and the gross fiscal deficit reflects its narrow view of monetary-fiscal policy linkages. But for the agreement on ad hoc treasury bills interest rates on government securities would not have soared to the absurdly high levels they have in the current year. Again, discussing the root causes of the disequilibrium in the finances of the state governments, the RBI ignores its own role in their predicament by making them pay 14 per cent on their loans. Instead it pontificates: "In the milieu of a progressive increase in the coupon rates on state government securities and the prospects of moving to a full-fledged market determined system in the future, the pressure on state finances on account of interest payments is likely to accentuate. Phasing out of revenue deficits is, therefore, central to the reform process in state finances." Similar distortions have also been created by excessively shortening the government's debt profile which, combined with the large interest burden, has resulted in quicker repayment obligations, humps in repayments and enormous gross market borrowings. In spite of this being a problem created by its own policies, the RBI philosophises: "With steep humps in the projected repayment schedule, however, the government is likely to be compelled to go in for larger amounts of gross borrowings. This poses the danger of vicious cycle of higher market borrowings at a relatively higher cost, chasing higher repayments". The RBI's biases against broader developmental goals are exposed most clearly when it calls for the creation on a priority basis of amortisation funds, especially a consolidated sinking fund, even when there are no revenue surpluses, so that the burden of repayment in the future can be minimised. What is not realised is that the present generation is already making significant sacrifices having forgone expenditures on social services and infrastructures. To think of resources being generated for sinking funds for future repayment of government borrowings reflects a callous lack of concern for the imperatives of social and economic development.

It is similarly necessary to join issue with the RBI on its credit and monetary policies and its measures to build up the banking system and other financial institutions. The report provides no evidence of the success of monetarist policies; if anything, its contention that "it is misleading to think that there is a trade-off between growth and inflation" stands disproven by recent developments. Monetary impulses sent through indirect instruments such as interest rates and open market operations have not only failed to regulate the overall size of credit expansion, but have also contributed to its maldistribution. Non-food credit expansion in 1994-95 touched Rs 45,776 crore (30 per cent) or, if banks' investments in PSU bonds, corporate shares and debentures and commercial paper are also included, Rs 52,000 crore. While the RBI's contention that the rate of growth in credit in 1994-95 was "far in excess of the rate of growth in production" is debatable, there can be no doubt that its distribution was markedly skewed – something to which the RBI report makes no reference at all. Of the incremental non-food gross bank credit of Rs 39,378 crore (for a sample of banks covering 90-95 per cent of total scheduled bank credit), only 26.1 per cent went to the priority sectors in 1994-95, though there is a target of an average of 40 per cent for the banks in this regard and though these sectors contribute nearly 60 per cent of GDP originating in the commodity-producing sectors. In incremental bank credit the share of agriculture has turned out to be the smallest at 7 per cent followed by small-scale industries with 12.7 per cent. The RBI's focus on monetary targeting has thus led to credit distribution going haywire.

In the context of the vast diversification taking place in the financial markets, there is a strong case for the RBI reconsidering its present exclusive focus on M_3 and shifting it to credit aggregates — both the total flows and their distribution by sectors. Such aggregates have their direct impact on the ultimate target variables of monetary policy, namely, prices, output and employment, which matter the most. There is, however, no evidence of any awareness of the need for such rethinking in the RBI; it continues to function in terms of a one-to-one relationship between M_3 and the rate of inflation. For 1994-95 it had set an M_3 target of 15 per cent and an inflation target of 6 per cent. M_3 growth turned out to be 19 per cent and the inflation rate 10.9 per cent. These are elusive numbers and relationships and it will be in the interest of the credibility of the RBI's policies if it shifts its focus to credit

aggregate. It will then have more latitude to extend direct refinance and rediscount facilities to sectors that deserve such assistance. Today the RBI has become very tight-fisted on assistance to promotional agencies like SIDBI (additional credit of Rs 200 crore in 1994-95) and NABARD (Rs 960 crore), while it pumps enormous amounts of funds into the money market or, more significantly, into the coffers of the central government for financing its revenue deficit. When agriculture and the other priority sectors are starved of bank credit, the right signal for the RBI to send would be to provide sector-specific refinance and rediscount facilities to banks and the other promotional agencies.

TAMIL NADU

VVIPs Are VVIPs

THE chief minister of Tamil Nadu finally got away with it – 'the marriage of the century' – in spite of widespread protests from lawyers, citizens' forums and others against the gigantic waste of money on, and use of official machinery for, her foster-son's marriage ceremony.

For all their talk against ostentatious display of wealth and pledges to alleviate poverty, politicians of almost all the parties lapped up Jayalalitha's invitation. The VIPs who graced the occasion ranged from Congress stalwarts like the union minister for welfare, Sitaram Kesri, to the self-proclaimed champion of the poor, Laloo Prasad Yadav of Bihar. By participating in the vulgar show, all of them legitimised the shameless habit of flaunting wealth that marks the living style of the Indian *nouveau riche*, and their utter contempt for the sentiments of the poor majority.

What was however intriguing was the response of the judiciary. The All-India Lawyers' Union filed a writ petition before the Madras High Court three days before the marriage was to take place. It made a number of allegations – misuse of official machinery, illegal tapping of power supply, felling of trees to lay additional roads, encroachment on public roads by the setting up of arches, cut-outs and fixtures, among other things. The petition prayed that the court restrain the chief minister and the various authorities like the Madras Corporation from interfering with the free access of the public to amenities and utilities like power, pavements, etc, and from misuse of official machinery.

On September 4, in response to the petition, a Madras High Court judge passed an interim order restraining the state government from disrupting normal supply of water and electricity to the citizens. The next day, he directed the state's advocate-general to produce the files relating to permission sought for power supply and the source of lights on the arches and cut-outs. So far so good.

But on September 6 – the day of the marriage – the judge announced his decision to defer by a day his judgment on the petition. The reason was "pressure of work". The marriage ceremony took place with all the pomp – the arches and cut-outs standing to obstruct the roads and the lights blazing. The following day, after the wedding was over, the judge directed the Madras Corporation to remove all the arches and cut-outs, as "they had been erected without permission". One wonders why the judge had to wait for the end of the wedding to come out with his order for removal of the obstructions, after the damage had been done and the arches and cut-outs had served their purpose.

Stranger still are some of the comments made in the judgment. While the judge reprimanded the officials for being "mere spectators" to illegal acts of digging of roads and erection of arches, he took care to exonerate the chief minister. First stating that there was no evidence of her being directly responsible for these acts, the judge went a step further adding that even if she was, there was nothing wrong, since after all, VVIPs were VVIPs, and they could not be equated with ordinary citizens! If a high court judge can express such sentiments of helplessness that virtually lends legitimacy to the inconvenience caused to the public by the acts of so-called VVIPs, can one blame the ordinary citizens for losing confidence in the courts?

It is ironic that just a couple of days before these extraordinary words were uttered by the honourable judge of the Madras High Court, the Supreme Court delivered a judgment (on September 5) which, while recommending other things, set the standards to be maintained by judges – "The judges of higher echelons... should not be mere men [with feet] of clay with all the frailties and foibles... which may be found in those in other walks of life. In short, the behaviour of the judge is the bastion for the people to reap the fruits of the democracy, liberty and justice..." The Madras High Court judge may well have a second look at his decision to exonerate Jayalalitha in the light of the apex court's expectations from the judges of higher echelons.

INTEREST RATES

Case for Regulation

THE economic policies of the authorities in Germany and Japan on the one hand and in the US on the other speak volumes for their brazen pursuit of national self-interest. While there is so much talk of multilateralism, their policies are apparently guided solely by domestic considerations. Similarly, while free market principles are said to be in command, in reality powerful signals are conveyed to the markets to keep within prescribed economic and monetary bands.

There is a notion that central banks in the developed countries encourage free money market rates of interest to prevail. In fact, powerful instruments are employed to regulate interest rates. In the US, for instance, the federal funds rate, which member banks charge one another for overnight accommodation (corresponding to our call rate), is very firmly targeted and influenced by the Federal Reserve system. The discount rate, the other influential interest rate, is the rate which the Fed charges banks for loans from its discount window. Such effective presence of the central bank in the money market makes it possible for the entire interest rate structure to be modulated within limits. Real and nominal interest rates are not allowed to run wild as has been happening in our country.

After raising the federal funds targeted rate from 5.50 to 5.75 per cent in April and the discount rate from 5 to 5.25 per cent, the Fed has refused to alter these rates, though the economy has stumbled in the second quarter. The Fed has used the interest rates to send signals not only on the pace of domestic economic activity but also on exchange rate behaviour and its possible influence on the external sector. While the August 22 meeting of the Fed's policy committee chose to do nothing on the interest rates front on the ground that in view of a string of strong economic indicators there was little need for the Fed to stimulate the economy, it nevertheless authorised Fed chairman Alan Greenspan to reduce interest rates at his discretion in the third quarter for precisely that purpose.

The disclosure of the decision authorising the Fed chairman to reduce interest rates coincided with the Bundesbank's move to reduce short-term interest rates on August 24. The German decision was a sequel to the series of moves by the Fed which resulted in the strengthening of the dollar against the deutschmark and the yen. The German central bank, seeking to depreciate the mark and improve the German economy's performance, cut the discount rate from 4 to 3.5 per cent and the Lombard rate from 6 to 5.5 per cent. The discount rate is the lowest rate at which banks can borrow from the central bank to meet their short-term liquidity needs, while the Lombard rate is applied to loans that banks seek in emergencies, when they need additional funds. While the punitive Lombard rate serves as a ceiling rate on short-term rates, the discount rate serves as a floor.

It is significant that a band of minimum and maximum short-term interest rates is thus prescribed as a policy instrument in both the US and Germany, though the routes and instruments are different. What is important is the acceptance of the basic principle that in the interest of healthy economic growth a degree of regulation of the interest rate structure is a necessity. Otherwise short-term rates, as also long-term rates, can go haywire as has been happening in our country, with the call money rate zooming to 60-80 per cent at times and creating much uncertainty for the real economy. True, industrial economies can make do with regulation of a few short-term rates and the rest of the structure veers

round them because of the competitive conditions prevailing in their financial systems. In developing countries with dualistic financial systems, as in India, control of a wider range of interest rates is necessary for stability and growth. In any case, there is a strong case for ensuring that short-term rates, such as the call rate, are not allowed to fluctuate beyond a specified band.

NEPAL

Opportunistic Alliance

THE nine-month old government of Manmohan Adhikari had to finally step down for failing to outdo its rivals in the game of parliamentary arithmetic. The Nepali Congress(NC) and the Rashtriya Prajatantra Party(RPP), who represent divergent sectional interests, joined hands to pull down the government of the Communist Party of Nepal(CPN).

The minority government of Manmohan Adhikari came to power last November when no party succeeded in securing a majority in the Nepali Pratinidhi Sabha and the attempt to form a coalition government failed. Once in power, the communist government injected vitality into the administration which had become dysfunctional because of the internal bickerings within the NC under G P Koirala's prime ministership. The CPN government raised the allocation of development funds to the village committees to Rs 5 lakh and allotted Rs 2 million each to the 205 parliamentary constituencies, besides giving Rs 2.5 lakh to each MP. It granted women equal inheritance rights, abolished bonded labour, undertook land reform measures and gave land grants to two million landless. It reinstated government employees who had been suspended or terminated during the Koirala regime. It appointed a citizenship commission to look into the demands of the inhabitants of the Terai region who for several decades have been denied citizenship rights.

Thus, slowly but surely, the CPN government started to pose a threat to the support base of the opposition parties. Moreover, the government ordered a probe into the Royal Nepal Airlines scandal which occurred during G P Koirala's rule. This caused alarm in the central working committee of the NC. The warring factions of G P Koirala and K P Bhattarai agreed to patch up. The NC decided to withdraw support to the communists in June and placed before king Birendra the proposal to move a no-confidence motion against the government. A similar situation had arisen a year ago when G P Koirala had to face a no-trust motion against his government and had to resign. Only then there was no opposition party or coalition to stake a claim to forming a government. This time the Supreme Court conceded the demand of the opposition parties to form a coalition government, rejecting the ruling party's demand that the house be dissolved and mid-term polls held.

The NC and the RPP have agreed to share power in the new government, though the two parties differ sharply in their ideological orientations. The NC was in the forefront of the pro-democracy movement which was directed against the feudal elements that have now gathered under the banner of the RPP. Clearly the coalition of the NC and the RPP can only hope to keep the communists at bay till the next elections and cannot be expected to pursue a coherent set of policies.

JAPAN'S APOLOGY

What about the Others?

"DURING a certain period of time in the not too distant past, Japan followed a mistaken national policy of colonialism and aggression that caused tremendous damage and suffering to the people of many countries... I express my heartfelt apology and undertake to eradicate self-righteous nationalism in my country." Thus spoke Tomeichi Murayama, Japan's prime minister, on the 50th anniversary of Japan's surrender after the second world war.

Several countries consider this an adequate, though belated, apology by Japan for not only its aggression but also its massacres of civilians in the course of its colonial expansion. Other countries, like China and South Korea, which bore the brunt of the Japanese atrocities still feel that Murayama's apology is not adequate. It is well known that the main party in the coalition which Murayama leads is not quite reconciled to making an apology for Japan's colonialist and wartime aggression. Perhaps, in good time, even the LDP will have the good sense to offer apologies to its Asian neighbours.

The matter of Japan's apology, however, raises a larger question that historians are bound to ask – a question that concerns not just Japan's wartime and colonial record, but the record of other countries as well, some victorious and others vanquished in war. Those defeated in wars can be have made contrition as part of the terms of surrender they agree to. Whether that amounts to an apology, and that too from the heart, is a question one can keep debating. But are atrocities and excesses in war committed only by the side that is vanquished? To ask and secure from the vanquished an apology for its barbaric actions is not a big thing. What about the barbaric acts of the victorious? Is there to be no regret or apology for their excesses ever?

Murayama's apology is totally unqualified. He accepts the guilt of his nation and offers a 'heartfelt apology'. But why is no one acknowledging that Japan itself was the victim of possibly the most inhuman atrocity of this century when Hiroshima and Nagasaki were subjected to the nuclear holocaust? Is an atrocity not an atrocity whether it is committed by the victor or the vanquished?

But why confine oneself only to wartimes? Murayama was apologising for not just the wartime excesses of Japan. He was apologising also for his country's excesses during its colonialist rule going back to more than half a century. How many other colonial imperialist countries have offered apologies for their misdeeds? We in India remember every year the massacre of Jallianwala Bagh when thousands of unarmed civilians, including women and children, were done to death. Has a British prime minister ever offered an apology for his country's atrocities in its erstwhile colonies? Why apology, not even a word of regret has been offered so far.

Mass atrocities are still being committed in one or another part of the world. Nuclear arsenals are still held by several countries. So the threat of potential holocausts continues to hang over the world. Whether or not the perpetrators of inhuman excesses apologise retrospectively or not, more important is it to make the world secure against excesses, wartime or colonialist, in the future.

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Over the past month, there has been a sudden easing of liquidity which is reflected in a sizeable expansion in bank deposits accompanied by rise in non-food advances and investments. The increase in net RBI credit to the centre in the fiscal year, though much lower than the levels touched in previous weeks, was still high at Rs 14,256 crore on August 18 (against a decline of Rs 3,760 crore in the same period of 1994-95). Exports rose by 30 per cent and imports by 39.4 per cent during April-July 1995, further widening the trade deficit. Capital goods, non-electrical machinery in particular, and chemicals and related products contributed to the import growth. Cotton yarn and fabrics helped to accelerate export growth.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Aug 26, 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
				Latest	Previous	1995-96	1994-95				
All Commodities	100.0	295.7	0.9	8.6	9.6	3.7	5.5	10.4	10.8	7.0	13.6
Primary Articles	32.3	305.9	1.8	9.1	10.3	4.8	8.2	12 7	11.5	3.0	15.3
Food Articles	17.4	338.1	2.4	7.7	7.8	7.7	12.0	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	323.5	0.9	11.9	17.1	0.0	3.1	15.5	24.9	-1.4	8 1
Fuel, Power, Light and Lubricants	10 7	284.3	0.0	1.6	10.0	-0.1	0.6	2.4	13.1	15.2	13.2
Manufactured Products	57 0	292 1	0.5	9.6	9.0	3.8	4.8	10.7	9.9	7.9	12.6
Food Products	10.1	280.9	0.7	2.7	7.3	3.1	8.4	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	317.1	1.8	6.0	7.6	6.2	10.8	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Aug 26, 1995)	100.0	291.9	–	9.8	10.1	9.0	11.5	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
			Latest	Previous	1995-96	1994-95				
Industrial Workers (1982=100)	313[7]	2.3	11.4	11.1	6.8	5.2	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	244[1]	0.4	9 9	8.3	9.9	8.3	9.9	8.3	6.8	13 6
Agri Lab (July 60 to June 61=100)	1337[6]	1 6	12.4	12.5	2 8	1.2	10.6	11 6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	Aug 18, 1995	Variation					
		Over Month	Fiscal Year So Far		1994-95	1993-94	1992-93
			1995-96	1994-95			
Money Supply (M_3)	543894	4793 (0.9)	13092 (2.5)	11748 (2.6)	78617 (17.4)	73307 (19.3)	50916 (15.5)
Currency with Public	108439	-153 (-0.1)	7650 (7.6)	6346 (7.7)	18806 (22.9)	14170 (20.9)	7111 (11.7)
Deposits with Banks	428030	5036 (1.2)	1397 (0.3)	4633 (1.3)	58956 (16.0)	57925 (18.7)	43377 (16.3)
Net Bank Credit to Govt	239588	-4063 (-1.7)	17172 (7.7)	7624 (3.7)	16325 (7.9)	28315 (15.9)	18657 (11.7)
Bank Credit to Comml Sector	291334	33 (0.0)	1679 (0.6)	-3946 (-1.6)	44991 (18.4)	17147 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	73375	6 (0.0)	-2529 (-3.3)	11709 (22 2)	23298 (44.3)	27674 (110.9)	3726 (17 6)
Reserve Money	177059	-708 (-0 4)	7780 (4.6)	12319 (8.9)	30607 (22.1)	27893 (25 2)	11274 (11 3)
Net RBI Credit to Centre	113169	-6819 (-5.7)	14256 (14.4)	-3760 (-3.9)	2130 (2.2)	260 (0.3)	4257 (4 6)
Scheduled Commercial Banks							
Deposits	385133	4973 (1.3)	-1726 (-0.4)	5445 (1.7)	56947 (17 3)	48827 (17.4)	39017 (16 1)
Advances	211940	147 (0.1)	380 (0 2)	-4228 (-2.5)	40422 (23.6)	11782 (7 4)	23757 (17 5)
Non-Food Advances	197664	1152 (0.6)	-1621 (-0 8)	-6470 (-4.0)	37581 (23.2)	9091 (6.0)	21684 (16.6)
Investments	154699	2597 (1.7)	5446 (3.6)	11917 (8.8)	14171 (10.5)	28435 (26.7)	16820 (18.7)

For comparability, all monetary and banking data presented here are based on March 31 figures after closure of government accounts

Index Numbers of Industrial Production (1980-81=100)	Weights	Mar 1995	Average for Full Fiscal Years							
			1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100 0	301.6	250.6(8 4)	231.1(5 6)	218.9(2.3)	213 9(0.6)	212.6(8 2)	196.4(8 6)	180 9(8.7)	166.4(7 3)
Mining and Quarrying	11 5	321.9	245.8(6.3)	231.2(3.4)	223.7(0.6)	222.5(4 5)	221 2(6.3)	211 6(7 9)	199 1(3.7)	184 6(6.2)
Manufacturing	77 1	291.9	241 8(8 8)	222.3(5.5)	210.7(2.2)	206 2(-0.8)	207 8(8.9)	190.7(8.6)	175.6(8.7)	161.5(7.9)
Electricity	11.4	346.8	314 6(8.5)	290.0(7.4)	269.9(5.0)	257.0(8.5)	236.8(7.8)	219.7(10.9)	198.2(9 5)	181(7.6)

Capital Market	Sept 08, 1995	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3366	3423	4551	3015	3557	3233	4604	3261	3779	2281
	(-26.0)		(76.4)					(-13.7)	(65.7)	(-46.8)
National Index (1983-84=100)	1540	1576	2150	1482	1691	1572	2176	1606	1830	1021
	(-28.4)		(75.2)					(-12.2)	(79.2)	(-48.1)

Foreign Trade	July 1995	Cumulative for Fiscal Year So Far		Full Fiscal Year Variations				
		1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	7706	30537 (30.0)	23490 (8 3)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17 6)
US $ mn	2454	9724 (29.9)	7488 (8.3)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	9472	35329 (39.4)	25353 (10.0)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US $ mn	3019	11250 (39.2)	8082 (9.9)	28251 (21.7)	23212 (6.8)	21882 (12 7)	19411 (-19.4)	24073 (13.2)
Non-POL US $ mn	2722	9130 (44.1)	6339 (19.6)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3 1)
Balance of Trade: Rs crore	-3023	-4792	-1873	-6375	-3259	-9687	-3809	-10640
US $ mn	-702	-1526	-594	-2018	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Sept 01, 1995	Sept 02, 1994	Mar 31, 1995	Variation Over						
				Month Ago	Year Ago	Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
						1995-96	1994-95				
Rs crore	60713	55376	66028	-1426	5337	-5315	7750	18402	27430	5385	10223
US $ mn	19063	17685	20816	-592	1378	-1753	2509	5640	8724	731	3383

Foreign Trade

Commodity Composition of Imports and Exports	April-June 1995-96 Rs Cr	April-June 1995-96 US $ mn	April-June 1994-95 Rs Cr	April-June 1994-95 US $ mn	Full Fiscal Year 1994-95 Rs Cr	Full Fiscal Year 1994-95 US $ mn	Full Fiscal Year 1993-94 Rs Cr	Full Fiscal Year 1993-94 US $ mn	Full Fiscal Year 1992-93 Rs Cr	Full Fiscal Year 1992-93 US $ mn
Imports										
Food and live animals chiefly for food	301(1 2)	96	873(4.8)	278	3986(4 5)	1269	1651(2.3)	526	1911(3.0)	660
Pulses	138(0 5)	44	141(0.8)	45	574(0.6)	183	567(0.8)	181	334(0.5)	115
Cashewnuts	52(0.2)	17	210(1.2)	67	685(0.8)	218	483(0.7)	154	376(0.6)	130
Sugar	3(neg)	1	443(2.4)	141	2246(2.5)	715	neg	neg	neg	neg
Crude materials, inedible oils except fuels	1953(7.8)	622	1378(7.6)	439	6483(7 3)	2065	4273(5.8)	1362	4777(7.5)	1649
Fertiliser crude	84(0 3)	27	84(0.5)	27	471(0.5)	150	388(0.5)	124	459(0.7)	158
Metalifers ores and metal scrap	531(2 1)	169	505(2.8)	161	2127(2 4)	677	1411(1.9)	450	1922(3.0)	664
Mineral fuels, lubricants and related materials	5782(23.0)	1841	4623(25.4)	1474	20837(23.5)	6636	19508(26.7)	6219	18525(29.2)	6396
Petroleum, crude and products	5209(20.8)	1659	4127(22.7)	1316	18629(21 0)	5933	18045(24.7)	5753	17142(27 0)	5919
Animal and vegetable oils, fats and waxes	277(1.1)	88	55(0.3)	18	612(0 7)	195	168(0.2)	54	168(0.3)	58
Chemicals and related products	3891(15 9)	1268	2385(13.1)	760	13077(14.7)	4165	9317(12 7)	2970	8913(14.1)	3077
Organic chemicals	1320(5.3)	420	739(4.1)	236	4449(5.0)	1417	2783(3.8)	887	1871(3.0)	646
Fertiliser manufactured	860(3.4)	274	276(1.5)	88	2351(2.7)	749	1983(2.7)	632	2023(3.2)	698
Manufactured goods classified chiefly by materials	4769(19 0)	1519	3651(20.1)	1164	14622(16.5)	4657	14619(20.0)	4661	12455(19.7)	4300
Pearls, precious/semi-precious stones	1495(6.0)	476	1470(8.1)	469	5019(5.7)	1598	8294(11.3)	2644	7072(11 2)	2442
Iron and steel	980(3.9)	312	670(3 7)	214	3559(4.0)	1133	2347(3.2)	748	2060(3 3)	711
Non-ferrous metals	703(2.8)	224	403(2.2)	128	2689(3 0)	856	1504(2.1)	480	1144(1 8)	395
Capital goods	5660(22.5)	1803	3837(21.1)	1223	19611(22 1)	6246	16630(22.7)	5301	13123(20.7)	4531
Machinery except electrical and electronic	2607(10.4)	830	1711(9.4)	545	8549(9 6)	2723	5902(8.1)	1882	4786(7.6)	1653
Transport equipment	744(3.0)	237	535(2.9)	171	3467(3.9)	1104	3981(5 4)	1269	1338(2.1)	462
Project goods	1595(6.4)	508	1213(6.7)	387	5583(6.3)	1778	5062(6.9)	1614	3701(5.8)	1278
Others	2379(9.5)	758	1391(7.6)	443	9476(10.7)	3018	6934(9.5)	2211	3503(5.5)	1209
Total	25103(100.0)	7995	18192(100.0)	5799	88705(100 0)	28251	73101(100.0)	23306	63375(100 0)	21882
Exports										
Food and live animals chiefly for food	3085(13 7)	982	2598(14.8)	828	11945(14.5)	3804	10851(15.6)	3459	8084(15.1)	2791
Cashew nut	278(1 2)	89	296(1.7)	94	1242(1 5)	395	1045(1.5)	333	745(1.4)	257
Oil meals	419(1.9)	133	430(2.4)	137	1795(2.2)	572	2324(3.3)	741	1545(2.9)	533
Marine products	630(2 8)	201	721(4 1)	230	3522(4.3)	1122	2552(3.7)	814	1743(3.2)	602
Beverages, tobacco and tobacco manufactures	22(0 1)	7	26(0.1)	8	120(0.2)	38	139(0.2)	44	160(0.3)	55
Crude materials, inedible oils except fuels	1517(6.7)	483	1184(6.7)	377	4894(5.9)	1559	4901(7.0)	1563	2798(5.2)	966
Iron ore	533(2 4)	170	414(2.4)	132	1309(1.6)	417	1374(2.0)	438	1104(2.1)	381
Mineral fuels, lubricants and related materials	358(1 6)	114	321(1.8)	102	1304(1.6)	415	1248(1.8)	398	1379(2.6)	476
Petroleum crude and products	358(1.6)	114	321(1.8)	102	1304(1.6)	415	1248(1.8)	398	1379(2.6)	476
Animal and vegetable oils, waxes and fats	179(0.8)	57	115(0.7)	37	476(0.6)	152	357(0.5)	114	162(0.3)	56
Chemicals and chemical products	2338(10.4)	745	1785(10.1)	569	7941(9.6)	2529	6000(8.6)	1913	4198(7.8)	1449
Drugs, pharmaceuticals and fine chemicals	726(3.2)	231	544(3.1)	173	2494(3.0)	794	2010(2.9)	641	1533(2.9)	529
Dyes/intermediates/coal tar chemicals	365(1.6)	116	340(1.9)	108	1486(1.8)	473	1151(1.7)	367	958(1.8)	331
Plastic and linoleum products	458(2.0)	146	370(2.1)	118	1472(1.8)	469	1053(1.5)	336	433(0.8)	150
Manufactured goods classified chiefly by materials	12171(54.1)	3876	9596(54.5)	3059	45807(55.6)	14589	38223(54.8)	12186	30752(57.3)	10618
Leather manufactures	519(2.3)	165	412(2.3)	131	2112(2.6)	673	1793(2.6)	572	2512(4.7)	867
Leather footwear	460(2.0)	146	356(2.0)	113	1575(1.9)	502	1436(2.1)	458	1188(2.2)	410
Gems and jewellery	3420(15 2)	1089	3067(17.4)	978	14134(17.2)	4501	12532(18.0)	3995	8897(16.6)	3072
Cotton yarn/fabrics, madeups, etc	1898(8.4)	604	1530(8.7)	488	6951(8.4)	2214	4821(6.9)	1537	3911(7.3)	1350
Manmade yarn, fabrics, madeups, etc	652(2.9)	208	395(2 2)	126	1936(2 4)	617	1335(1.9)	426	1079(2.0)	373
RMG cotton and accessories	2089(9.3)	665	1487(8.4)	474	7827(9.5)	2493	6173(8.9)	1968	5156(9.6)	1780
Capital goods	2007(8.9)	639	1494(8.5)	476	7328(8.9)	2334	6166(8.8)	1966	4964(9.2)	1714
Metal manufactures	604(2.7)	192	480(2.7)	153	2353(2.9)	749	2080(3.0)	663	1622(3.0)	560
Machinery and instruments	609(2.7)	194	487(2.8)	155	2282(2.8)	727	2004(2.9)	639	1589(2.9)	542
Transport equipment	696(3.1)	222	465(2 6)	148	2406(2.9)	766	1857(2.7)	592	1546(2.9)	534
Others	837(3.7)	267	486(2 8)	155	2525(3.1)	804	1866(2.7)	595	1192(2.2)	412
Electronic goods	428(1.9)	136	261(1 5)	83	1273(1.5)	405	952(1.4)	303	615(1 1)	212
Total	22514(100.0)	7170	17604(100.0)	5612	82338(100.0)	26233	69749(100.0)	22237	53688(100.0)	18537
(Figures in brackets are percentages to total)										

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript * stands for September. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. – means not available.

ASHOK LEYLAND

Expanding Range

ASHOK LEYLAND (ALL), a Hinduja group company, closed its financial year ended March 1995 with a turnover of Rs 1,334 crore, up by 26 per cent over Rs 1,059 crore recorded in the previous year. Net profit has been more than doubled from Rs 35 crore to Rs 71 crore. A dividend of 35 per cent has been recommended against 27 per cent in the previous year. For the third year in succession a zero tax provision was made by the company.

On the export front the company sold 1,739 vehicles for Rs 131.8 crore. Exports came down by 6 per cent, the reason being a decline in exports to Iran. Imports on the other hand grew by a whopping 374 per cent. ALL is targeting a Rs 200 crore export turnover for this fiscal year

The company has four plants in Ennore, Hosur, Alwar, and Bhandara The Leyland series of vehicles, Viking and Comet, along with Leyland engines are manufactured in the Ennore facility. The company plans to modernise the Ennore facility. Hosur has two plants. Hosur I produces Hino and Iveco engines and heavy duty multi-axle vehicles like Tusker and Taurus The second plant manufactures the Cargo series of Iveco vehicles The Bhandara unit makes transmission systems like gear boxes and has an assembly line for Leyland vehicles The Alwar unit has a small assembly line for Leyland vehicles.

ALL introduced the Cargo range of intermediate commercial vehicles (ICV) modelled on Iveco's Eurocargo, made with Iveco technology, in October 1994, and in the six-month period ending March 1995 sold 1,000 vehicles. The cargo vehicles have a capacity of 4 to 7.50 tonnes, which is more than that of a light commercial vehicle. The company's strategy has been to slot a vehicle in every segment. While its traditional strengths have been in medium commercial vehicles of 16 to 20 tonnes capacity and in heavy duty vehicles of 25 tonnes and above range, it decided that the product range lacked a vehicle in the lower capacity segment, leading to the birth of the Cargo. The company has received orders for the vehicles from countries such as Kenya, Vietnam and South Africa.

The company at present has a 29 per cent share of the market against the 71 per cent of Telco. Telco is a strong competitor in the northern markets where ALL does not have much of a presence. To strengthen its position in the northern markets it is necessary for the company to enhance its dealer and service networks

Total sales of the company were 30,410 in 1994-95, an increase of 26 per cent over the previous years. Sales of industrial and marine engines were 5,258 units, less by 400 over the previous year. ALL's Leyland engines find uses in industrial (gensets) and marine applications. In the marine engine segment there is not much competition to Leyland engines. The company has been exporting engines mainly to Iran. The company is slowly phasing out the Leyland engines for vehicles, replacing them with Hino and Iveco engines. Sale of parts at Rs 159.6 crore registered an increase of 13 per cent over the previous year.

The company has planned investments of about Rs 1,600 crore for upgrading and increasing capacity in phases that would see it increasing its market share to 40 per cent in the next five years. The first phase was complete with the commissioning of the second plant at Hosur for which the company spent about Rs 1,000 crore. An investment of about Rs 500 crore has been planned for the second phase over the next five years. The money for these expansions will come from internal accruals apart from the proceeds of the Euro issue that the company made in March 1995. 10.77 million GDRs were issued by the company at $ 12.79 per GDR, each to be converted into three equity shares The issue fetched Rs 436 crore.

ALL has promoted Ashok Leyland Finance (ALF) primarily to provide hire purchase finance to transport operators for buying commercial vehicles It is also involved in equipment leasing The company is scouting for partners to set up a joint venture in Sri Lanka. ALF's associate company Ashok Leyland Investment Services (ALISL) looks after the investment and merchant banking activities

Ashok Leyland is considering a tie up with Renault of France for a car project, amidst speculations that the company would partner Fiat. The tie up of Fiat with Premier Automobiles for the Uno model led the company to consider Renault of France. The joint venture would be for the manufacture of passenger cars. Preliminary discussions also held with Renault in the areas of auto components and multi fuel engines.

MOTOR INDUSTRIES

New Products

Motor Industries Company (MICO) is India's leading manufacturer of fuel injection equipment, spark plugs and electric power tools for the automotive industry for over four decades. The company also trades in an assortment of auto components. It also manufactures most of the components required for fuel injection pumps such as elements, delivery valves and nozzles.

A satisfactory performance by the company in 1994 was aided by the upswing in the automobile industry. The company registered a sales turnover of Rs 646 crore for the year ended December 1994, up by 15 per cent from Rs 563 in the previous year. The company recorded a net profit of Rs 37 crore, up by 50 per cent from Rs 25 crore in the previous year. Net profit would have been higher were it not for an increased tax provision which rose by 65 per cent from Rs 29 crore to Rs 47 crore. A dividend of 20 per cent has been recommended by the directors as against 8 per cent in the previous year

Performance on the export front was satisfactory. Exports registered a growth of 26 per cent. A corresponding rise was seen in imports of raw materials, components and spare parts and capital goods which moved up by 59 per cent. There was a net foreign exchange outflow of Rs 12 crore.

The company plans to enter the domestic market with a new range of hi-tech automobile products, petrol injection devices and anytime skid braking equipment. According to MICO chairman, Hermann Eisele, "the petrol injection devices will not only increase fuel efficiency but it would also bring down the emission level". Discussions are on with present and future car manufacturers to introduce these ancillaries in their vehicles. Though the company has set itself an export target of 15 per cent for the current year, it would be touching only 12 per cent, the reason being the higher demand for the products in the domestic markets.

The company is in the process of establishing a manufacturing centre at Baroda for producing components for fuel injection pumps at an estimated cost of Rs 100 crore. MICO's German collaborator, Bosch, which holds 51 per cent of the company's equity, manufactures a wide range of products and thus technology for several products was available with the company.

KESORAM INDUSTRIES

Out of the Red

Kesoram Industries, a B K Birla group company with diversified interests, has made a remarkable turnaround by coming out of the red and posting a net profit of Rs 21 crore for the year ended March 1995, after sustaining a loss of Rs 6 crore in the previous year. Net sales were up from Rs 613 crore to Rs 622 crore. Gross profit stood at Rs 55 crore, up from Rs 27 crore in the previous year. A dividend of 15 per cent has been recommended by the directors against 10 per cent given last year

The performance of the textile section was not very satisfactory as a result of a combination of a variety of factors There was an unprecedented rise in cotton prices which the company was not fully able to pass on to consumers. The result was that the

(Rs lakh)

Financial Indicators	Ashok Leyland		Motor Industries		Kesoram Industries	
	March 1995	March 1994	Dec 1994	Dec 1993	March 1995	March 1994
Income/appropriations						
1 Net sales	133416	105896	64557	56325	62173	61318
2 Value of production	134204	104305	65044	56299	57781	62625
3 Other Income	2158	4674	1979	1620	742	1458
4 Total income	136362	108979	67023	57919	58523	64083
5 Raw materials/Stores and spares consumed	93222	69933	24038	18671	26294	28618
6 Other manufacturing expenses	8760	7419	4229	3777	9427	9385
7 Remuneration to employees	11324	9345	13219	12113	5281	4883
8 Other expenses	10093	9082	8900	10359	7099	12683
9 *Operating profit*	12963	13200	16637	12999	10422	8514
10 Interest	2521	6415	911	1204	6802	7701
11 *Gross profit*	10977	6815	15954	11927	5496	2730
12 Depreciation	3918	3281	6772	5941	3349	3328
13 *Profit before tax*	7059	3534	8389	5312	2147	-598
14 Tax provision	0	0	4700	2850	0	0
15 *Profit after tax*	7059	3534	3689	2462	2147	-598
16 Dividends	2951	1943	761	685	245	244
17 Retained profit	4108	1591	2928	1777	1902	-842
Liabilities/assets						
18 Paid-up capital	11893	7800	3805	3805	2910	2401
19 Reserves and surplus	85504	39175	14749	11821	11113	9472
20 Long term loans	42969	43900	6311	5369	29040	31514
21 Short term loans	16142	9355	6	8	6860	12256
22 Of which bank borrowings	4453	817	0	0	4959	9044
23 Gross fixed assets	85360	57096	50794	43360	56556	54329
24 Accumulated depreciation	26321	22448	36183	30012	23800	20525
25 Inventories	30419	25410	7964	4914	6948	12127
26 Total assets/liabilities	194418	128377	43041	32548	57466	69027
Miscellaneous items						
27 Excise duty	17913	12234	8242	5554	13243	14172
28 Gross value added	25211	19256	28496	24195	18929	16968
29 Total foreign exchange income	13941	15474	7903	6274	4185	4341
30 Total foreign exchange outgo	19846	4623	9116	5579	4006	4503
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	68.6	82.5	150.0	173.1	108.2	88.8
32 Sales to total net assets (%)	85 2	105.7	259.6	268 2	124.5	110.2
33 Gross value added to gross fixed assets (%)	29.5	33 7	56 1	55.8	33.5	31.2
34 Return on investment (gross profit to total assets) (%)	5 6	5.3	37.1	36.6	9.6	4.0
35 Gross profit to sales (gross margin) (%)	8.2	6.4	24.7	21.2	8.8	4.5
36 Operating profit to sales (%)	9.7	12.5	25.8	23.1	16.8	13.9
37 Profit before tax to sales (%)	5.3	3 3	13.0	9.4	3.5	-1.0
38 Tax provision to profit before tax (%)	0 0	0.0	56.0	53.7	0.0	0.0
39 Profit after tax to net worth (return on equity) (%)	7.2	7.5	19.9	15.8	15.3	-5.0
40 Dividend (%)	35 0	27 0	20.0	8.0	15.0	10.0
41 Earning per share (Rs)	5 9	4.5	97.0	64.7	8.6	-3.3
42 Book value per share (Rs)	81.9	60 2	487.6	410.7	54.3	57.3
43 P/E ratio (based on latest and corresponding last year's price) (adjusted for revaluation) (%)	21.2	51.0	62.9	64.9	8.5	-61.2
44 Debt-equity ratio (adjusted for revaluation) (%)	44.1	93.5	34.0	34.4	207.1	265.4
45 Short term bank borrowings to inventories (%)	14.6	3.2	0.0	0.0	71.4	74.6
46 Sundry creditors to sundry debtors (%)	53.1	60.7	159.3	114.1	86.8	65.1
47 Total remuneration to employees to gross value added (%)	44.9	48.5	46.4	50.1	27.9	28.8
48 Total remuneration to employees to value of production (%)	8.4	9.0	20.3	21.5	9.1	7.8
49 Gross fixed assets formation (%)	49.5	9.3	17.1	-	4.1	2.3
50 Growth in inventories (%)	19.71	-292	6207	-	-42.71	-3.38

varieties. The company has started modernisation of the spinning division in a small way.

The rayon and transparent paper division performed satisfactorily with improvement in profitability, production and quality. The process of converting conventional spinning machines to improved tube spinning is continuing and a further improvement in the quality of rayon yarn is expected. The cost of production increased as a result of increase in the price of raw materials, viz, pulp, caustic soda and sulphur.

The performance of the spun pipe section was satisfactory on account of improved availability of pig iron, the main raw material. Diversification of product range and concentration on sales to new projects have led to improved performance of the refractory section.

Increase in demand of cement by the private sector pushed up cement production in the country by 8 per cent in 1994-95. The company's two cement units Kesoram Cement and Vasavadatta Cement, performed satisfactorily. The energy reducing measures brought down average power consumption to 96 units per tonne of cement from 104 units in 1993-94, perhaps the lowest in the country for a plant of this capacity. The company proposes to expand cement capacity by 6.86 lakh tonnes per annum, with orders for the main equipment have been placed with Krupp Industries India and Krupp Polysius of Germany. The new plant is expected to be commissioned by the first quarter of 1997 at an estimated project cost of Rs 231 crore. Modernisation of the existing plants is also on the anvil at an estimated cost of Rs 50 crore.

Birla Tyres, run by a consortium, in which the company has a 20 per cent stake, performed satisfactorily with a significant improvement in production and product quality. Prices of tyres could not keep pace with increases in prices of raw materials, power and chemicals. Birla Tyres was accredited with the ISO 9001 certification for its quality management system.

The company's subsidiaries, Bharat General and Textile Industries and KICM Investment, performed to satisfaction. The extraction division at Malkapur of Bharat General and Textile Industries exported groundnut extraction worth Rs 145 lakh. Deoiled meals of soyabean and other cakes which brought in Rs 517 lakh in the previous year could not contribute to export earnings for the year under review because of high prices coupled with the poor availability of soyabean seeds on account of lower crop production in Madhya Pradesh.

Exports were around 7 per cent of the company's sales. The company penetrated the markets of Australia, while continuing export of paper to neighbouring countries like Bangladesh and Sri Lanka. Exports to the US were 40 per cent of total exports.

RBI to Government's Rescue

The government's avowed objective of keeping the monetised deficit under check notwithstanding, the market's lukewarm response to its borrowing programme has pushed it into overwhelming dependence on the RBI. Phenomenal levels of monetised dificit have been the result.

I
Secondary Expansion in Liquidity

THE easy liquidity position noticed since the middle of July reinforced itself during August. This was as much on account of the lagged effect of the reserve money growth induced by the government's recourse to ad hoc treasury bills and other forms of monetised deficit as it was on account of the maturity of 364-day treasury bills of almost Rs 6,000 crore in three tranches of approximately Rs 2,000 crore each over the month on August 4 and 18 and September 1. After a tight spell for almost six months since February, the sudden flush of liquidity has been quite revealing. Between June 23 and August 18, aggregate deposits of scheduled commercial banks expanded by Rs 10,493 crore against a rise of Rs 7,671 crore in the corresponding period last year. Last year the principal source of bank deposit expansion was the sizeable foreign exchange accrual, whereas this year it has made a distinct negative contribution. Since the beginning of the current fiscal year and up to September 1, foreign exchange assets (excluding gold) have declined by Rs 5,315 crore whereas in the corresponding period last year there was a rise of as much as Rs 7,750 crore; the loss of reserves began to be reflected in the pressure on the exchange rate of the rupee. It is the rapid and phenomenal rise in net RBI credit to the central government during the first quarter of this financial year – Rs 12,999 crore against Rs 1,707 crore last year – that seems to have given rise to secondary expansion in bank deposits during the subsequent period. Within two months since June, expansion in broad money (M_3) has been an unprecedented amount of Rs 10,170 crore as compared with Rs 6,260 crore last year.

Despite the authorities' avowed objective of eschewing monetised deficit, such large dependence on the RBI has been necessitated by the market's lukewarm response so far this year for the government's borrowing programme. The government has so far raised only Rs 11,753 crore out of the total gross borrowing programme of Rs 41,000 crore. By August last year, the government had raised as much as near Rs 20,000 crore. As a result, the government has not been able to reduce its dependence on ad hoc TBs below the limit set, though in the month of August there has been some downward trend. Alternatively, the centre's budget deficit as well as monetised deficit has touched phenomenal figures as shown in Table 1.

The presence of excess liquidity with the banking system is partly seasonal, reflective of the return flow of funds during the lean season. Generally, the demand for bank credit slackens during the period but this year due to high tempo of activity in the industrial sector, non-food credit expansion has been Rs 5,104 crore between June 23 and August 18 against only Rs 2,666 crore in the comparable period of the previous year. Despite such high level of credit expansion, scheduled commercial banks have been able to make additional investment in government securities worth Rs 3,167 crore during the period against only Rs 1,537 crore in the comparable period last year – yet another sign of easy liquidity (see Table 2).

II
Government Borrowings

Dated Securities

The government continued to focus on raising 'other medium- and long-term loans' during August, there were two fresh issues of Rs 2,000 crore each through auctions during the month: a three-year paper in mid-August and a two-year paper at the end of August.

Since the beginning of this fiscal year, the government had raised money through several long-term papers ranging from 7 to 10 years with unprecedentedly high yield rates of 13.75 per cent to 14 per cent per annum. The Reserve Bank had come under sharp criticism for locking the government into long-term paper at a high cost. Given the liquidity strain and uncertainty on the interest rate front, the market had been cautious towards investing in such long-term assets. Moreover, the net borrowing programme of the government through the conventional route had already been completed in June. The Reserve Bank has thus focused on raising funds for the government through short-term paper since then.

As there were nearly Rs 6,000 crore worth of 364-day TBs maturing in August, the market expected a conversion announcement in the beginning of the month. The Reserve Bank, however, chose to approach the market directly with a three-year and a two-year papers. Both the papers received enthusiastic market responses with oversubscriptions. The cut-off yields allowed on the three-year paper at 13.65 per cent and the two-year paper at 13.50 per cent, were decidedly high for such short-term papers and even higher than the market expectations. Last year a three-year paper was accorded 11 per cent yield and this year as late as on July 10 a two-year paper fetched 13.25 per cent; these were conversion offers and hence the rates were slightly higher than usual even at that time. This clearly indicated the impact of the massive borrowing programme of the government, the fiscal strain and the authorities' anxiety to fulfil the programme this year.

The Reserve Bank announced the three-year paper for a notified amount of Rs 2,000 crore on August 8 with the auction to be held on August 17. The improvement in market conditions by then, as also reasonably short tenure of the paper and the availability of repo facility, helped to attract substantial investment for the security. The Reserve Bank received Rs 3,666.88 crore through 248 bids, out of which it accepted Rs 2,000 crore in 179 bids at a cut-off rate of 13.65 per cent.

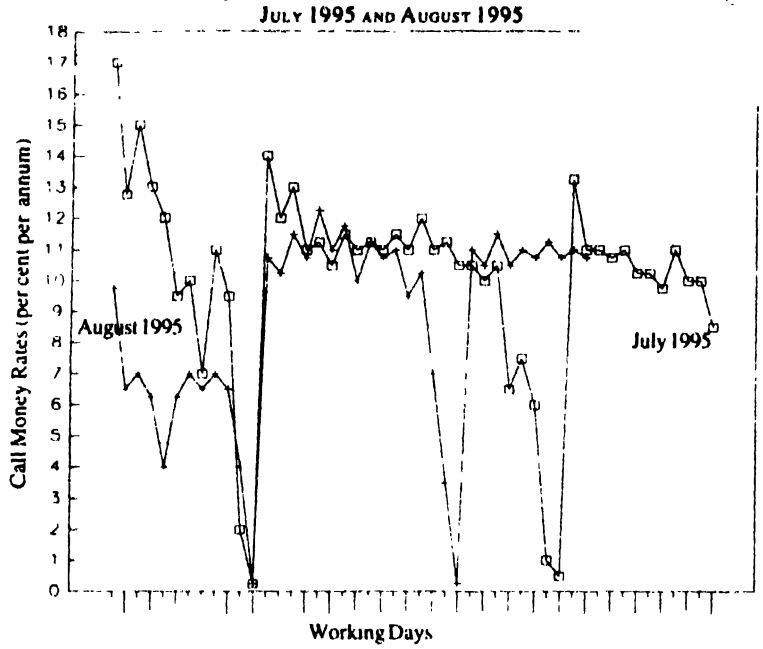
The available indications in the market were pointing towards a declining trend of interest rates with cut-off rate on both, the 91-day and 364-day TBs moving downwards. In fact, just on the day before the auction of dated paper, the Reserve Bank had rejected a large number of bids received in 364-day TBs and kept the yield low at 12.90 per cent. It had accepted Rs 24 crore and rejected Rs 711.70 crore.

Earlier, the government had offered 14 per cent on a 10-year paper, 13.85 per cent on a five-year paper (zero coupon bond) and 13.25 per cent on two-year paper during this financial year. As such, the market had at best expected a cut-off rate of 13.50 per cent for a three-year paper. The option exercised by

TABLE 1: BUDGET DEFICIT AND MONETISED DEFICIT

	Variation over March 31, 1995 (Rupees, Crore)						
	July				August		
	7	14	21	28	4	11	18
Ad hocs	16,660	16,065	17,835	13,415	15,445	14,715	10,400
Budget deficit	18,954	–	21,633	–	21,786	–	17,890
Monetised deficit	20,583	20,925	21,075	16,999	18,479	18,594	14,256

GRAPH A: DAILY QUOTATIONS OF HIGHS AND LOWS OF CALL MONEY RATES, JULY 1995 AND AUGUST 1995



the authorities to settle the cut-off yield at the higher end of this interest rate band reflected the pressure on government finances, particularly in the context of the runaway recourse to ad hoc TBs.

There is another source of surprise at the cut-off rate given by the Reserve Bank. Of the 179 bids which were accepted, 31 bids at the cut-off yield were partially accepted. This meant that as many as 148 bids were at lower yields than the cut-off yield of 13.65 per cent (though the amount involved is not known). It was, therefore, not as though there was no scope for sending appropriate signals to the market on reducing yield rates in the context of the lean season liquidity ease. The issue also synchronised with two maturing dates of 364-day TBs – Rs 2,120 crore on August 4 and Rs 2,220 crore on August 18.

A fortnight later the government once again came to the market. On August 24, the Reserve Bank announced the auction of two-year paper also with a notified amount of Rs 2,000 crore. To be held on August 31, this auction, like the earlier one, was scheduled between two maturing dates of 364-day TBs – Rs 2,220 crore on August 18 and Rs 1,900 crore on September 1. There was reason to expect good support for this paper at a reasonable yield. The Reserve Bank received Rs 2,714.86 crore in 203 bids. Out of these, it accepted Rs 2,000 crore in 154 bids at a cut-off yield of 13.50 per cent; 39 bids at the cut-off yield were partially accepted.

364-day Treasury Bills

The government raised as much as Rs 1,023.25 crore through three auctions of this paper during August. The auctions, significantly, were generally held each time a day prior to the auctions of dated securities. The first auction held on August 2 was an exceptional one which attracted a subscription of Rs 834 crore at a cut-off yield of 13.16 per cent, the same as given in the mid-July auction. In the subsequent two auctions the Reserve Bank accepted only Rs 24 crore and Rs 165.25 crore, respectively, and bought down the yield significantly by 25 basis points in both the issues as compared with the yield of 13.16 per cent given in July and early August.

Although weak compared to the market response to this paper during comparable period last year – the government had raised Rs 6,240 crore at an average yield of 9.54 per cent during August last year (Table 3) – the response to this paper during August this year has been better when compared with the response of the preceding eight months.

91-day Treasury Bills

In the four auctions held of 91-day TBs during August, Rs 2,000 crore were raised, of which only Rs 73 crore devolved on the RBI (Table 4); in July as much as Rs 761 crore devolved upon on the central bank. In August there have been some reductions in the cut-off yield rates from 12.97-12.71 per cent in July to 12.67-12.58 per cent. Interestingly, the amounts bid under the four 91-day TB auctions aggregated over Rs 4,400 crore, almost equal amounts coming from competitive (Rs 2,148 crore) and non-competitive (Rs 2,255 crore) bidders. Likewise, their actual subscriptions accepted were Rs 927 crore and Rs 1,000 crore, respectively. With the maturing of over Rs 6,000 crore worth of 364-day TBs and another Rs 4,000 crore worth of two government securities by mid-October, the market will surely need more of short-term paper.

Stickiness in Downward Revision of Interest Rates

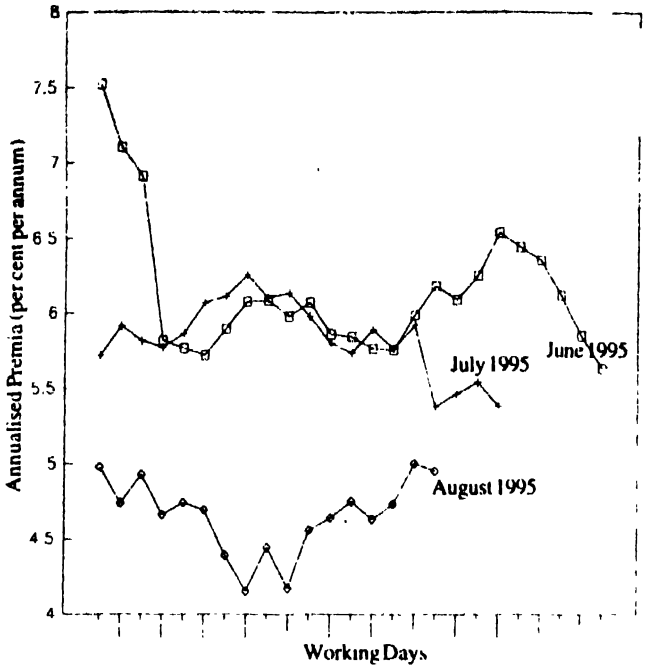
Overall, the discount rates offered on TBs and yield rates on dated securities continue to be relatively high. Against an annual inflation rate of about 9 per cent, the 364-day and 91-day TBs have been fetching yield rates of 13.16-12.87 per cent and 12.67-12.58 per cent, respectively, thus suggesting real rates of 3.50 to 4 percentage points which appear prohibitively high for such short-term papers. With the yield rates ruling at 13.75 to 14 per cent on dated the securities, real rates also would work out to about 4.5 per cent. Secondly, the yield rates on government paper were

TABLE 2: A FEW MACRO FINANCIAL INDICATORS: VARIATIONS

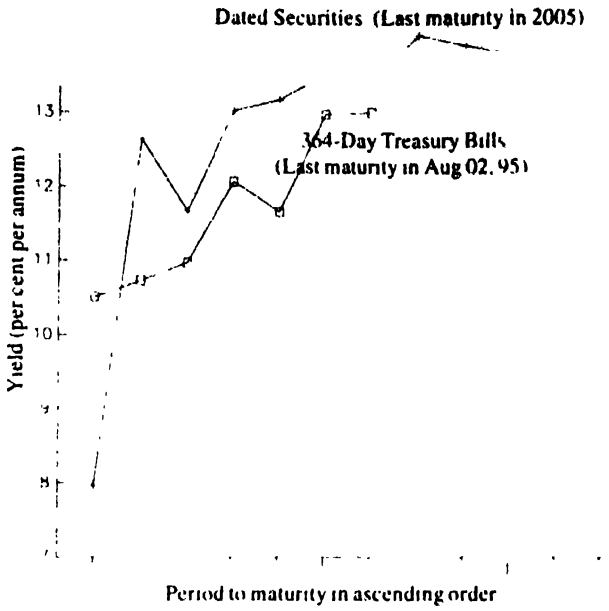
(RUPEES, CRORE)

Increse During	M_3	RM		Key Sources of RM		Foreign Exchange Reserves (Excluding Gold)	Other Deposits with RBI	Scheduled Commercial Banks		
		Total	Currency in Circulation	Net RBI Credit to the Centre	RBI Credit to Banks			Aggregate Deposits	Bank Credit (Non-food)	Investment in Govt Securities
1994-95										
March 31, 1994 and June 24, 1994	5488	8978	8686	1707	678	3183	1622	-2226	-9135	11228
June 24, 1994 and August 19, 1994	6260	3341	-2642	-5467	3532	4551	-853	7671	2666	1537
1995-96										
March 31, 1995 and June 23, 1995	2922	9217	10171	12999	-1520	-4303	3634	-12219	-6725	1996
June 23, 1995 and August 18, 1995	10170	-1437	-2794	1257	-2910	6	411	10493	5104	3167

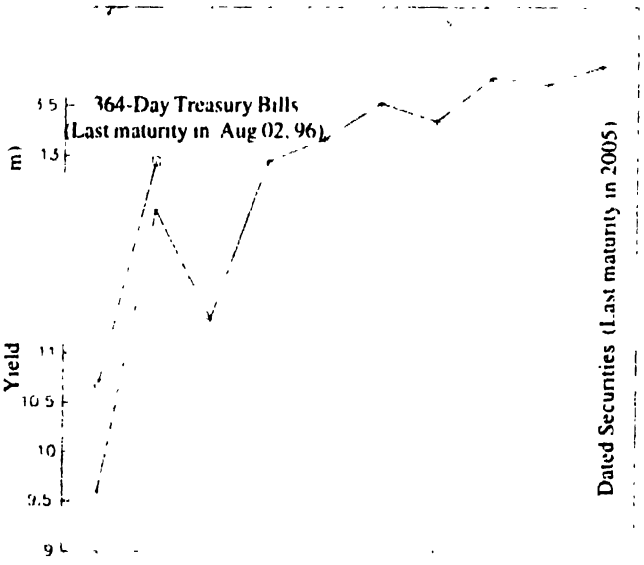
GRAPH B: ANNUALISED DAILY 6-MONTH FORWARD PREMIA IN PERCENTAGES FOR THE US DOLLAR IN THE DOMESTIC INTER-BANK MARKET



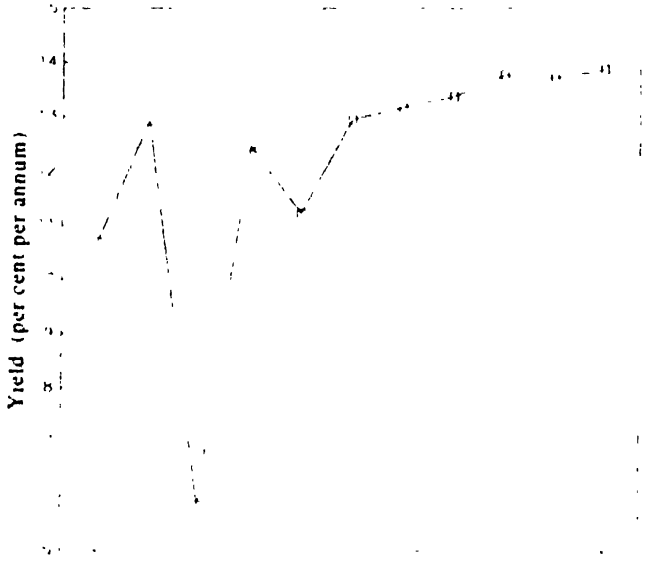
GRAPH C: YIELD CURVES FOR 364-DAY TREASURY BILLS AND GOI SECURITIES – WEIGHTED AVERAGE FOR AUGUST, 1995



GRAPH D: YIELD CURVES FOR 364-DAY TREASURY BILLS AND DATED SECURITIES - WEIGHTED AVERAGE FOR THE LAST WEEK ENDED AUGUST 25, 1995



GRAPH E: YIELD CURVE FOR 364-DAY TREASURY BILLS AND DATED GOI SECURITIES COMBINED - A SINGLE DAY IN THE MONTH WITH MAXIMUM TRANSACTIONS (AUGUST 25, 1995)



pushed up very rapidly during the past one year from about 8 to 9 per cent to the highest rate of 12.97 per cent in the case of 91-day TBs and from 9 to 10 per cent to over 13 per cent in the case of 364-day TBs. The weighted average of rates of interest on government securities has shot up from 11.90 per cent in 1994-95 to 13.70 per cent during the current year so far. But, in the current situation, when the inflation rate has receded from the last years' levels and has been ruling below two-digit now for some period, and when the slack season liquidity easiness is quite distinct, the reductions effected in the discount rates on TBs or in the yield rates on dated securities are indeed niggardly

Open Market Operations

The Reserve Bank mopped up Rs 410 crore through its open market operations during August. However, it had to purchase Rs 36 crore worth securities from the market. The net OMOs thus were worth Rs 374 crore. The price list that the Reserve Bank of India issues for its open market operations have no longer remained a mere instrument to influence liquidity in the market, they also seem to have been surrogating as indicators of interest rates movement in the government securities market.

III
New Issues of other Money Market Instruments

Certificates of Deposit

Though the secondary market activities for CDs were almost dormant, the primary market was bristling with hectic placements of CDs, mostly by financial institutions with high

lending targets who were unable to raise resources through regular bond issues. As a result, the beginning of the month saw firming up of CD rates to around 16.5 per cent. However, they fell to around 14.5 per cent in sympathy with downward movement of call money rates. Earlier, the interest rates offered on CDs issued by the financial institutions went up to a range of 13-15.75 per cent in July 1995 from 11 per cent in March 1994. The outstanding amount of CDs issued by the financial institutions as on July 7, 1995 was Rs 2,959 crore, roughly the same as it was in March 1995, but those issued by the scheduled commercial banks as on June 9, 1995 showed a rapid rise from Rs 5,571 crore in March 1994 to Rs 8,017 crore in March 1995 and further to Rs 11,214 crore in June 1995 (equivalent to 3.2 per cent of aggregate deposits). With the easing of liquidity during July-August, banks have not been active in the CD market.

Commercial Paper

The activities in the CP market, both primary and secondary, have started picking up substantially. New CPs worth of about Rs 406 crore were marked for floatation in August the largest being Rs 300 crore issued by SBI Capital Markets. The primary CP rates moved downward from 14.5 per cent at the beginning of the month to 13.5 per cent in mid-August before stabilising in the range of 13.75-14 per cent reflecting easy liquidity in the market. The peak level of outstanding of CP had once reached Rs 4,511 crore as on August 31, 1994 but following the withdrawal in October 1994 of standby arrangement facility to banks in their cash credit limits for large borrowers and the stringent money market conditions, the CP outstandings dropped to Rs 581.50 crore as on July 31, 1995.

PSU Bonds

Major PSUs are likely to raise Rs 6,000 crore from the market in the next couple of months at high rates of interest. With the successful oversubscription for the SCICI's Rs 125 crore bond issue and improved money market liquidity, primary issues of PSU bonds received an impetus. While Power Grid Corporation successfully raised Rs 134 crore from the market in August, Steel Authority of India's issue worth Rs 400 crore was in the market with confidence that it will be oversubscribed like the Power Grid's and SCICI's. Power Grid issued a five-year paper at 16.25 per cent with exit option at three years. The Tourism Finance Corporation of India has issued bonds to private sector provident funds at a coupon rate of 15.5 per cent; they have already subscribed to bonds worth Rs 23.29 crore. These bonds are payable annually and redeemable at par after five years but they carry a put and call option at the end of three years.

The Indian Railways Finance Corporation (IRFC) was planning to privately place an issue of Rs 290 crore at a tax-free coupon rate of 10.5 per cent. The National Hydro-Electric Corporation (10-year tax-free bond of Rs 200 crore at 10.5 per cent), Mahanagar Telephone Nigam (MTNL) (Rs 284 crore at 16.5 per cent), and Rural Electrification Corporation (REC) were also reported to have firmed up plans to launch their debt offerings. The returns offered by them are as high as 16.25-16.50 per cent. It was, therefore, not surprising that MTNL's effort to place its debt issue at 15 per cent initially had failed.

IFCI (Rs 200 crore with a five-year instrument offering 15.5 per cent) and ICICI were also on the verge of launching their debt issues. It was reported that given the expensive returns for private placement, many PSUs were also considering making public offers. ICICI was planning a public issue of non-convertible debentures worth Rs 500 crore with an option to retain oversubscription up to Rs 500 crore at a rate of return of 15.5 per cent. Dena Bank is seriously considering the option of tapping the bonds market with an issue in order to meet its capital adequacy requirements. SBI is planning to float long-term bonds to fund its new thrust area – project financing; the aim is to access long-term resources to be deployed in the infrastructure portfolio which will be long-term assets and avoid the maturity mismatch.

Interestingly, for the first time the RBI allowed NRI and overseas commercial bodies (OCB) investments in bonds. This is for the first time that such foreign investments have

TABLE 3: AUCTIONS OF 364-DAY TREASURY BILLS

(Amount in rupees, crore)

Date of Auction	Bids Tendered		Bids Accepted		Cut-off Price (Rupees)	Cut-off Yield Rate (Per Cent)
	No	Face Value (Amount)	No	Face Value (Amount)		
1994						
August 3	113	3888.00	48	2120.00	91.15	9.71
August 17	165	4028.00	21	2220.00	91.32	9.51
August 31	150	2803.64	81	1900.50	91.40	9.41
1995						
August 2	66	844.00	65	834.00	88.37	13.16
August 16	56	735.70	1	24.00	88.60	12.87
August 30	33	335.75	6	165.25	88.60	12.87

TABLE 4. AUCTIONS OF 91-DAY TREASURY BILLS

(Amount in rupees, crore)

Date of Auction	Notified Amount (Rupees)	Bids Tendered		Bids Accepted		Subscription Devolved on RBI (Amount)	Cut-off Price in (Rupees)	Cut-off Yield Rate (Per Cent)	Amount Outstanding (Rupees)*		
		No	Face Value (Amount)	No	Face Value (Amount)				Total	With RBI	Outside RBI
1994											
August 5	250	69	1588.25	6	250	0.00	97.98	8.25	3250.00	1082.80	2167.20
August 12	500	81	1781.50	22	450	0.00	98.04	8.00	3250.00	782.80	2467.20
		(1)	(50)	(1)	(50)						
August 19	500	43	862	20	480	0.00	98.04	8.00	3450.00	571.00	2879.00
		(1)	(20)	(1)	(20)						
August 26	500	33	535	27	490	0.00	98.02	8.08	3750.00	529.00	3221.00
		(1)	(10)	(1)	(10)						
1995											
August 4	500	71	849.08	47	399.775	0.00	96.93	12.67	6250.00	2003.00	4247.00
		(3)	(325)	(3)	(100.225)						
August 11	500	48	381.09	21	126.89	73.11	96.93	12.67	6500.00	2003.00	4497.00
		(2)	(300)	(2)	(300)						
August 18	500	44	504.51	21	293.62	0.00	96.94	12.63	6500.00	1771.11	4228.89
		(4)	(440)	(4)	(206.38)						
August 25	500	50	414.15	20	106.955	0.00	96.95	12.58	6500.00	1771.11	4228.89
		(6)	(1190.0)	(6)	(393.05)						

Figures in brackets represent numbers and amounts of non-competitive bids which are not included in the total.
@ Outstanding amounts are estimated for all weeks of August 1995.

been permitted in debt instruments. Though the RBI has specified that the amount raised from foreign investors will not form part of external commercial borrowings, implications of this decision on the external debt would be certainly worth watching.

Interestingly, some PSUs have also decided to follow the bid process in raising money. NHPC was planning to raise Rs 400 crore in September through two instruments. One would be tax-free bond aggregating Rs 200 crore and another Rs 200 crore would be raised by inviting bids from investors. IRFC too would tap the market for raising Rs 290 crore through the bid process.

Other New Instruments

Meanwhile, many loss-making state electricity boards (SEBs) were planning to adopt a novel method of selling their depreciation. SEBs in Andhra Pradesh, Madhya Pradesh, Rajasthan, Punjab and Himachal Pradesh were planning to raise Rs 725 crore through 100 per cent sale and lease-back transactions by the end of September. The cost of funds for these SEBs was reported to be ranging from 7 to 10 per cent. Since the loss-making SEBs do not have to pay income tax, they do not need depreciation and as such would sell their equipment to a finance company, get hard cash and take the equipment back through lease. The finance company, on the other hand, would get the depreciation benefit and also income from the lease deal. Kotak Mahindra, ITC Bhadrachalam, Videocon Leasing, Pennar Paterson, Apple Finance, Ceat Financial, Pioneer Investment and Delhi-based WGF Securities, have already tied up with the SEBs of Andhra Pradesh, Madhya Pradesh, Rajasthan and Punjab. Between October 1994 and March 31, 1995 SEBs of Rajasthan, Karnataka and Andhra Pradesh had raised Rs 550 crore through the same route.

Citibank and HDFC were planning to list their securitised paper on the National Stock Exchange (NSE). Both the institutions had securitised a part of their portfolios almost three years ago. In the absence of a secondary market, however, the papers did not trade. Listing of these papers will encourage trading of this instrument in the secondary market.

With difficult secondary market conditions affecting the performance of its scrip which got listed in August, ONGC was planning to attach warrants with its proposed new issue for raising Rs 1,000 crore.

Kotak Mahindra was also planning to launch a debt issue with an exit option. The five-year non-convertible debenture for raising Rs 100 crore will offer an interest of 17 per cent; the issue will be launched in October.

ICD Market

The inter-corporate deposit market continued to be haunted by the recent failure of one large corporate house to repay the ICDs of Rs 200 crore. Despite easy liquidity in the money market, the panic in this market where the borrowings are unsecured, has caused the drying up of easy money. Although there were reports that Shaw Wallace had drawn up a contingency plan to liquidate more than 50 per cent of the company's unsecured debt, the market did not seem to have been reassured. As a result, corporates are insisting on collateralising ICDs with liquid money market instruments, preferably with US-64. The net impact was seen in the firming up of ICD rates up to 17-28 per cent level from the earlier level of 17-24 per cent. This prompted some companies to borrow from financial institutions and banks, and onlend as ICDs at around 24 per cent with a clean spread of 6-9 per cent; the latter go to satisfy the capital requirements of those companies which are mostly denied credit by banks. And the financial institutions and banks express their inability to detect rotation of borrowed funds for such short duration ICDs. Further, many companies have approached the government for increasing their ICD exposure limit as they have reached the threshold of investing 30 per cent of their free reserves and surpluses in subsidiaries and other companies. Meanwhile, there were reports that in order to bring some confidence in this market NBFCs were resorting to convert ready-forwards in Unit-64 to raise short-term liquidity.

IV
Call Money Market

The rates in the call money market remained in double digits but stable during most of the working days in August. (Tables 5 and 6). Even though the cash reserve requirements of banks increased following sudden improvement in the growth of deposits, the call money market was spared of any sudden shock and volatility due to return flow of food credit and government-borrowed funds. Further, adequate lending throughout by SBI and UTI put a constant downward pressure on call rates. As a result, call rates hardly could penetrate the upward psychological barrier of 11.0 per cent during the month – the rate of 11 per cent being the export credit refinance rate. The occasional spurts of call rates touching 11.5 per cent and 12 per cent were occasioned by the ensuing holidays and the stringency in the foreign exchange market. Thus, this level of rates despite an easing of the liquidity position in the money market was mainly on account of the pressure on the rupee in the foreign exchange market. Due to a sharp pick up in imports and because of dollar purchases for possible repayment of the non-IMF debt by the authorities, the rupee dipped to Rs 32.10 to a dollar during the second half of the month – close to the all-time low of Rs 32.15 on March 3 following speculation of a full rupee convertibility on capital account and imminent devaluation.

Also, it appears that the Reserve Bank's disciplining move taken last January of requiring banks to maintain on a daily basis an average of 85 per cent of their CRR requirement is beginning to have some impact. Even in tight liquidity conditions, the market has not seen sharp swings in the rates. Earlier, the holidays used to cause turmoil

TABLE 5: DAILY CALL MONEY RATE QUOTATIONS OF HIGHS AND LOWS: SIMPLE STATISTICAL CHARACTERISTICS

(Per cent per annum)

	All Four Weeks of the Month	August 1995 Week Ended				All Four Weeks of the Month	July 1995 Week Ended			
		25	18 (RF)		4 (RF)		28	21(RF)	14	7(RF)
Mean	8.99	10.90	8.55	10.93	6.17	10.04	10.56	9.58	11.58	11.68
Standard Deviation	2.95	0.30	3.62	0.75	2.15	3.34	1.07	2.00	0.95	2.77
Coefficient of variation (percentage)	32.81	2.93	42.34	6.86	34.86	33.26	10.13	20.89	8.20	23.7

TABLE 6: CALL MONEY RATES

(Per cent per annum)

Items		August 1995				July 1995			
		18(RF)	11	4(RF)	28	21(RF)	14	7(RF)	
Weekly range	10.50-11.50	0.25-11.25	10.25-12.00	0.25-9.75	8.50-11.00	0.25-12.00	10.50-14.00	1.00-17.00	
Weekend (Friday)	10.75-11.25	0.25-3.25	11.00-11.50	0.25-4.00	10.00-8.50	0.25-2.00	11.00-11.25	1.00-2.00	
Weekly weighted average*	10.82	10.43	10.97	7.60	10.88	9.70	11.96	12.39	
DFHI lending rates (range)	10.25-11.25	0.50-11.40	10.15-12.00	3.00-9.75	13.75-9.75	12.00-2.75	14.00-10.75	17.00-9.00	

* Weighted average of borrowing rates reported to the RBI by selected banks and DFHI, weights being proportional to amounts borrowed.

in the market as banks were unable to get the data on their net demand and time liabilities from the branches across the country. August which had one bank holiday each week, did not see any turmoil in the market around those holidays except for some unavoidable skirmishes arising from having to cover for CRR in less number of days (Graph A)

The first week in August opened at rates of 6.5-7 00 per cent as in the previous week and they continued to be stable in the subsequent weeks. The rates remained at low levels during the third week of August, it being a reporting week The rates firmed up slightly on August 14 on account of the holiday on the next day. They, however, came down to 7 per cent on August 17 The three-year paper auction did not create much ripple in the call market as there was virtually no cash outflow with the Rs 2,000 crore outflow being matched by an equal amount of cash inflow on account of redemption of 364-day TBs to the tune of Rs 2,220.00 crore. In the penultimate week of the month, the call rates stayed between 10 50-11 25 per cent with a cash inflow of Rs 1,900 crore worth of 364-day TBs expected into the system on September 1

Forex Market

The foreign exchange market witnessed a flurry of activity during August The buying pressure on the dollar following a surge in imports and oil payments was reported to be the major causes for the slide in the rupee which continued throughout the month State Bank remained a major buyer of dollar during the month. From Rs 31 3950 to a dollar at the beginning of the month, the rupee was quoted at as low as 32.10 towards the end of the month.

Despite depreciation of rupee, the forward market remained partially insulated, with forward premia moving mostly downward (Graph B) which was also evident from the fact that spot dollar was available at a discount to cash dollar (see Current Statistics, *EPW*, September 2, 1995) which is contrary to the normal market practice The fall in forward premia could be most proximately attributed to increased liquidity in the money market. With call rates remaining lower, the swapping of FCNR deposits by banks and foreign lines of credit with forward dollar had come down to a skeleton level as the arbitrage benefits thinned down considerably, if in fact almost vanished as the cost of swapping touched 14 to 16 per cent whereas domestic calls were available at 11 to 12 per cent. Incidentally, the authorities' decision to route all non-IMF debt repayments through the market has, given the government's overall reserves and given the RBI's intervention policy, implications for domestic liquidity in the banking system; it tends to augment domestic liquidity

Secondary Market in Debt Instruments

Government Securities

As the month progressed, the secondary market prices of Government securities started improving, reflecting stability of call rates and in turn, adequate liquidity in the market Even so, the traded volume during the month was lower (Rs 1,995.65 crore) than that of the preceding month (Rs 2,136.39 crore) (see Appendix Table) Like the earlier trend, much of the activities were confined to converted securities. Further, the number of regular securities traded came down from 12 in July to only 6 in August. Among the converted securities, the short-term securities, namely, 12 per cent 1995, 12.75 per cent 1996, and 12 per cent 1999, were preferred by the investors, reflecting some uncertainty in regard to long-term interest rates. Among the regular securities, 14 per cent 2005 (II) stock attracted the largest trading during the month. A notable development pertains to the improvement in the trading activities in zero coupon bond, 1999.

Yield Curves

With some degree of stability observed in short-term interest rates, considerable normalcy has been restored to the behaviour of yield curves for government paper in August It is so whether we look at the curve for a single day in the month with maximum transactions which represents the real yield curve (Graph C) or at its surrogates in the form of weighted average rates for the last week of the month (Graph D) or those for the entire month (Graph E).

Other Instruments

Though the trading volume in PSU bonds remained buoyant in the secondary market, the selling pressure dominated throughout for both tax-free and taxable bonds, though relatively more for tax-free bonds as against that for taxable bonds in the preceding month. Further, the market interest shifted to tax-free bonds as the trading volume of tax-free bonds at Rs 81 65 crore was higher than that of taxable bonds at Rs 77 01 crore (Table 7).

TABLE 7 OPERATIONS OF NATIONAL STOCK EXCHANGE (NSE) DURING AUGUST 1995

Descriptors	Week Ending August Amount in Crore of Rupees												Total during August		
	25			18			11			4					
	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded	Order		Actual Traded
	Buy	Sell	Amount	Buy	Sell	Amount	Buy	Sell	Amount	Buy	Sell	Amount	Buy	Sell	Amount
1 Treasury bills															
i) 91-day bills	1 00	1 00	1 00	35 00	35.00	35 00	11 00	11.00	11 00	10 00	10 00	10 00	57 00	57 00	57.00
ii) 364-day bills	54 00	64 00	54 00	40 00	40 00	40 00	20 00	30 00	20 00	40 00	45 00	40 00	154.00	179.00	154.00
Sub-total Traded value	55 00	65 00	55 00	75 00	75 00	75 00	31 00	41 00	31 00	50 00	55 00	50 00	211 00	236.00	211 00
2 Dated securities															
A GOI securities															
i) Converted	76 00	96 00	56 00	309 00	319 00	284 00	248 00	208 00	108 00	211 00	216 00	196 00	844 00	839.00	644 00
ii) Regular	57 61	57 61	57 60	38 50	38 50	33 50	6 73	6 73	6 73	38 40	38.40	38.40	141 24	141.24	136.23
iii) Zero coupon	12 65	37 65	12 65	5 00	5 00	5 00	10 00	15 00	10 00	11 00	11 00	11 00	38 65	68 65	38.65
B State govts stocks	4 04	4 04	4 04	0 05	0 05	0 05	-	-	-	7 13	18 13	7 13	11 22	22.22	11.22
Sub-total Traded value	150 30	195 30	130 29	352 55	362 55	322 55	264 73	229 73	124 73	267 53	283 53	252 53	1035 11	1071.11	830 10
3 PSU bonds															
i) Tax free	12 27	16 27	12 09	13 12	13 12	13 12	11 12	17 12	11 12	50 32	59 32	45 32	86 83	405 83	81 65
ii) Taxable	16 33	17 33	16 33	23 95	23 95	23 95	8 27	14 27	8 27	28 46	28 46	28.46	77 01	84 01	77.01
Sub-total Traded value	28 60	33 60	28 42	37 07	37 07	37 07	19 39	31 39	19 39	78 78	87 78	73 78	163 84	189 84	158 66
4 Commercial papers	33 00	33 00	33 00	45 00	45 00	45 00	-	-	-	21 00	21 00	21 00	99.00	99 00	99 00
5 Debentures	-	0 06	-	0 90	0 90	0.90	-	-	-	0 60	0 60	0 60	1 50	1.56	1.50
6 ID+IB	19 70	19 70	19 70	16 00	16 00	16 00	10 00	10 00	10 00	7.30	7.50	7.30	53.00	53.20	53.00
7 Floating Bonds	0 10	0 10	0 10	-	-	-	-	0 05	-	1 00	1 00	1.00	1 10	1.15	1.10
Grand total (volume)	286 70	346 76	266.51	526.52	536.52	496 52	325 12	312.17	185.12	426.21	456.41	406.21	1564 55	1651 86	1354.36

(-) No trading ID Non-SLR Institutional Bonds IB SLR Institutional Bonds

Appendix Table: Secondary Money Market Operations: RBI's SGL Data

(Amount in rupees, crore)

Descriptions	Week Ending August 1995: Yield to Maturity on Actual Trading												Total for the Month of August 1995		
	25			18			11			4					
	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY	Amt	YTM	CY
1.Treasury Bills															
A.91-Day Bills															
i) Aug 05, 1995	-	-	-	-		-	-	-	-	17 20	9.28	-	17.20	9.28	-
ii) Aug 12, 1995		-	-	-	-	-	-	-	-	0.10	12 13	-	0.10	12.13	-
iii) Aug 19, 1995	-	-	-	-	-	-	-	-	-	40.00	12.39	-	40.00	12.39	-
iv) Oct 21, 1995	-	-	-	-	-	-	7.45	12.12	-	-	-	-	7.45	12.12	-
v) Oct 28, 1995	43.25	12.36	-	73.25	12 43	-	16 86	12 30	-	80.38	12.01	-	213.74	12.25	-
vi) Nov 04, 1995	29.70	12.73	-	65.28	12 52	-	19.66	12.41	-	-	-	-	114.64	12.55	-
vii) Nov 18, 1995	107.99	12.47	-	-	-	-	-	-	-	-	-	-	107.99	12.47	-
Sub-total (volume)	180.94	12 49	-	138.53	12 47	-	43 97	12.32		137 68	11.78	-	501.12	12.27	-
B 364-Day Bills															
i) Aug 04, 1995	-	-	-	-	-	-	-	-	-	4 63	10.51	-	4.63	10.51	-
ii) Aug 18, 1995	-	-	-	61 10	11.01	-	35.00	10.58	-	208.30	10.66	-	304.40	10.72	-
iii) Sept 01, 1995	154.33	10.68	-	102 51	11 14	-	35.03	11.12	-	348.48	11.01	-	640.35	10.96	-
iv) Oct 27, 1995	-		-	-	-	-	4.36	12 64	-	17 00	11.91	-	21.36	12.06	-
v) Nov 10, 1995	-	-	-	-		-	3.00	11.65		-	-	-	3.00	11.65	-
vi) Jul 19, 1995	-	-	-	-	-	-	1.00	12.96	-	-	-	-	1.00	12.96	-
vii) Aug 02, 1996	40.00	12.94	-	15 00	13 03	-	43.22	13.06	-	20.00	12.90	-	118.22	12.99	-
Sub-total (volume)*	194.33	11.14	-	178.61	11.26	-	121 61	11.74	-	598.41	10.97	-	1092.96	11.13	-
2 GOI Dated Securities															
A Converted (Per Cent: Year)															
i) 12 00, 1995	93.93	9 60	11 96	204 19	7 03	11 91	31.03	7.68	11.91	93.50	8.45	11.92	422.65	7.96	11.92
ii) 12 75, 1996	43.80	11 34	12.64	118 04	11 50	12 66	64 14	11.66	12 67	133 06	11.89	12 68	359.04	11.65	12.67
iii) 12 00, 1999	55.00	13 34	12 47	121 50	13 40	12 50	20.00	13.48	12 53	135.00	13.50	12.54	331.50	13.43	12.51
iv) 12.50, 2004	-	-	-	0.50	13.82	13 38	-	-	-	29.05	13.90	13.43	29 55	13.89	13.43
Sub-total (volume)	192 73	11.06	12 26	444.23	9 97	12 27	115.17	10 90	12 44	390 61	11.77	12.51	1142.74	10.86	12.37
B Regular (Per Cent Year)															
i) 10.75, 1996	10.00	12 45	10 95	25.00	12 60	10 97	-	-	-	19.00	12.78	11.00	54 00	12.63	10.98
ii) 12 00, 1997	5.00	12 94	12.18	1.50	13.26	12.24	-	-	-	-	-	-	6.50	13.01	12.20
iii) 13 25, 1997	10.00	13 16	13 24	5 05	13.13	13 23	0.05	12 78	13 15	19.00	13 17	13.23	34.10	13.16	13.23
iv) 13 65, 1998	15 00	13.52	13 61	-	-	-	-	-	-		-	-	15.00	13.52	13.61
v) 11 30, 2004	-	-	-	-	-	-	-	-	-	1 00	14 03	13.13	1.00	14.03	13.13
vi) 13.75, 2005	12 00	13.78	13.78	-	-	-	-	-	-	-	-	-	12.00	13.78	13.78
vii) 14.00, 2005	0 07	13 71	13.79	-	-	-	0.01	13.62	13.73	-	-	-	0.08	13.70	13.78
viii) 14 00, 2005(II)	44 46	13 89	13 92	7.40	13 91	13 94	3.01	13.90	13.94	16.48	13 91	13.94	71 35	13 90	13.93
Sub-total (volume)	96.53	13.54	13 39	38.95	12.94	11 88	3.07	13 88	13 92	55.48	13 27	12.68	194.03	13.35	12.89
(A+B)*	289 26	11 89	12 64	483.18	10 21	12 24	118 24	10.98	12 48	446 09	11.96	12.53	1336.77	11.22	12.44
C. Zero coupon (Per Cent Year)															
(i) 0.00, 1999	50 00	13.75	10.81	25.00	13.74	10 82	10.00	13 76	10.86	123.25	13.62	10.85	208.25	13 68	10.84
(ii) 0.00, 2000	20.00	13 85	12.46		-	-	-	-	-	-	-	-	20.00	13.85	12.46
D. RBI's Open Market Operations	49.78	13.88	13.83	9 79	13 05	13 95	205.25	13 93	13.95	165.81	13.73	13 34	430 63	13.83	13.70
(A+B+C+D)	409 04	12 46	12 55	517.97	10 43	12 20	333 49	12.88	13.34	735.15	12 64	12 43	1995.65	12.07	12.55
3 REPO															
(i) 91-Day T Bill	-	-	-	73.00	-		-	-	-	-	-	-	73.00	-	-
(ii) 364-Day T Bill	100 00	-	-	79.00	-		100.00	-	-	40.00	-	-	319.00	-	-
(iii) Govt Securities (Per Cent: Year)															
12.00 1995	-	-	-	143.00	-		-	-	-	82.00	-	-	225.00	-	-
12.75 1996	580.00	-	-	834 00	-		37.00	-	-	185.00	-	-	1636.00	-	-
13.25 1997	2.00	-	-	70 00	-		-	-	-	70.00	-	-	142.00	-	-
12.00 1999	-	-	-	90.00	-		12.50	-	-	65 00	-	-	167.50	-	-
12.50 2004	360.00	-	-	350 00			200 00	-	-	725.00	-	-	1635.00	-	-
Zero coupon 2000	37 00	-	-	-	-		46.00	-	12.55	-	-	-	83 00	-	-
Zero coupon 2000(II)	-	-	-	29.00	-		-	-	-	-	-	-	29.00	-	-
Sub-total(volume)	1079.00	-	-	1668 00	-		395.50	-	-	1167 00	-	-	4309.50	-	-
4. State Govt Securities	0.80	13 90	13.93	0.08	13.74	12 69	0.02	13.86	13.90	8.03	13.85	13 90	8.93	13.85	13.89
Grand total(volume)	1864.11			2503.19			894.59			2646.27			7908.16	-	-

(-) means no trading YTM = Yield to maturity in percentage per annum CY = Current yield in per cent per annum * Yield rates of these sub-groups of TBS and dated securities have been used for the graphs.

Notes: 1) Yields are weighted yields, weighted by the amounts of each transaction. 2) Current yield has not been worked out for treasury bills.

STCI Operations

Even though handicapped by low equity base and limits on single transaction, STCI has been actively involved in the secondary market by offering two-way quotes for popular securities – price quotes for government stock and yield quotes for treasury bills. As a vehicle of monetary policy, STCI mostly quotes offer rates higher than the market rates but its bid rates were largely unattractive which have probably engendered a mismatch of assets and liabilities for the institution which has already begun functioning as a primary dealer.

NSE Operations

The secondary market for government securities on the National Stock Exchange (NSE) was largely subdued during the first week of August. The traded volume during the week was Rs 252.53 crore (Table 7) with the government securities being most active followed by treasury bills. Commercial papers of SAIL, Finolex Cables were traded in significant volumes. Bonds of IDBI and ICICI were also active on the NSE screen. Interestingly, freshly-issued 364-day TBs began to be traded on NSE on the day following their issue on a few occasions.

[Statistical compilations and graphs for this note have been done by V P Prashant; Paramita Debnath has prepared background notes on private debt instruments and money market rates.]

COMMENTARY

Labour, Get Lost

A Late-Capitalist Manifesto

Jan Breman

The World Bank's capitalist manifesto in the form of the World Development Report 1995 *devoted to the theme of 'Workers in an Integrating World' exaggerates, distorts, selects or avoids information and, every now and then, does not shy away from disinformation.*

KARL MARX wrote *Das Kapital* less than a century and a half ago, inspired by the urge to serve the interests of the working class. Arguing from the opposite perspective, and motivated by the final breakdown of the socialist economies, capital has decreed how labour should behave if it is to attain a better future. The World Bank published its capitalist manifesto in a recent report, 'Workers in an Integrating World' (*World Development Report 1995*). While for Marx the emancipation of labour was the leading principle, the development trajectory suggested by the World Bank seems to take the unconditional and permanent surrender of labour to capital as its point of departure. Such triumphalist terminology is avoided, of course. Transition to a fully liberated market economy, we are told, is the best guarantee for sustained economic growth which will also benefit the working man. Reconstructing the global economy on a new and viable footing is a painful process, the more so because of the strongly protectionist nature of state-directed development policies that have upset the natural rhythm of market forces for most of the short 20th century.

The World Bank has no problem in acknowledging that the poor in particular have suffered, and continue to suffer, from structural adjustment. In terms of labour standards, this remedial plan of action involved dismantling a wide range of public regulations and provisions, causing wage cuts, unemployment and recession. In low-income countries unskilled labour is the most vulnerable social class, women even more so than men. The World Bank claims, however, that drastic restructuring in the balance of power in favour of capital is and continues to be a precondition for economic recovery. According to the Bank, however, it should be remembered that the pain borne by the poor was caused by failed strategies during the so-called development decades and is not due to any faulty design of the reform policy now in place.

The essence of this statement is arguable, to say the least. I have read the World Bank report and wrote this review while on an academic tour through the Caribbean region, which ended with a short halt at the University of the West Indies in Jamaica. That country's experiences are of particular interest because, as a recent study points out [Le Franc 1994], Jamaica was targeted by the World Bank at an early stage. It was one of the first countries in which structural adjustment programmes were implemented and in which loan conditionality was particularly harsh. Various contributors to the report conclude that the overall impact has been seriously negative and that social and economic costs have been excessively high. More crucially, and contrary to the outcome predicted by the World Bank, they deny that any noticeable improvement has so far materialised in the poverty-stricken conditions of most people as a consequence of the externally imposed structural change process. The authors of this critical assessment, nevertheless, concede that the downward growth trends of the 1970s and 1980s have been reversed.

> More specifically, demand has been deflated, the size and functions of the public sector have been reduced and redefined, more liberalised market mechanisms have been put in place, the division of the national income between labour and capital has shifted in favour of the latter, the structure of the labour force has changed, and there has even been increased levels of employment [Le Franc 1994:xii].

Unfortunately, while growth rates have increased, so also have net transfers out of the economy. In addition, over the adjustment period, people falling below the poverty line have increased in number: in 1992 an estimated 34 per cent of Jamaica's population lived in absolute poverty. I shall have occasion to return to the important conclusions in this single-country study in more detail later.

Growing Unequality

First, a few basic facts from the *World Development Report 1995*. The strength of this policy document is in the presentation of a huge amount of factual data as tables in the text, followed by an appendix on international labour statistics and an extensive overview of world development indicators. Although questionable in several respects, the information provided and the way in which it is presented is doubtless very useful to all who feel a need to discuss the labour issue within the setting of a competitive globalised economy. The report is also welcome because of its strong focus on the impact on labour of two distinct global trends of which the World Bank itself is a principal promoter: (a) reduced government intervention in markets and (b) increased integration of trade and capital flows which are accompanied by exchange of information and technology. The prime significance of the report is its analysis of the labour question in a truly global framework, not only going beyond the level of the nation-state but also relating rural to urban labour, formal to informal sector employment and work conditions across all spheres of economic life. This inter-sectoral and worldwide approach allows the World Bank to make meaningful comparisons between living standards of Vietnamese peasants, street traders and factory labourers, with those of waitresses and industrial workers in France. Or, to give another example, to explain how and why the earnings of bus drivers in Seoul, Bogotá, Jakarta, Bombay and Nairobi were more similar 35 years ago than they are today.

Of the 2.5 billion men, women and children who constitute the world's labour force at the present time, 1.4 billion live in poor countries, defined as having an average income per capita of less than US $ 695 (in 1993). More than a billion individuals have to make do with one dollar or less a day. The global army in search of work is going to grow in the next three decades by another 1.2 billion, a massive increase that will be concentrated almost exclusively outside the already developed part of the world. By the year 2000 only a tiny minority, according to the Bank's estimates, less than 10 per cent of all workers, will not be integrated in the global market.

One of the gains of sustained economic growth is a decrease in labour time: today's high-income industrial countries have recorded an almost 40 per cent decline in hours worked per person per year, from an average of 2,690 in 1900 to 1,630 in 1986. However, only a small minority has thus benefited. Today, 80 per cent of all industrial employees in the world live in poor- and middle-income countries. Such figures indicate the drastic shift that has occurred in recent times in the occupational composition, spread and workload of the labour force at the global level.

The good news is that, mainly because of increased productivity, the average worker is better off, sometimes much better off, than a generation ago. The greatest successes have been achieved in east Asia, where gross domestic product per worker more than tripled between 1965 and 1993. South Asia too, where labour productivity doubled over

the same period, has not done at all badly. Growth combined with progressive incorporation into the global economy, according to the World Bank gospel, is the prescribed remedy for poverty alleviation. A decade from now, as a result of the Uruguay Round Agreement, the purchasing power of wages will have risen in all major regions of the world except Africa. ASEAN and China are trend-setters, but south Asia is also expected to do better than either the EEC, Japan or North America.

At the same time, there can be no guarantee that the poorest workers will experience a rise in living standards. The other side of the success story is that the already existing inequality has sharply accelerated. In 1870 the average income per capita of the richest countries was 11 times that of the poorest; that ratio rose to 38 in 1960 and to 52 in 1985. This divergent relationship between growth performance and the initial level of income per capita applies not only in those extreme cases but is empirically valid on average over a sample of 117 countries. Statistical analyses of growth in income per capita confirm the importance of differences in initial levels: countries that were richer at the start grew faster. The Bank further spells out how, in the transition to a market regime, an increase in inequality may be not only unavoidable but indeed desirable. For such economies in the process of rehabilitation a widening of earlier established disparities is required in order to function efficiently.

Management of Poverty Alleviation

How can the poor catch up with the part of mankind that is much better off? First and foremost, they should not insist on a repooling of economic resources. The World Bank warns that it would not be very realistic to expect a major redistribution of capital. Altering the division of assets may be – in what could be a slip of the pen, the report on one page actually says *is* – crucial to breaking circles of poverty and reducing income inequality. A case can be made for large-scale land reforms in order to increase production and economic efficiency, but such major reforms are not easily accomplished. Large redistributions of land (or other forms of capital), the World Bank points out, have seldom occurred except in times of great political upheaval. And if a more equal division of property rights appears on the agenda at all, so the advice goes, the former owners must be compensated for their loss of stock. Land reform is best executed within a market framework, with willing buyers and sellers, rather than through expropriation. It is clear that in the professed scenario a drastic restructuring of resources between rich and poor is given rather low priority even at the national level, evidently for the sake of economic stability. At the global level such a shift in the distribution of capital merits no discussion whatsoever. If not these, then what changes are desirable and acceptable from the Bank's point of view?

The report puts much faith in upgrading the economic value of labour.

> An easier way to reduce poverty and increase equality of incomes is to change the distribution of human capital. Unlike with physical capital or land, this can be done by adding to the existing stock rather than through redistribution. Investing in the *human* capital of the poor, through primary health care and education, has been an important part of successful strategies of poverty alleviation. (p 42)

To that extent, governments can and should play an active role in facilitating access to what, in the Bank's notebook, are still demarcated as basic public services. What I find remarkable in the report is that while labour is persistently labelled as human capital, capital seems never to qualify as the product of human labour.

The proposed policy basically implies giving up on poor adults and investing instead in the next generation as the best strategy by which to improve the quality of life for the majority of mankind. In other words, policies aimed at reaching the children of those left behind are more likely to be effective. Breaking inter-generational cycles of poverty means giving children access to opportunities that have bypassed their parents. The key is therefore to invest in the human capital of these children. Education alone is usually not enough, however; it is also necessary to upgrade their physical quality. Better health, nutrition and education undoubtedly have value in their own right, enabling people to lead more fulfilling lives. As far as the World Bank is concerned, however, this is not the only or main reason why free public provision of these basic goods should be tolerated for relieving the plight of poor labour. Better nutrition and health will improve children's capacity while in primary school and, consequently, increase their productivity at work when they are older. Therefore, governments should ensure above all that the children of disadvantaged households do not remain entrapped in poverty but instead are given the chance to realise their economic potential. At an elementary level only, of course. With regard to most other human resources programmes the Bank sees no justification for free provision.

Accepting the economistic bias of this logic, if only for the sake of argument, it would be justified to mistrust even the modest pledges on the provision of social welfare made by the World Bank in view of what happened under the structural adjustment regime for example in Jamaica. The study mentioned earlier has this to say on the gratification of prime social needs.

> With regard to the supply of basic foods, the pursuit of SA meant the removal of price controls and subsidies, while in health it meant fee-for-service and escalating drug prices. In education, it meant over-crowding, deterioration of physical facilities, and declining performance... Between 1977 and 1987, expenditure on primary education declined in real terms by 30 per cent. [Le Franc 1994:42, 46]

Let us assume for a moment that the Bank is indeed willing to reconsider the harsh adjustment policies that were pushed so aggressively for many years and to mend its ways by genuine commitment to a mini-packet of social welfare. This would at least give the children of the poor access to elementary schooling and primary health care. But then comes the next question, which is whether the provision of these social goods is anything more than a mere marginal improvement in the life and work chances of the poor in an integrated and highly competitive global economy. After all, the trend towards growing inequality is also discernible in the ever-widening gap between educational and medical standards which so markedly distinguishes the lifestyle of the rich from that of the poor. To put it more succinctly, adaptation of the Bank's favoured strategy for remedial action hardly deserves to be called a significant breakthrough in the race of the poor to catch up with the richer Joneses at home and in the world at large.

Imperative Need for Labour Market Flexibility

Today, half of the world's workers are still self-employed or work in family enterprises, typically a farm. In the course of economic growth combined with sectoral diversification, employment in agriculture is declining, job opportunities in services and industries are expanding, and workers move to urban areas and from the informal to the formal sector. This is the upshot of a long development story in a nutshell. The World Bank steadfastly repeats the conventional wisdom of self-employed peasants in agriculture who first become waged labourers in the lower echelons of the urban economy, earn some income and learn skills, save, and ultimately again set up an independent business. My own extensive research on the urban informal sector has shown not much evidence, at least not on any large scale, of such upward mobility. In my opinion, it is a myth inspired by wishful thinking.

In low-income countries only about 15 per cent, in middle-income countries 45 per cent, of the total workforce earn a living in the formal economy. In high-income countries, the proportion of such labour is much larger, excluding only a small minority from employment in wage-paying, non-agricultural private firms and the public sector. The discrepancy reflects the differential way in which labour has become incorporated in the global economy.

Studies of rural labour markets in developing countries show a dominance of

implicit, i e, informal, labour contracts. Adhering to the moral economy school of thought, the World Bank report claims that in poor villages wages may be set at a level that ensures that workers have enough to eat in order to work effectively. More generally, wages will be set for a given task for the season, and considerations of what is fair may apply. I find it difficult to accept this statement without further qualification. In the course of my own research on the past and present state of agricultural labour in India, I have had occasion to comment time and again on such notions of 'fairness' imposed by employers. Exploitative labour practices are not an expression that belongs to Bank jargon. The bias against such phrasing explains why jobbers, important figures in the landscape of migratory and informal sector labour, are depicted not as ruthless operators selling their catch to the highest bidder, but as efficient brokers who smooth the contact between demand and supply.

> They contract with farmers, act as employment agencies, and contribute to the flow of information across labour markets of neighbouring regions (p 26)

With rising income per capita and an increasing rate of industrialisation, informal work arrangements and small-scale production become less useful The transformation is accompanied by a progressive switch to formalised contracts between employers and employees. Traditional systems of reward, based on piece-rates and task work, disappear and are replaced by more regular wages, a payment modality which workers obviously value for the security it offers.

The wording used suggests that the World Bank approves of the trend towards the formalisation of labour contracts. As a consequence, one would expect concern about a turn of events which signals stagnating growth of modern sector employment in many poor countries, as well as in those with higher per capita incomes, from the 1980s onwards. The earlier impression stands to be corrected, however, in view of the strong plea made a few pages later for doing away with most if not all regulations that provide protection to formal sector workers. Policies that favour the formation of small groups of workers in high-productivity activities lead to dualism and tend to close the formal sector to broader influences from the labour market, at the cost of growth in employment.

> In many Latin American, South Asian, and Middle Eastern countries, labour laws establish *onerous* job security regulations, rendering hiring decisions practically irreversible; and the system of worker representation and dispute resolution is subject to often unpredictable government decision making, adding uncertainty to firms' estimates of future labour costs (p 34; emphasis added).

It goes without saying that all these sins of commission and omission against healthy market practices have to be strictly avoided. But should not a transition to formal work arrangements – specifically: tenured employment, regularised wages and social security provisions – be applauded as a major step forward in working class lives for which the labour movement in countries all over the world has tenaciously, and by and large successfully, fought in the ongoing transition to capitalism? The Bank scorns rather than sympathises with the opinion that this is, indeed, the route to be further pursued. It is here, however, that signals become confused. On the one hand the report says that a shift to a less distorted and more formalised labour market can function as an equalising mechanism. A few lines later another statement insists that formal labour markets are often distorted and biased against the poor

What ultimately becomes clear is that future prospects for workers in the global economy can only be bright if they are prepared to behave with maximal flexibility, i e, to forego most forms of security and protection. After a balancing act, summing up the well known pros and cons, the verdict is that minimum wages are difficult to justify, particularly in low- and middle-income countries The same applies to most other gains, often the outcome of long-lasting struggles, which mainly if not solely benefit that segment of the labour force which is relatively better skilled and organised. The message is abrupt, short and clear: the privileged treatment enjoyed by formal sector workers should be abolished in order to put an end to the obnoxious state of labour market dualism Has not experience taught that capital, forced by the need for continuous economic adaptability in the rapidly changing world economy, is only interested in flexible work contracts? Well, labour had better fall into line. Dictated by highly volatile market conditions, this means the acceptance of casual rather than permanent employment, of fluctuating instead of steady wage rewards, of variable contrary to stable hours and fixed length of workday. Last but not least, workers should make little claims or none at all to secondary labour rights. In expressing a preference for such a work regime, the World Bank goes to the extent of even rejecting as untenable, both in principle and practice, the introduction of safety regulations at the site of employment.

> Needy workers in those countries often are not reached by protective labour legislation. They benefit from public action that attempts to improve the working environment in the rural and informal sectors – for example, through the provision of drinking water, improved sanitary condition, or eradication of infectious diseases (p 78).

Reflecting on the miserable plight of labour in the city of Surat, the location of my urban fieldwork in west India and a bulwark of informal capitalism which has witnessed pogrom and plague in quick succession during the last few years, I find this statement in the World Bank document to be intolerably naive and quite objectionable.[1]

Empowerment

Empowerment does not really belong to the Bank's articles of faith The line taken in the report is that underutilisation of labour, sometimes aggravated by bouts of open unemployment, is the main cause of poverty, rather than that this state of deprivation in which so many workers have to live could be attributed to far too low wages which find their origin in highly uneven market power. Along the same lines of logic, rising real wages can be very risky since they motivate employers to adopt labour-saving techniques. The systematic concern with job creation rather than with the need to raise rewards for labour, also explains why the Bank's *gurus* are not charmed with the idea of linking labour standards with multilateral trade or lending agreements. Their pontifical reasoning, not really backed up by substantial evidence, is that the costs of such a linkage would outweigh its benefits. More in general, there has been an overkill of all kinds of international convention that either make little sense or which cannot be put into practice.

> Countries have adopted various ILO conventions and have set a wide range of workplace standards, whose implementation the ILO has monitored. But most low- and middle-income countries are unable to enforce all the standards that they have introduced in their legal systems And in many cases the standards are set too high – at levels more appropriate for a rich country – that even if implemented they could have untoward effects on employment and economic growth (p 78).

It seems that, as far as the World Bank is concerned, the ILO might as well close-up shop.

The report grants that labour market outcomes are sometimes inequitable due to discrimination, for example against women or ethnic groups, or to the exploitation of vulnerable categories such as young children. What can be done about such unfair practices? Very often not much, it seems. Indeed, public action can help to accelerate change by pushing to improve the human endowments of those who are worse off and by acting to reduce discrimination. Together with this recommendation, however, comes the warning that tackling the problems of those left out is a formidable challenge for policy, in industrial as well as in developing countries.

> Investment in these individuals often has a low return, either because they are old and have few years of work left, or because they lack the basic skills necessary to function in a work environment, or because they are stuck in backward regions (p 46).

In plain language, the Bank's advice is to give up on such cases. In other words, to

write off the adults as a lost generation and to give the highest priority instead to investment in children, since "their health, nutrition, and basic education are the foundation of a nation's future" (p 40).

With regard to child labour, the report points out that in many instances this is not really very harmful, particularly if children are used as unpaid helpers in a family business such as a farm. Furthermore, e g, in India, children of poor households are sent out to work because the parents badly need the extra money. National legislation and international conventions banning child labour cannot deliver results unless accompanied by measures to shift the balance of incentives towards education. Programmes that provide income security for the poor such as food-for-work or other public work schemes, are helpful in reducing child labour. But again, the Bank falls back on the more orthodox solution by concluding that once poverty decreases and education improves, child labour will decline. This in turn will facilitate the enforcement of legislated bans starting with such universally abhorred forms of child labour as prostitution and hazardous work.

How should we react to the economic victimisation of women and minorities? Standards designed to protect women from job discrimination are often difficult to enforce. Insisting on equal remuneration for work of equal value has proved problematic even in industrial societies, and is a virtual impossibility for many low- and middle-income countries with limited expertise and resources. At the same time,

> Governments should not give up efforts to end discrimination in the workplace But the focus of those efforts will need to change, with greater emphasis on policies to improve women's access to modern sector jobs – for example, through merit-based hiring of more women in the public sector (p.74).

One is tempted to ask, firstly, why only in the public sector and not in the much larger private sector as well? Secondly, why should gender discrimination in the informal sector, where such practices are both more extensive and intense, be allowed to continue without legal sanction?

The Bank takes a rather non-committal stance in reporting on the success of policies designed to end or at least reduce ethnic and religious discrimination in the labour market. The experience of the US as well as India is briefly summed-up with the comment that the impact of affirmative action is still being debated, but that such schemes are usually too costly and difficult to implement in the private sector

Empowerment is not an altogether dirty word in the labour manual of the World Bank. To begin with, there is the firm declaration that free trade unions are a cornerstone of any effective system of industrial relations. They can help raise work productivity and reduce workplace discrimination. The report adds that some unions have contributed significantly to the political and social development of their country. Solidarity in Poland under communist leadership and the black labour movement in its fight against South Africa's apartheid regime are referred to as cases in point. This magnanimous observation, however, is followed by a more critical evaluation of their negative economic effects.

> Unions do often act as monopolists, improving wages and working conditions for their members at the expense of capital holders, consumers and non-union (unorganised) labour. The higher wages unions win for their members either reduce business profits or get passed on to consumers in the form of higher prices. Either result leads unionised firms to hire fewer workers, increasing the supply of labour to the unorganised sector and depressing wages there (p 80)

Also bad, at least from the Bank's perspective, is that trade unions have sometimes wielded their political power against structural adjustment Latin America has a long history of opposition to adjustment policies from that corner India is also singled out as a country where the labour movement, which mainly caters for the small portion of workers in the formal sector, continues to be sharply critical of the government's recent liberalisation efforts, despite the apparent success of many of these initiatives since 1991. Nevertheless, trade unions can and do make positive contributions to economic growth and equity, and policy-makers should encourage them to do so.

A most meaningful conclusion is that denial of the workers' right to organisation has proven not to be necessary to the achievement of income growth. In fact, the report warns that banning free unions may even be counter-productive in economic terms because governments may then feel obliged to introduce minimum wage legislation in order to circumvent pressure for independent unions, as the Indonesian government has done I read this statement with a good deal of surprise. Anyone who is even faintly familiar with the oppressive and exploitative labour climate prevalent in Indonesia knows all too well that minimum wages are set at the lowest possible level, far below the cost of living. Moreover, employers have nothing to worry about in the case of non-payment of even that small amount.

Free trade unions are thus indeed made welcome by the Bank as long as they behave properly and responsibly. Negotiations at the enterprise level are praised as the most appropriate framework in which to achieve positive economic effects.

> Where unions cover only a small portion of the workforce, as they do in most low- and middle-income countries, decentralised bargaining under conditions of competitive output markets produces the best results. This precept has long applied in Japan and Hong Kong and applies now in Chile and Korea (p 6).

In reaction to this statement, my query is: best results for whom? Under normal circumstances the World Bank seems to be little in favour of national trade unions. How the countervailing power of both organised and unorganised labour can be built-up at the international level in the ongoing process of economic globalisation, is an issue that is not raised at all. Once more, one wonders if the Bank's agenda has made the ILO an agency which is obsolete.

Footloose Capital and Labour

The globalisation of financial markets means gains for private capital. But what the report wants to know is how it has affected workers such as Joe, Maria and Xiao Zhi. Rich countries are scared that an alliance between capital and cheap labour in developing countries will lower wages and living standards at home. Alternatively, poorer countries fear exploitation – that capital will come only when wages are low and will leave again when wages rise. The industrialised societies have always used the lion's share of global savings. Average capital per worker is $ 13,000 in developing countries and $ 1,50,000 in industrial countries, close to 12 times as much. For most developing countries the share of foreign flows in investment is small, ranging from 20 per cent for low-income (mostly in the form of debt) and 5 per cent for middle-income countries. Overall, the transfer of financial resources from rich to poor countries has only played a moderate role in complementing domestic saving in developing countries In recent years, however, private capital has been flowing towards developing countries at record levels. Of course, it also may flow back again, as demonstrated by the sudden reverse in the case of Mexico. Such drifts are and should be beyond the purview of the state. In the considered opinion of the World Bank, capital flight is a fact of life for governments as well as workers. The underlying message is that both parties had better react prudently in coming to terms with the volatile motions of this prime production factor which, after all, is more scarce and powerful than labour.

It is not really a big surprise to read that the Bank is well disposed towards multinational corporations, which are looked upon as major and benign vehicles for promoting the globalisation process. No doubt, there are risks involved.

> ..many developing countries fear that increased competition for funds by other developing countries will lead to a rise in footloose investments, prone to leave at the slightest shock and unlikely to establish strong links with the rest of the economy (p 62).

However, to restrict trade or capital is not an effective method of dealing with this problem. A better strategy for any country is to improve the skills of its people or to ease their transition to new jobs, while staying

engaged with the world economy. A policy of taxing multinational corporations, in an attempt to keep low-skilled jobs from migrating to developing countries, would be equally counter-productive. In other words, capital knows best when, where and how to invest It should be left alone as much as possible in its restless search for the highest returns. To leave capital unharnessed in its erratic flows around the world will also bring maximal gains for labour, if not directly then certainly ultimately.

Should also labour, like capital, be allowed to migrate wherever it wants to go? The Bank agrees that at first glance, the case for free labour mobility seems as compelling from an economic standpoint as the case for free trade On second thoughts, however, the issue turns out to be more complicated The overall effect of international migration is, undeniably, much smaller than that of trade or capital flows. The quantity of people on the move is often exaggerated. A mere two per cent of people born in low- or middle-income countries live elsewhere than in their country of origin. On average there is not more than one emigrant per thousand inhabitants. At the same time, the number of sending and receiving nations has increased – at least 125 million people now live outside their country of origin Most emigrants, however, do not leave home for destinations faraway but tend to stay within their own region. More than half the global flows of migrants now occur between developing countries

As the report emphasises, greater labour mobility is important for overcoming regional imbalances To begin with, it makes economic sense for the migrants themselves. Spatial mobility is frequently a rational response to better chances perceived elsewhere, in terms of job opportunities and/or higher incomes There is, however, another side to the story which makes the World Bank agree with policies that block the spontaneous movement of people, even though they act in line with the idealtypical behaviour ascribed to the *homo economicus* This is because of the social and political friction created by transnational migration

> The pervasiveness of international poverty and falling transportation and communications costs mean that free labour mobility could lead to large immigrations to rich countries (p 67)

So this is where the hitch lies According to the World Bank, the threat of social unrest and increasing xenophobia justifies restrictions to the massive movement of people, to high-income countries in particular A solution suggested for this problem would be to prohibit the entry of immigrants for indefinite time periods One way to discourage the attachment of newcomers to the host country (and their urge to bring dependents as well), is to follow the example of several countries who stimulate the rotation of migrants by setting a prohibitively high price on the renewal of a work permit.

I find this line of argumentation flawed on several counts. Firstly, intra-national labour migration frequently causes the same type of friction that has become increasingly associated with the flight of 'economic refugees' to more prosperous zones elswhere in the world. It is clear, however, that the Bank would never dream to argue in favour of controls on the quality or quantity of people moving around in their own country in search of work and a better life in general. Secondly, the social and political dislocations created by the free flight of capital can be just as sharp as when people start to drift away, if not more so Why should governments only restrain the influx of that type of capital which is called human and not the exodus of financial capital? The report's observation that capital crosses borders more easily than labour indicates a policy bias that is actively endorsed by the World Bank.

A Regime of *Laissez-Faire*?

The Bank stoutly denies that the labour policies that it would like to see in operation bear the orthodox stamp of *laissez-faire, laissez-aller* When all is said and done, government intervention should ideally be limited to public action which supports the efficient functioning of markets and encourages productive investment As I have remarked earlier, the report is extremely cautious on how to deal with uneven market power and pays little more than lip-service to the needs of major categories of workers who are discriminated against or disadvantaged in other ways.

This conclusion also applies to the important social question, i e, how to cope with people's insecurity or lack of income Without bothering much about nuances, let alone assess more systematically the abundantly available evidence, the Bank's policy document resolutely declares that in the past governments have failed to improve welfare through state action. The prime recommendation is to desist from all efforts in this direction for the major share of the global labour force which belongs to the informal sector economy The argument again used is that of undue favouritism shown to categories employed in the formal sector

> The allocation of government expenditures on social services is often biased against the poor, and especially against those in rural areas and lagging regions The result is usually a lack of adequate sewerage, roads, and health and school facilities to serve poor communities (p 47)

These problems of uneven development can be redressed most effectively by large-scale investment in public infrastructure. Non-wage benefits should in principle be avoided, and certainly not provided by the state, since they hinder labour mobility and the healthy operation of the unfettered market mechanism.

The report wants us to believe employer-workers relations in the informal sector are governed by a wide range of social customs and traditions which mitigate the insecurity of the working poor. Employers are said to continue wage payments during the slack season, to provide loans to workers who face unexpected expenses, to support older workers or those unable to work for health reasons. We are told that such informal commitments by employers, although not formally agreed upon in advance, are an important part of socially acceptable codes of conduct. I must have missed this important dimension in my research among the working poor in many and varied rural as well as urban locations. Or have I fallen victim, innocently or even willingly, to systematic misinformation? In answer to my persistent queries, these workers tended emphatically to deny practices of benevolent paternalism. A more plausible conclusion, to which I feel justified in view of the counter-evidence in support of my different interpretation, is that the Bank's report is authored by a team of economists who are much more sympathetic to the interests of capital than to those of labour.

It is not only the continued prevalence of patron-based support mechanisms which, from the World Bank's point of view, argue against the early introduction of a public safety net in order to ease life somewhat for the most vulnerable categories. Such public provisions are also deemed unnecessary because of the ties of solidarity said to exist among kinsmen The claim is made in a sweeping statement which shows an outrageous degree of ignorance about the lives of large segments of the working poor.

> Financial help from relatives remains the principal form of income support and redistribution in developing countries. The extended family system is an important way of providing extra income and security to individual workers and their immediate households. . Private transfers play an important insurance function in addition to reducing income inequality: they provide old age support and ameliorate the effects of disability, illness, and unemployment. In most developing countries, especially in rural areas, older generations rely on the young to supplement their income (p 87).

Public works programmess can complement private efforts to help the unemployed poor, provided that the recipients are willing to work for low wages and to go wherever such work is offered. The low wages act as a self-targeting mechanism since they will be accepted only by the truly needy. For the more privileged labour in the formal sector, governments of low- and middle-income countries with limited administrative capacity are advised to adopt schemes based on severance pay, naturally co-financed by the workers themselves, rather than to introduce unemployment insurance. Reading such directives one wonders if the World Bank

really comprehends that governments are not mere bureaucratic agencies but also, and in the first place, political bodies which have to come to terms with the demands of their electorates

Finally there is the problem of people who are unable to find employment, whether temporary or permanent As for the first category, until the moment of their reintegration into the labour market, public employment schemes can deliver poverty relief policies cost-effectively For those, however, who are unemployable not only now but forever again – perhaps due to old age or disability – the public transfer of cash or food may be required It goes without saying that these hand outs should also in these instances be complemented by reliance on the type of private support mechanisms which, according to the received wisdom of the World Bank are such an important feature of social life in traditional [which are those?] societies

On Balance

What does the immediate future look like for the working poor at the bottom of the global economy always assuming that this vast multitude is willing passively to accept the labour regime that is euphemistically said to have been formulated for their own good? According to World Bank calculations, the difference between rich and poor will be in the order of 50 1 by the year 2010 The implication is a drop to a level only marginally below the one reached about 10 years ago in 1985 Such a ratio gives little ground for exultation But even this outcome cannot be guaranteed The best-case prognosis comes accompanied with the warning that if poor countries do not pursue market based policies or if the trend of global integration should be halted by protectionism the inequality which has been growing rapidly during most of this century, will further escalate and reach a proportion in the near future of 70 1 In fact, the Bank document signals that this scenario may be more realistic than an early reversal followed by a strong spurt in the direction of greater equality

In both China and India, the two awakened Asian giants, labour policy is in need of drastic reform There is a particular need to speed up the transition process in China and Vietnam and on the Indian subcontinent countries where the bulk of today's poor are concentrated

> Each has a small group of workers who are relatively well paid and enjoy high job security and, especially in China, generous non wage benefits, but are stuck in activities that need to be restructured Regulation is excessive, and workers have substantial political power – manifested in south Asia in independent and highly politicised unions in China in the potential for industrial action Resistance to change could threaten the transition to an open economy and the integration of the domestic labour market (p 122)

Moreover, there is always the danger of backlash from the industrial countries in the wealthy part of the world, possibly linked with concerns over labour standards Further, there is the risk of rising competition from China, Vietnam and the countries of south Asia for the poorer members of the group of late industrial nations, and from central and eastern Europe for the richer members of the same club

In short, things may worsen before they eventually start to get better Behind this dismal prospect for the huge army of poor people the more well to-do part of working mankind living in developed countries receives a far more positive message, namely that they need not worry about any drastic fall in their living standards The gains they have made within the lifetime of a few generations are not likely to fade away or be reduced in future years, whether absolutely or relatively by any serious attempt to redistribute the cake of global wealth

During the next few decades at least the gap will remain What else could be expected in view of the manifold structural impediments often of long standing that poor people have to face in their desperate struggle to do better in future than in the past? The early stage of the globalisation process has been of crucial importance in building up economic disparities in the world

> Participation by the developing countries in the earlier globalisation of 1850 to 1900 was shallow and often based on unfavourable terms especially in Asia and Africa They exported exclusively primary products and capital flowed in mainly to support such enterprises to develop capacity in natural resource extraction and maintain the support of friendly governments (p 53)

Here we are talking of course although the words are carefully avoided, about colonialism and exploitation by colonial governments Readers of the report who are reasonably familiar with the modern economic history of Asian and African societies or for that matter in the Caribbean region will be amazed that the integration of these countries in the world economy under colonial rule is summed-up as a 'shallow' first round of globalisation Such casual phrasing is a telling comment on the lack of historical depth among the experts on whom the World Bank policy-makers rely for authoring their documents

The *World Development Report 1995* has a high ideological content To put it more crudely, it serves propaganda purposes and shows all the characteristic features of such publications It exaggerates, distorts, selects or avoids information, and every now and then does not shy back from disinformation Examples of the last type of misrepresentation include that wages of agricultural labourers in India rose by 70 per cent between 1970 and 1990, that in Indonesia growth has reduced inequality; that, *ceteris paribus*, dirty or risky work is likely to pay more A more fundamental objection to my mind is that some core issues are underplayed or in several instances even totally ignored

To give a few examples, there is scant discussion of the displacement of labour due to technological innovation The relevance of this topic can be derived from an incidental press flash in my own country reporting that, while profits for major Dutch business corporations have increased fabulously of late their record in terms of job creation is abominably poor Within the abundance of statistical data contained in the Bank report, one would search in vain for any clue to the changing quantum of labour cost in the overall production price of commodities that circulate in the world economy in different stages of processing And finally all information on the share of business profits going to respectively labour and capital is avoided like the plague

Marx's oeuvre on political economy has been criticised severely from the moment of publication and quite rightly so His ideas were dogmatic and reflected a heavily mechanistic view on the stages of economic growth which was moreover, unduly Eurocentric However the the World Bank's credo seems equally doctrinaire The differences in substance and style are too many to list, but one is that while Marx never disguised his *parti pris*, a prime source of inspiration for writing his work the leading Bank in the business of globalisation makes believe that its labour catechism is an objective and even handed appraisal on how the working poor in the world can be redeemed from their life of misery That is a sophism

The World Bank's black and white thinking which colours both its policy analysis and recommendations is illustrated by the notion that the main task of government is to create a climate and environment that is conducive for capital to flourish i e to operate with maximum efficiency and efficacy There is nothing in the Bank's report on the background of capital and how it originates, on the social identity of its owners or what they want and why The rationality of capital is never questioned in principle A basic assumption of the World Bank seems to be that capital is willing to behave with political correctness in other words to act with social propriety and to adhere to policy directives that favour investment in productive activities which create employment No reference is made to speculation or to the role of black money and its impact on employment and labour relations far beyond the informal sector of the economy The international circulation of these huge amounts lacks transparency, of course, but that is no reason for remaining silent about these financial conduits and the way in which they impinge on labour conditions at the global level

The mantras of the Bank relating to employment and labour are ultra anti-statist. In defence of that virulently hostile bias, the report harps on the complete failure of socialist economies, particularly in eastern and central Europe, ending with their total collapse. Many points are well made. In its eagerness to drive the lesson home, however, the Bank goes overboard by clubbing together socialist state regimes and countries with mixed economies. Although in the eyes of the World Bank these are presumably tainted by the same disease – both having provided cradle-to-grave protection for their workers – the two cases should be distinguished as different political economic systems with past trajectories that were markedly divergent. The upshot of this observation is that the very substantial progress in the quality of the labouring existence in my own country over the last hundred years would not have come about without public intervention in the domain of private economy. The emancipation of the working class was accompanied by the harnessing of naked capitalism through social and political action promoted by social-democratic as well as christian-democratic ideologies. The outcome of this struggle in the Netherlands was a welfare state which, although now in the process of being slimmed down, still seems to have a viable future. The verdict of the World Bank that governments in the past failed to improve welfare through state action caricatures the track record of many nations in Europe and other parts of the world, and does not do justice to the testified success of redistribution of income through public policies.

Ending on a Disconsolate Note

The Bank has a poor reputation on equity and social justice. It is true that the report endorses greater political openness and democracy, but not so much as worthy goals in themselves, so it seems at least, but as useful means by which to increase economic efficiency and raise production. The other side to this is that, while authoritarian regimes do not face open opposition, democracies are held accountable but precisely for that reason often have difficulties of legitimacy in times of structural adjustment.

Labour market dualism is strongly rejected because the many benefits showered on formal sector labour, a privileged but small segment in low-income economies, are said to disqualify a large part of the working poor from striking a better deal. Informalisation, however, seems to me to be the wrong way of solving the inequity problem. The Bank actually replaces the dualism it fights with another policy dichotomy, that between capital and labour. In contrast to the first factor of production, which is allowed to insist on stability and security, workers are expected to behave with maximum flexibility which puts many of them into a state of extreme vulnerability. My conclusion is that the World Bank hides its political choices behind economic arguments which are given the status of natural laws.

A last question that comes to mind in this concluding part of my critique is whether most of the money flowing to state treasuries – a more modest amount anyway in view of the Bank's advice to tax capital lightly – will not be needed to maintain law and order. The situation that I encountered in the Jamaican capital during the summer of 1995 indicates what may represent a more general state of emergency throughout the world.

The new Kingston that has arisen is a location in which World Bank officials and their clients would immediately feel at home. This enclave consists of modern roads and stylish buildings in which hotels, embassies, banks, travel agencies, etc, run their global business. The air-conditioned shopping arcades have American-style eating places. In these multi-storied malls one can buy all the familiar brand names which everybody becomes familiar with during commercial breaks on foreign and local TV channels, dominated by the endless American soaps. Consumers are allowed to pay in Jamaican money but the US dollar has become standard currency as well in this milieu.

Only a short distance away, downtown Kingston with its slum settlements belongs to another world. A street vendor in the local Jubilee market could not even change the small note with which I tried to buy a few mangoes. Helmeted soldiers patrol the streets, armed with action-ready rifles to quell the private wars fought between criminal gangs. The visible state power intensifies the grim atmosphere which is felt rather than seen. Aliens, a category which includes foreign tourists but also members of the capital's growing 'middle class', are advised to stay away from this troubled zone. Political parties recruit *Lumpen* in this locale to do their dirty work. A stark naked man, evidently mentally disturbed, wanders around in the streets. His wild gesticulations and shouts are ignored by all who pass him by. On the corner I try to avoid looking at a small demonstration of violence. A boy is surrounded by two helmeted soldiers who threaten to beat him with the butts of their rifles.

My impressions walking the streets of Kingston are confirmed in the review which I quoted earlier on the Jamaican experience with structural adjustment policies. Two contributors to this collection of essays portray the losers as follows.

> They were seen in the increased number of homeless and mentally ill searching through the garbage containers, they were absorbed among the numbers of youth recruited into criminal posse, they were included among the fixed income pensioners whose private property could not be relieved by food stamps, they were numbered among those who stood grimly in visa lines, and they were found among those whose incomes were increasingly inadequate for the purchase of basic food requirements (Anderson and Witter in Le Franc 1994:52).

What is missing in the Bank report is discussion on the dignity of labour in its own right, and on the need to safeguard the quality of social life in the ongoing process of global integration. The World Bank seems to be much more concerned about dualism in the labour market than about the growing bifurcation between the haves and have-nots caused by the type of policies it prescribes. Such a trend towards polarisation is bound to end by a division of people at the national as well as the global level, into two segments: the included and excluded. At the end of the introductory overview the report briefly considers this frightening spiral:

> Indeed, there are risks that workers in poorer countries will fall further behind, as lower investment and educational attainment widen disparities. Some workers, especially in Sub-Saharan Africa, could become increasingly marginalised. And those left out of the general prosperity in countries that are enjoying growth could suffer permanent losses, setting in motion inter-generational cycles of neglect (p 8)

That this is no hypothetical scenario becomes clear when, much later in the report, the observation is made that countries which are initially poor tend to invest less and to have less educated populations. The circle is thus closed. Poor countries tend to grow more slowly than richer countries in spite of the (small) advantages conferred by backwardness, because their very poverty does not allow them to invest in human and physical capital to the same extent as the richer countries. How can that conclusion be combined with the document's major recommendation that tells governments not to bother about redistribution of income or resources but instead to concentrate on investment in health and education for their children?

The policies outlined by the World Bank reflect more than mere technocratic pragmatism. It is an approach that leans towards social darwinism dressed up in a new jargon which is more polished than the earlier variety some hundred years ago. The Bank takes sides and, contrary to what it claims, not in favour of the poor populations who will continue to make up a very large part of mankind in the 21st century.

Note

1 See for more detail Breman (forthcoming, 1996). This monograph is the outcome of my research in recent years on the dynamics of informal sector labour in urban and rural south Gujarat

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Revenue Village vs Real Village

Under-Enumeration and Non-Enumeration under Srisailam Project

: Ramachandraiah

By blindly following certain concepts such as that of 'revenue village', the Census exercise has in certain areas resulted in under-enumeration and non-enumeration. In areas affected by the Srisailam project in Andhra Pradesh, for instance, entire villages have been left out.

BROUGHT out as a joint venture of state and central governments, the District Census Hand Book (DCHB) is one of the important Census publications especially in the context of the planning and development at grass roots level. It is the most important, rather the only, source that provides village level information for several demographic and socio-economic characteristics. Ever since 1951 when the 'village statements' were replaced by the DCHBs, certain improvements have also been made in the content and depth of information presented in successive censuses. Thus in 1981, exhaustive information has been incorporated to meet the needs of not only "micro-level and local area planning for rural areas" but also "to meet the Minimum Needs and Revised Minimum Needs Programme of the Planning Commission". The purpose was also to "help [in] regulating the provision of goods and services and also to enable minimising regional imbalances in the process of development".

The Census has adopted a village as the smallest unit and this village follows, though not necessarily, the revenue village which has definite surveyed boundaries and is recognised by the district administration. The village may or may not have hamlets but these hamlets are situated within the area of the village. One may infer that even if there are hamlets, what appears in the Census is the name of the (revenue) village. Here lies the problem. The concept of revenue village was introduced by the British as the lowest administrative unit in the settlement hierarchy for revenue collection and not for any local level planning and development. If one has to examine various dimensions of development at village level, there is no way one can know about hamlets through the DCHBs. Some of the hamlets are quite significant in size and are, sometimes, as big as the main village itself.

The DCHBs have not been published for 1991; the data are available in floppy-diskettes. We make an attempt to compare the population figures of some of the displaced villages between 1981 (prior to displacement) and 1991 under the Srisailam project in Andhra Pradesh. The population figures for 1991 have also been obtained from the local Mandal offices for comparison with the Census data of 1991 to assess the differences. The feasibility of the Census adopting 'revenue village' in providing data to be useful for micro-level planning and development is also discussed. The analysis is confined to Kurnool district because of the easy availability of data at the micro-level.

More than a lakh of people were displaced, rather forcefully evicted, in May 1981 in Kurnool and Mahabubnagar districts under the Srisailam project in Andhra Pradesh. About 82 villages were submerged accounting for more than 21,000 dwelling units. Another 35 villages lost part of agricultural lands. The government of Andhra Pradesh did not have any rehabilitation policy other than paying cash compensation. The compensation paid to lands was only one-fourth to one-fifth of their market values. Similarly compensation paid for houses was also much less compared

TABLE 1. CHANGING SETTLEMENT PATTERN IN KURNOOL DISTRICT

Old Settlement(s)	New Settlement(s)
Prathakota	Prathakota East
	Prathakota West
Ganapuram	M Ganapuram
	N Ganapuram
Thatipadu	Thatipadu
	Bhaskarapuram
Gummadapuram	P Gummadapuram
	C Gummadapuram
Vanamalapadu	Vanamalapadu East
	Vanamalapadu West
Arlapadu	
Veerapuram	
Murvakonda	Nehru Nagar*
K K Pragatur	
P K Pragatur	
Sankirenipalle	Sankirenipalle
	Vanamalapadu East
Yellala	Yellala
	K Muchchumarri*
Palamarri	Palamarri
	Pagidyala*

* Pre-existing.

TABLE 2 DISCREPANCIES IN POPULATION DATA BETWEEN CENSUS AND MANDAL OFFICES IN 1991 FOR DISPLACED VILLAGES KURNOOL DISTRICT

Sl No	Name of the Village	Name of the Mandal	1981 Census			1991 Census			1991
			House-holds	Popu-lation	Lite-racy	House-holds	Popu-lation	Lite-racy	Popu-lation
1	Prathakota	Pagidyala	1501	7406	26.51	–	–	–	7840*
	P West		–	–	–	348	1876	40.35	4696
	P East				–	301	1504	34.24	1270
	Hamlets								
	Vanamalapadu		–	–	–	–	–	–	892
	Sankirenipalle		–	–	–	–	–	–	982
2	Muchchumarri	Pagidyala	731	3964	22.43	1168	6262	30.58	4972
3	Nehrunagar	Pagidyala	–	–	–	–	–	–	13324*
	Components.								
	Nehrunagar		–	–	–	–	–	–	2999
	Murvakonda		1082	5362	24.17	1396	6627	32.70	5849
	Veerapuram		261	1377	16.85	'Un-inhabited'			772
	P K Pragatur		–	–	–	–	–	–	1658
	K K Pragatur		–	–	–	–	–	–	823
	Arlapadu		–	–	–	–	–	–	1133
4	Ganapuram	J Bunglow	920	4696	20.85	279	1265	39.76	2764*
	M Ganapuram		–	–	–	–	–	–	672
	N Ganapuram		–	–	–	–	–	–	831
	Hamlets								
	Pothulapadu		–	–	–	–	–	–	948
	Chebolu		–	–	–	–	–	–	313
5	Thatipadu	J Bunglow	582	3227	22.44	732	3510	32.82	3507*
	Thatipadu								2465
	Bhaskarapuram		–	–	–	–	–	–	1042
6	Gummadapuram	Kothapalle	315	1618	21.69	428	1916	20.04	1135*
	P Gummadapuram		–	–	–	–	–	–	730
	C Gummadapuram		–	–	–	–	–	–	405

Notes: * Includes subdivisions and hamlets. Figures are based on the data obtained from the mandal offices.
The hamlet Vanamalapadu under Prathakota has divided into two (Table 1).

to what the construction of a similar new house would have cost. Neither the government identify new sites in advance for resettlement.

The way the people were displaced and compensated under Srisailam project will go down as one of the darkest chapters in the history of major dams in India. People had to identify new sites and resettle on their own. In the process, a number of poor people from many villages settled in far away places in search of livelihood. A few settlements have completely disintegrated in the sense that they could not resettle at one place and retain the original village identity. One such village is Sangameswaram, near the confluence of Bhavanasi with Krishna (which already has waters of five rivers within it) and known as Sapta Nadi Sangam. It had a famous temple visited by thousands on Mahasivarathri day. The 'lingam' in the temple is made of wood and is known to have been consecrated by Dharmaraja, the Pandava chief. Another consequence of displacement is the divisin of settlements Broadly, intense factionalism in Kurnool district and nearness to the unsubmerged lands in Mahabubnagar district were the main reasons for such a division. Some of the villages also have resettled at one place thus forming a larger village (Table 1). Nehrunagar has emerged as a big village but the old village names are retained in their respective localities with a distinct identity. Displaced people from several far-off villages have also settled here. Of the five old villages that make up Nehrunagar, two are revenue villages, Veerapuram and Murvakonda. Thus the settlement pattern has undergone considerable change in the aftermath of displacement For any purposeful micro-level planning and development, it is imperative that these changes are taken into account and the population figures are recorded correctly.

One may notice serious discrepancies in the population figures of these settlements in 1991 between those obtained from the Census and mandal offices (Table 2). The census figures are expected to take into account the hamlets also. In all the hamlets and component villages mentioned in Table 2, a number of schemes like IRDP, DWCRA, JRY, etc, are under implementation at considerable investment. Field work data from these displaced villages suggest that the mandal figures are closer to reality. Incidentally, these figures have also been provided by the Census authorities as per the views expressed by the concerned officials at mandal level. If so, why such discrepancies? The hamlets of Prathakota are located quite far away whereas the two subdivisions are close-by on either side of the K C canal. Of the component villages of Nehrunagar, only Murvakonda appears in the Census and its population does not tally with the total figure. Despite the two subdivisions, Ganapuram and Gummadapuram appear as single villages in the Census The hamlet Pothulapadu is the place where the head regulator for Srisailam Right Branch Main Canal (SRMC) is located which in turn would supply water to Telugu Ganga Srisailam Right Branch Canal (SRBC) and partly augment K C canal waters In view of these significant changes in the settlement pattern, it is difficult to understand how the Census figures (of 1991) would provide a basis for development programmes of the Planning Commission and enable in "minimising regional imbalances in the process of development"

That the Census authorities at the local level have blindly followed the concept of 'revenue village' becomes evident further if one looks into Tables 3 and 4. Four revenue villages lost all the land and two more in a very high proportion This also highlights the extent of submergence. All the four villages, whose lands were completely submerged, along with another village, are reported to be 'un-inhabited' villages in the 1991 Census (Table 4). The fact that these villages have been resettled (displaced) was lost sight of. Palamarri and Beeravolu are located very close to the mandal headquarters. These villages are reduced in size drastically because people have left for other places to settle down in the aftermath of displacement. Because of the lands were totally submerged, they cease to exist as revenue villages but what about the people who have resettled? A number of schemes are under implementation in these villages also fortunately because they are visible and mandal offices have the population records. This amounts to non-enumeration of villages themselves in the Census while Table 2 discussed earlier refers to under-enumeration. The villages in Table 4 may continue to be reported as 'un-inhabited' unless corrective steps are taken by the Census. Steps also need to be taken to ensure that the enumerators do not strictly adhere to the concept of 'revenue village' to the detriment of other villages.

Such under-enumeration is not confined to the displaced villages. The fact that several hamlets do not appear in 1981 (prior to displacement) suggests that there is something seriously wrong in the methodology adopted by the Census in identifying villages and hamlets. What is the borderline of population between these two units? It may be interesting to examine this problem over wider areas. Inclusion of all settlements at least up to the minimum population of 50 in the Census is imperative if the data are to be used for any meaningful planning at local level. What is important in the context of planning is the settlement, a practical and real entity, with its population rather than under whose revenue jurisdiction it is located. The aggregate figures available for a village can sometimes be misleading in the absence of information for hamlets. Delimitation of boundaries for all small settlements will pose some difficulties. To overcome this problem, hamlets may be listed for each village while providing information, and only the location and boundary of the village may be depicted on the map (as is the practice now). The DCHBs may become slightly bigger in size with the inclusion of hamlets but the exercise will serve the purpose better than that at present. This is required in the larger interests of providing comprehensive data base for micro-level planning and rural development.

TABLE 3. LAND SUBMERGED UNDER REVENUE VILLAGES IN PAGIDYALA MANDAL, KURNOOL DISTRICT

Name of the the Revenue Village	Total Geographical Area before Submergence (Acres)	Land Submerged (Acres)	Per Cent of Submergence
Prathakota	6533 99	5728 79	87.66
Muchchumarri	5363 19	1431 19	26.69
Murvakonda	6555 37	5130 37	78.26
Palamarri	1518 69	1518.69	100.00
Beeravolu	2407 35	2407.35	100.00
Veerapuram	1393 70	1393.70	100.00
Yellala	2604 20	2604 20	100.00

Note: Similar data are not available from several mandal offices
Source. Mandal Revenue Office, Pagidyala Mandal

TABLE 4: EXISTING VILLAGES MENTIONED AS 'UN-INHABITED' VILLAGES IN 1991 CENSUS IN KURNOOL DISTRICT

Name of the Village	Name of the Mandal	Population 1981	Population 1991	Per Cent Change (1981-91)
Bijjnivemula	Nandikotkur	1821	1878	3.13
Veerapuram	Pagidyala	1377	772	-43.94
Yellala	Pagidyala	1534	1287	-16.10
Beeravolu	Pagidyala	2869	1131	-60.58
Palamarri	Pagidyala	1504	235	-84.38

[1] Population figures for 1991 are obtained from mandal offices.

Practice of Pedagogy in Non-Formal Education

Anjan Ghosh

In the context of the present din over Total Literacy, a small effort, discussed here, at putting into practice a critical pedagogy shows our pedagogues how to stop canting and start acting.

MUCH discussion and debate has focused on alternative pedagogy in non-formal education across the world. The quest for alternative pedagogy has spanned Paulo Friere's Brazilian experiment with the 'pedagogy of the oppressed', Sylvia Ashton Warner's 'organic teaching' among the Maoris in New Zealand, to the Italian school at Barbiana. Yet how far has this rubbed off on the practice of non-formal education in India? A slim but attractively produced two-part primer in Bengali, *Mojar Para Lekhar Khela* by Sandip Bandopadhyaya, sponsored and published by Unnayan, a social action group from Calcutta, affords us an opportunity to reflect on the practice of pedagogy in non-formal education here.

Written specifically for the 6-14 year old children of Unnayan's non-formal education centres located in the fringes of the city, the primer evolved through a participatory research process whereby the author initially tried out his lessons with the children in the above centres before including them in the primer. Children's suggestions and responses were kept in mind before the lessons were given final form. Often their responses were included verbatim in the text

Most of the children in the education centres were from poor families living in the slums and 'jhopris' (squatter settlements) in the eastern part of the city. Their parents worked as drivers of van rickshaws, peddlers as well as maid servants. Many of the children also worked in the small workshops or tea stalls and hence could not attend regular schools. The non-formal education centres were for them a window to the world.

The primer seeks to build on the children's experiences. It does not consider the children to be completely uneducated or assume a 'tabula rasa'. By according value to their experiences, using their words and experiences, as well as incorporating aspects of their everyday experiences, the primer seeks to avoid either talking down to the learners or preaching to them. Proceeding in an open-ended manner by questioning their own situation, the primer seeks to organise, link and supplement their pre-existing information in a way that the children can begin to comprehend their own predicaments. A lesson on water in Part II illustrates the *modus operandi*.

The lesson opens by asking what does it mean to be thirsty and proceeds by incorporating two actual responses. A girl says, 'when I am thirsty my insides seem to be parched'. Another boy adds, 'without drinking water we cannot survive. Water is another name for life.' These then lead to a discussion on the sources of water like tap, well tubewell, pond, canal, river and ocean. After querying their relative familiarity with these different sources, it quizzes them on its differential availability in rural and urban situations It asks where their water supply comes from. Moving on to note how clean drinking water is more often available to people in urban areas than in the villages, it continues by pointing out that in the city people living in houses have greater access to it than those living in the slums and squatter settlements. Is this the reason why the people in the latter suffer every year from gastro-enteric ailments? After explaining how the presence of bacteria makes water unclean, it asks why is it that everybody does not get access to clean drinking water? Isn't the availability of clean drinking water a basic right? The lesson concludes by reminding the children the recipe for rehydration as an antidote to gastro-enteric illnesses.

Clearly, the lesson proceeds by questioning the familiar environment while introducing learners to logical reasoning and the rudiments of scientific method. Significantly, it does not assume a homogeneity of experience between the learners and their instructors, nor does it gloss over the contradictions and inequalities of their social situation.

The primer has several other distinctive features. Keeping in mind Saussure's proposition that the word is an arbitrary sign, the author does not standardise linguistic usage. To retain the vibrancy of their language he uses their non-standard expressions. For instance, a little girl says that after she returns from school she does not play with her infant brother but "gives play (things) to him"! In the primer alphabets are not enumerated separately from words. It is through the words that they learn the alphabets as well as learn to draw shapes and familiarise themselves with numbers. But this means that the learners do not learn the alphabets or numbers in sequence. This could prove to be an impediment to sequential cognition.

By including folk-tales and myths, it seeks to encourage the imaginative capacity of a child while eschewing moralisms and religious instructions. It is the body which is the principal referent of the self. And the self is located in specific social and economic environments. In a background note on the writing of the primer, the author sums up his own ideas on education:

> Education, we believe, does not mean loading a child's mind with ideas from above. To 'educate' is to help children feel, question and judge the things going on around them. It is to activate a child's cognitive ability and sensitise him/her to the various contradictions that characterise society. Children, thus educated, learn to challenge the unjust systems and take up action for their change. We offer no solution, no recipe; we refuse to look upon learners as empty vessels to be filled in with chunks of 'knowledge'. Our aim is to lead them to critical and creative thinking so that they may act/intervene to change their conditions of living.

Even if this is an over-optimistic evaluation of the role of cognition, there is little gainsaying its positive outlook. The primer is not filled with esoteric knowledge which alienates, but works with the learners in sustaining and nurturing their curiosity and critical spirit.

In the context of the present din over Total Literacy, this small effort at putting into practice a critical pedagogy may remain another insignificant alternative. But it surely shows our pedagogues how to stop canting and start acting!

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Social Development Summit

Abdication by UN

Ninan Koshy

At the World Social Development Summit in Copenhagen the United Nations legitimised the role usurped by the Bretton Woods institutions, thus giving up its own powers and functions in the economic field mandated by the Charter.

WHILE the ostensible objective of the World Social Development Summit was to address urgently 'profound social problems specially poverty, unemployment and social exclusion that affect every country' and 'to launch a new era of international co-operation between governments and between peoples', it was actually part of a process to redefine and restructure the United Nations to suit the interests of the west, particularly the US, in the post-cold war era.

At Copenhagen, the United Nations legitimised the role usurped by the Bretton Woods institutions (BWIs) thus giving up its own powers and functions in the economic field mandated by the Charter. It sanctified the political philosophy of the World Bank and the International Monetary Fund. The member states of the UN by the commitments made at the summit undertook substantially less obligations than they are legally bound under the International Covenant on Economic, Social and Cultural Rights. The demolition of the UNCTAD is followed by the shots fired at the ILO through the World Trade Organisation.

The credibility of the ten commitments is considerably weakened by the record of the states which made them. The varying degrees of emphasis of different commitments cannot go unnoticed. In some cases it is 'commitment to goals', in some others it is 'commitment to promoting the goal' and yet others speak of commitment to 'promoting and attaining the goals'. Some goals are well-defined, some others are processes or just frameworks. The uneven nature of the commitments finds reflection in the imbalance in dealing with various issues in the programme of action.

The Covenant and the Summit

The well-defined goals in the commitments are eradication of poverty, full employment and universal and equitable access to education and health. The International Covenant on Economic, Social and Cultural Rights encompasses all these social goals. The important distinction between the commitments and the covenant is that while the former are declarations of intention by governments, the latter is about rights of the people which the governments are legally bound to ensure. The summit showed that the UN is averse to the discourse of rights with regard to social development.

Article 2 of the covenant is of particular importance to a full understanding of the covenant and must be seen as being in dynamic relationship with all of the other provisions of the covenant. It describes the nature of the legal obligations undertaken by states parties to the covenant. These obligations include both what may be termed obligations of conduct and obligations of result. While the covenant provides for progressive realisation and acknowledges the constraints due to the limits of available resources, it also imposes various obligations which are of immediate effect. One of them is the undertaking to guarantee that relevant rights will be exercised without discrimination. The other is the undertaking in Article 2 (1) to take steps which in itself is not qualified or limited by other considerations. Such steps should be deliberate, concrete and targeted as clearly as possible towards meeting the obligations recognised by the covenant.

The UN Committee on Social, Economic and Cultural Rights "is of the view that a minimum core obligation to ensure the satisfaction of at the very least minimum essential levels of each of the rights is incumbent upon every state party. Thus, for example, a state party in which any significant number of individuals is deprived of essential foodstuffs, of essential primary health care, of basic shelter and housing or of the most basic form of education, is prima facie failing to discharge its obligations under the covenant" [Alston 1991:45]

It is the states parties to the covenant like India which have prima facie failed to discharge such obligations that want people to believe in their commitments at Copenhagen.

While it is sometimes argued that consensus has not been reached as what exactly one is entitled to according to the rights in the Covenant on Economic, Social and Cultural Rights, as Ramacharan stresses, there are at least two 'doors of entry' to the covenant. First, states parties are obliged to ensure that the rights enshrined in the covenant are promoted 'without discriminations'. Ramacharan argues that this guarantee is as firm as a legal obligation, raises an issue that is tangible as well as capable of legal supervision and could be made justiceable at the domestic level [Ramacharan 1990].

A second 'door of entry' hinges on subsistence rights which impose 'immediate' obligation on states and is the principal reason for including the right to food and freedom from hunger among the core rights. Article 1 (2) affirms that 'in no case may a people be deprived of its means of subsistence' It is governments which have failed to fulfil such treaty obligations that have now made 'commitments'

From the beginning, the UN has given a second class treatment to the Covenant on Economic, Social and Cultural Rights, notwithstanding its periodic and almost ritualistic reiteration that all human rights are universal, indivisible, interdependent and interrelated. The end of the cold war gave the west a new opportunity to reinforce the claim of primacy of civil and political rights. The Copenhagen summit has followed the line that what are in the Covenant on Economic, Social and Cultural Rights are not really rights but aspirations which the governments may fulfil when they choose.

If the governments were serious about their commitments then they should have made a commitment to ensure the ratification of the core human rights treaties, the International Convention Relating to the Protection of Migrant Workers and the relevant ILO convention, by all states by the year 2000. They should have recognised the legally binding obligations of the Covenant on Economic, Social and Cultural Rights and proposed an optional protocol giving recourse to individuals as is provided in the Optional Protocol of the Covenant on Civil and Political Rights.

As the Copenhagen Alternative Declaration signed by some 600 non-governmental organisations representing more than 8,000 groups around the world stated, "The economic framework adopted in the Draft documents is in basic contradiction to the objectives of equitable and sustainable social development. The over-reliance that the documents place on unaccountable open, free market forces as a basis for organising national and international economies aggravates rather than alleviates the current social crisis".

(Copenhagen Alternative Declaration, *Politiken Summit*, March 10, 1995).

BRETTON WOODS INSTITUTIONS

The document accepts as its basic programme structural adjustment policies at the national level. In spite of the refrain that people should be at the centre of development, free market is at the centre. The summit gave blessings to the political and economic philosophy which rose to prominence in the 1980s through the Bretton Woods institutions and came to be known as the Washington consensus. Its underlying assumptions include, (a) balance of payment deficits are *ipso facto* evidence of domestic mismanagement (fiscal deficits and 'distorting' government intervention); (b) economic agents will respond readily and positively to 'enlightened' price policies; (c) markets are inherently superior to government intervention in ensuring efficient resources allocation; (d) growth – and by implication development – should be private sector-led and is facilitated by a liberalised policy environment [Griesberger 1994:xii].

Major responsibility for the follow-up of the summit is given to the World Bank and IMF with the UN accepting their philosophy. The programme of action says, "The United Nations and the Bretton Woods institutions should establish regular and substantial dialogue including at the field level for more effective and efficient co-ordination of assistance for social development". The secretary-general of the UN in his 'An Agenda for Development' had already identified the Bretton Woods institutions as "important sources of development finance and policy advice" (p 42).

This may be the place to look at the status of the BWIs in the UN system. In the report referred to above the secretary general said, "The BWIs as specialised agencies are an integral part of the UN system" (p 42). Are they?

In September 1947, the General Assembly approved without a vote, the agreements between the UN and the IMF, and the UN and the World Bank as specialised agencies of the UN system. In fact, the agreements constituted a declaration of independence of the two financial organisations rather than one of co-operation with the UN. In the discussion on the agreement held in the Economic and Social Council (ECOSOC) of the UN in August 1957, the representatives of Norway, Soviet Union and Venezuela stated that ECOSOC would be departing from the provisions of the UN Charter if it approved the agreements. They pointed out that the conditions imposed by the BWIs did not permit them to be recognised as 'specialised agencies' of the UN.

As a former senior official of the UN, Erskine Childers, has pointed out, it is not the role of the BWIs to concern themselves with issues of macro-economic policies. Consideration of those matters is the function of ECOSOC and their adoption that of the General Assembly. He goes on to point out that according to Article 58 of the Charter the General Assembly should co-ordinate these policies and according to Article 63, ECOSOC should co-ordinate their implementation by the specialised agencies [Childers 1994:7]. This co-ordinating role of the ECOSOC was not recognised by the Copenhagen summit.

The Fund and the Bank are not in practical terms 'specialised agencies' of the UN system in accordance with the provisions of the Charter. They are simply the instruments of major powers and major capital [Teitelbaum 1994:33]. Since 1947 when the IMF and the World Bank officially became sepcialised agencies of the UN system, efforts to ensure that they co-ordinate their activities with ECOSOC have proved fruitless because the two instruments have refused to do so, insisting upon their independence. The Bank and the Fund participate actively in meetings of ECOSOC, but also in very many meetings of the various agencies of the UN system and the ILO. But there is no reciprocity. Neither the Fund nor the Bank receives members of these agencies on an equal basis.

While the Charter gives the ECOSOC the power 'to co-ordinate the activities of the specialised agencies', the summit could only say, "Consideration should be given to the possibility of holding joint meetings of the Council (ECOSOC) and the Development Committee of the World Bank and the International Monetary Fund". The summit has bestowed legitimacy upon the independent status usurped by the BWIs.

At present, representation of the UN in meetings of the Fund and the Bank has been confined to the annual meetings of the board of governors and the one-day meetings of the interim committee and development committee held twice a year. In recent years the representative of the secretary-general has been excluded from the private meetings of both committees. The secretary-general of the ILO said in his 1994 Report, "It (the ILO) has little influence in the deliberations and policy decisions of the institutions which play an increasingly important role in the management of the world economy" ('Defending Values, Promoting Change', International Labour Conference, 1994).

Apart from the differences among the states in the drafting stages of the documents of Copenhagen, there have been internal tensions and conflicts in the UN about the philosophy of the summit and the approaches to the issues. Some parts of the UN have been highly critical of the BWIs. Since the beginning of the 1980s the human rights organs of the UN have been concerned about the impact of human rights of policies and practices of major international financial institutions. This question has been addressed in particular by the Committee on Economic, Social and Cultural Rights and the Special Rapporteur of the Sub-Commission on Prevention of Discrimination and Protection of Minorities.

The programme of action of the summit speaks of "ensuring an adequate social safety net under structural adjustment programmes". It may be recalled that the UN working group on the Right to Development at its 1994 session drew attention to the danger of introducing 'social safety nets'. It pointed out that while these are aimed at mitigating the negative social effects of these programmes on disadvantaged groups they could – unless care is taken – become a substitute for global macro-economic policies. The concept of safety net treats people as secondary in development. Here development is synonymous with growth. Hence, the reorganisation of the UN and its serious implications deserve close security.

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Peasant Movements and Empowerment of Rural Women

Debal K Singha Roy

Why do women need an extra space within the broad fold of a social movement for the articulation of their problems? Do all social movements provide the required space and the conditions for such an articulation.

ALTHOUGH the concept of 'women's empowerment' is of recent origin in feminist vocabulary, periodic efforts towards the empowerment of women may be as old as the history of collective protest or social resistance of human groups or communities. Women's struggle for empowerment of women may be latent or manifest, visible or invisible, symbolic or concrete depending on the socio-cultural context.

A social movement has been broadly perceived as an organised or collective effort to bring about changes in the thought, beliefs, value relationships and major institutions (including political) of society, and to establish a new social order [Blumer 1951; Toch 1965; Haberle 1951, 1972; Gusfield 1972; Wilson 1973]. Organised and intended collective actions are important aspects of social movements. These actions are based on defined aims, a methodology of collective mobilisation, a distinctive ideology and an identified leadership and organisation. For Rao (1987), collective mobilisations, ideology and orientation towards change are basic elements of a social movement.

The central thrust of the process of empowerment, on the other hand, is the dynamics of power. Power has widely been defined as one's capacity to influence or control others; if capacity is legitimised it becomes authority. According to Weber, there are three main bases for the legitimisation of power: traditional, rational-legal and charismatic. One group can have effective power to control others by having control over resources and ideology. Those who have power are those who control material and knowledge resources and the ideology which governs both public and private life, and are thus in a position to make decisions which benefit themselves. Hence, the process of gaining control over the self, ideology and the resources which determine power may be termed empowerment [Batliwala 1993:7].

Empowerment as a social process challenges the fundamental imbalances of power distribution and relations. It is a process of redistribution of power within and between families/societies; and a process aiming at social equality which can be achieved through disempowering some structures, systems and institutions [Banerjee 1992; cf Sharma 1992:28]. Empowerment, therefore, is a process aimed at changing the nature and direction of systemic forces which marginalise women and other disadvantaged sections in a given context. It is also visualised as an enabling process for disadvantaged sections [Sharma 1992:29]. Thus women's empowerment can be seen as a means of creating a social environment in which women can take decisions and make choices of their own, either individually or collectively, for social betterment. Since women occupy a disadvantaged position in society, the process of women's empowerment will also aid the empowerment of other disadvantaged sections of society. It would help men of lower socio-economic strata to liberate themselves from the clutches of traditional bondage, hierarchy and exploitation.

Social movements and empowerment are both social processes. Orientation towards change and identified ideology and strategies are the basic components of these processes, and both undergo a process of progression from self-assertion to collective mobilisation. However, collective mobilisation, leadership and identified organisation are the immediate requirements of a social movement. A social movement may cover various issues (social, economic, political) and may take diversified forms of collective mobilisation (radical and reformative) and resort to diverse ideologies. Empowerment also resorts to collective mobilisation, and gradually identified leadership and organisation emerge with distinctive ideological orientations of gender equality. Grass roots organisations for women's empowerment may be cited as examples. Thus in a given context, empowerment is also a variant of a self-conscious social movement.

Though the process of empowerment can achieve the status of a social movement in the process of its progression over a period of time, the scope of empowerment of women is also available in latent form in various social movements, especially in peasant and dalit movements. Although within the broad ideology, organisation and leadership structure of these movements the issue of women's empowerment does not get specific attention, these provide enormous space for the articulation of such issues. Such articulation is symbolic and manifested in the form and extent of participation of women in these movements; in the long run such space for articulation may give birth to autonomous women's empowerment movements.

Against this backdrop, the following questions may be raised for in-depth enquiry. Why do women need an extra space within the broad fold of a social movement for the articulation of their problems? Do all social movements provide the required space and the conditions for such an articulation? Do the required scope and condition of such articulation change along with change in the basic character of a movement? We shall examine these questions based on data collected on two villages of West Bengal-Khanpur (located in south Dinajpur district) and Shalgeria (located in Minapur district) - which experienced the Tebhaga movement in the late 1940s and the naxalite movement in the late 1960s, respectively, and grass roots political mobilisation in recent years.

Women and Social Movements

The social and economic roles of women in a peasant society are essentially structured by age-old traditions, beliefs, values, customs, and by the processes of education and socialisation. Such roles are gender-based, and gender largely determines the ways in which men and women participate in social interaction. In the process of such structuration and gender-role stereotyping, women are relegated to a lower social status. In a system in which resources and power have been concentrated through historical processes in the hands of a few, and the majority are landless or semi-landless, women of lower strata are doubly oppressed, first by being women (subjugated in the gender hierarchy), then by being members of the oppressed class (subjugated in the class hierarchy). Such concentration of resources and power has an enormous patriarchal bias in which women have no control over productive resources. They also have no control over knowledge, information and ideas and even over their bodies and selves, since their reproductive activities are determined by patriarchal expectations. In the power hierarchy they are relegated to marginality since they have

no say in decision-making processes, even decisions about themselves. The social and economic bases of marginalisation and oppression of women are legitimised by traditional norms, values, institutions and scriptures which provide the broad ideological foundations of patriarchy and casteism. The resourcelessness and powerlessness of women are widely recognised within the normative framework of society in India, including traditional literature and religious scriptures

Scholars [Rao 1989; Dhanagare 1976; Mukherjee 1979] have viewed peasant movements as a distinct variant of social movements and have endeavoured to analyse these in terms of their linkages with changes in the organisation of production and class conflict. Peasant movement has a specific connotation in the Indian context since farmers' movements have emerged as a different variety in recent years. At an operational level, a peasant movement may be defined as an organised and collective effort of the peasantry (subsistence and small producers, tenants, sharecroppers and agricultural labourers) to bring about change in the pattern of ownership, control and use of land, share of agricultural produce, wage structure, credit and institutional support system and in other aspects of socio-economic life that have subjugated them in agrarian society. The form and extent of the response of the disadvantaged sections and women towards a peasant movement largely depend on the nature of ideological orientation and the form of mass mobilisation, which play crucial roles in the dynamics of peasant movements. Peasant movements can broadly be categorised as 'radical' or 'reformative', depending on their particular combination with ideology, form of mass mobilisation, and orientation towards change. Radical movements are those that use non-institutional mass mobilisation, guided by an ideology of rapid change in the social structure. Though these movements are usually short-lived, they may spread over a large geographical area. A reformative peasant movement, in contrast, uses institutionalised mass mobilisation, is guided by an ideology of gradual social change, and tends to exhibit a longer life span. Peasant movements, however, are not discretely radical or reformative; rather one may be an extension of another over a period of time [Singha Roy 1992:21-23].

It is observed that radical peasant movements promise greater scope for empowerment of women by denying the norms, values and institutionalised bondage that legitimise the subordination and powerlessness of peasant women in rural society. The reformative peasant movements in the form of grass roots mobilisations, on the other hand, provide limited potential for women's empowerment since they accept the pre-existing institutional arrangements, norms and values of gender segregation and subordination in one form or the other.

Radical Peasant Movements

The peasant society of West Bengal has borne witness to the vehement outburst of numerous peasant movements in the 20th century. The most celebrated of these movements were the Tebhaga movement of 1946-47 and the naxalite peasant movement of 1967-71. One of the significant dimensions of these movements was the phenomenal participation of women at all stages.

Tebhaga (two-thirds share) was a movement by sharecroppers to retain a two-thirds share of the produce for themselves and thereby to reduce from one-half to one-third of the produce, the rent to be paid to the landowners (locally known as 'jotedars'). On the eve of the departure of the colonial power from the Indian subcontinent, agrarian society in India was highly stratified, characterised by extreme subinfeudation in landholding; a high degree of poverty, economic insecurity, and extra-economic coercion, and bridleless exploitation of the poor peasants, sharecroppers, tenants and agricultural labourers by the upper strata of the agrarian hierarchy. While the mounting pressure of indebtedness, unemployment and poverty increased among the lower strata of peasant households, the landowners kept on imposing more and more exploitative terms and conditions of work and tenure on the former. The situation became unbearable for the rural poor, a large number of whom were sharecroppers who lost their lands to the big landowners through distress sale They revolted against the injustice. This revolt took the form of an organised movement in the northern part of undivided Bengal and swiftly erupted all over the state The movement grew under the leadership of the Bengal Kisan Sabha and in the process of mobilisation, agricultural labourers, sharecroppers and poor peasants in the form of tenants of various categories became the driving force against the jotedars, zamindars, moneylenders, traders and the British bureaucracy. It was essentially an economic struggle, and the movement took a political form when it had to confront the jotedars, the political apparatus of the state [Desai 1979:419]. From the outset women of the lowest section of agrarian society were mobilised in the movement, and women's participation surpassed that of men after the latter were arrested and the struggle intensified [Basu 1981:221]. This movement witnessed a total and spontaneous participation of women in the struggle against the upper caste landowners-cum-usurers. The newfound enthusiasm touched even the most backward women of the village. Brave kisan women took the lead in propaganda work, and they often led the men in the fight facing the hirelings of the jotedars [Chakravarty 1980:87]. Women from the peasant and sharecropper households (belonging to the rajbansi, polia, mahato and colkamar castes and santal tribal groups) took an active part right from the initial stages of these movements by providing hospitality to the participants in secret meetings, giving shelter to underground activists and serving as the latter's communication network, forcefully harvesting the paddy in their own 'kholan' (courtyard), defying the landowners openly, and maintaining the alarm system by blowing conch shells and beating gongs and utensils. They also came to the forefront of the struggle brandishing traditional weapons and showed collective resistance by barricading the strong police force. Many women lost their lives in the northern part of Bengal in police firing. Again, when the movement went underground in the face of the oppressive measures of the state, women came forward to take care of the underground activists by supplying them with food and messages and taking care of their homes and dependents. They also organised self-defence against the attack of the landowners when their male members were underground.

Independent India adopted a progressive land reform policy to abolish the intermediary system of landholding, to distribute surplus vested lands among the landless and poor, to ensure the tenurial security of tenants and sharecroppers, and to increase the productivity of land. The state government of West Bengal also enacted radical land reform laws. However, the agrarian society of West Bengal witnessed a gap between land reform legislation and the implementation of the same in the absence of political commitment by the parties in power. The big landowners evaded the land reform laws by taking recourse to loopholes, and taking favours of the police and the administrative apparatus of the state. The economic insecurity, unemployment and poverty of the rural poor became rampant and increased tremendously. Exploitation of the peasantry in the form of extra-economic coercion, low wages, gender-based wage discrimination, low share of the produce, and termination of tenancy on sharecropping went on unabated. National Sample Survey reports show that sharecroppers, who constituted 16 per cent of rural households in 1954-55, were reduced to 2.9 per cent by 1961-62. The real income of rural households decreased tremendously and the food shortage situation in the state became alarming. The exploitative situation became unbearable. The cross-currents underneath of discontent amongst the rural poor were manifested in the outburst of the peasant movement in the Naxalbari region of West Bengal.

In May 1967 the peasant struggle and armed uprising in Naxalbari thana of Darjeeling district marked the emergence of a new era in peasant movements in India. This movement was initially launched by a breakaway group of the Darjeeling district committee of the CPI(M) under the broad Marxist-Leninist-Maoist ideological framework (widely known as naxalite ideology); it opted for mass struggle and seizure of power through guerrilla warfare. This breakaway group later formed the Communist Party of India-Marxist-Leninist [CPI(ML)] This uprising underwent a long drawn out struggle between the forces organised by the naxalites and the landowners-police combine. The movement spread like wildfire across the state and some areas, viz, Gopiballovpur and Debra thana of Midnapur district, became strongholds of the naxalites in the late-1960s. Women, especially of poor peasant, tenant, agricultural labourer and sharecropper households, mostly belonging to the scheduled castes and tribal groups, became the driving force of this movement They came out openly and actively participated in meetings and processions and in other forms of mobilisation and collective action, providing hospitality and shelter to underground activists and maintaining communication networks among them, forcefully appropriating crops from the lands, occupying land and other properties of big landowners, stopping eviction of sharecroppers, and foiling the attacks of police and landowners Many young women joined secret training in the 'red bases' for guerrilla warfare, and when the 'liberated zones' were declared in selected forest areas women were in the forefront of resistance against the police force and the landlords-usurers combine They were prepared to throw stones, hot water and dust mixed with chilli powder, and also to use bows and arrows, axes and other available traditional weapons to protect themselves Along with the men they took all possible measures to prevent the police and other government officials from entering the liberated villages. When men took shelter in the forest to evade arrest, women organised themselves to prevent police attack on them. Like in the Tebhaga movement, in this movement, too, women participated spontaneously and overwhelmingly

Why did women of the lower rungs of the social and economic hierarchy participate in these movements so overwhelmingly? Did they have a different realisation from that of men of the same socio-economic hierarchy? These questions can be answered in relation to the specific form and extent of women's oppression and the ideology of this oppression, on the one hand, and the ideology and form of mobilisation of the peasant movement that provided the space for women's liberation and empowerment, on the other.

Women's oppression and marginalisation are legitimised in a composite social situation. This situation is perpetuated by the traditional values of caste hierarchy and patriarchy and by the institutionalised norms and values of society. Traditionally, peasant women were assigned a lower status in society because of their lower caste background and participation in manual agricultural activities. They were called 'chotolok' or 'chasha' (rustic) women by the 'bhadralok' or 'babus' (big landowning-cum-higher caste people). Economic deprivation accentuated their social deprivation. Socio-cultural and economic factors were intregrally correlated with their seclusion, which in turn contributed to their political passivity. At the village level women were subjected to the dominant upper caste values, which perceived high caste women as 'grihalaxmi' (goddess of wealth of the house) – but not these peasant women the nature of whose work was considered derogatory and demeaning. Their activities and economic condition were justified in terms of the doctrine of 'karma' by upper caste landowning groups.

Patriarchal ideology dominated the social and economic life of these women and compelled them to accept the decisions made for them without their participation amd representation in the decision making processes Patriarchal behavioural norms and values imposed enormous restrictions on women's interactions, conditioning them to tolerate injustice silently and without any protest or resistance both in the family and in society. These values also contributed enormously to women's low access to information, the outside world, and productive resources, and to their increasing marginalisation. The important manifestations of their marginalisation were low wages, gender-based wage discrimination, unspecified work schedules, extra-economic coercion, non-recognition of their work potential, and their casualisation in the labour force.

In everyday life, together with male members of their groups, they experienced the end product of economic deprivation in terms of illiteracy, ill health, starvation, poverty and frustration. They suffered from landlessness, tenurial insecurity, indebtedness, extra-economic coercion by the landowner (in the form of ploughing the landowner's plot without reimbursement, making themselves available for service to the landlord, guarding the landlord's property without any remuneration, and working under the 'begar' system (work without wage, receiving only food) in the landowner's field during the peak seasons). Besides providing unpaid service they also had to maintain the conventions of social distance. They were not allowed to wear colourful clothes or even to use umbrellas or cycles in the presence of the landowners. They were to regard the landowner as 'annadata' (benefactor). They also were made to give false witness in courts of law in the interests of the landowners.

As their economic condition deteriorated, female agricultural workers emerged as a distinct category, at the end of the system of social and economic exploitation. They were to work only for the minimum wage, they were paid only half the wage of their male counterparts for the same type of work, they were to be present on all occasions as assured labour to maintain the tenurial security of their land. Women of poor peasant households who lost land because of poverty and distress sale, and women of sharecropper households who were evicted from the land because of the dissatisfaction of the landowners, joined the agricultural labour force as casual labourers accepting exploitative terms and conditions of work. Many of them were bound to a 'beck and call' relationship, taking loans from the landowners under the 'dadar' system They took advance loans in the lean seasons with the understanding that they would be obliged to work for the lender in the peak agricultural seasons at the lean season wage rate which was less than 50 per cent of the market rate.

Thus, they were to grind under the wheel of gender-based discrimination and subjugation. They were exploited economically, neglected socially, and politically they were a powerless group since they were neither organised nor had recognition in the political economy of the village Dominant caste values provided the broad normative framework for women's subjugation, and the ideology of patriarchy reinforced the social and economic marginalisation and political passivity of women.

Radical Peasant Movements and Women's Empowerment

In terms of ideology, form of mobilisation and orientation towards change, both the Tebhaga and the naxalite movements were radical peasant movements. These movements challenged the normative arrangement of society that legitimised the oppression and marginalisation of rural working class women. Though their ideologies did not focus entirely on matters concerning rural women, they gave them scope to articulate their own issues and to fight against gender-based social and economic injustice. They saw an opportunity not only to improve their economic lot but also to break loose from the bondage of the age-old normative structure of society and the control of patriarchy. In the radical process of mobilisation, it was for the first time that they stood side-by-side with men publicly and got a taste of equal responsibility and status. They quickly rose in relative

power both in the family and society. The accumulated gender-based latent discontents of these women were manifested in the form of their hostile and aggressive mobilisation against upper caste big landowners. For these toiling women, it was not simply a response to the exigencies of society – it was a response to the promise of an egalitarian society, to collective mobilisation which aimed to bring radical change in the old values, norms and institutions of their society.

These movements brought a qualitative change in their perceptions. While the men viewed their actions as an onslaught on the exploitative terms and conditions of work and an attempt to bring about a better condition of life, the women saw their own actions as being, in addition, a fervent attempt to sever the age-old societal and familial bondage and subjugation which they experienced as females. They found in their action an aspiration for equality both in the family and in society.

Some of the participants of the Tebhaga and naxalite movements have given voice to this insight. Fulo Kamaini, an illiterate widow of more than 60 years, narrates her experience of the Tebhaga movement

> As the movement started growing we were given more and more responsibilities – cooking food for the activists, providing facilities for the secret meetings, receiving and giving messages. Gradually the leaders started listening to us [women]. They started consulting us in most matters. We were given importance. We were invited. We came to the street ignoring all the 'prathas' (norms) standing side-by-side with men for the first time. We experienced a flood which washed away all the 'purano niyam canuns' (old traditions and customs) of society, the tortures of the landowners..

For Nagenbala, participant in the naxalite movement, the movement was

> a wildfire to burn all the old discriminatory customs, rules and systems. We participated in this movement to bring a new 'samaj babastha' (social order). Our struggle was not only against the class of landowners, but was also against the system. During the struggle we could deny the bondages which enslaved women in society. As we involved ourselves with the movement, new horizons of hope opened to us [Singha Roy 1992:126].

Grass Roots Mobilisation

The form and extent of collective mobilisation of the peasantry has changed significantly in West Bengal over the years. Radical non-institutionalised mass mobilisation has been replaced by institutionalised parliamentary party politics and grass roots mobilisation. The leftist political parties who once sponsored radicalism and militancy to mobilise the peasantry for collective action in the radical peasant movements are now concerned with institutionalised mass mobilisation and electoral politics. The United Left Front (an alliance of the leading left parties) government which came to power in 1977 has been advocating grass roots mobilisation for the rigorous implementation of land reform laws, for improving the economic conditions of the rural poor, and to eradicate the bases of extra-economic coercion. In this process of institutionalised grass roots mobilisation the form and extent of women's participation has been defined and directed within the institutionalised perspectives of the political parties, state and society.

At present the peasant movements in West Bengal have achieved reformative character. There has been a substantial shift in the ideological orientations of peasant movements. The leftist political parties CPI(M), CPI, RSP, CPI(ML) – Satya Narayan Sinha-Santosh Rana group under the orientation of 'ideological revisionism' have adopted tactics which opt for slower change. Such a process has helped to reinforce in one form or another the norms and institutions that either legitimise or promote marginalisation and deprivation of women. Indeed, the reform initiatives are symbolically wedded to a male-dominated social order.

Under these reformative activities elaborate arrangements are made for uninterrupted grass roots mobilisation (mobilisation of the landless labourers, sharecroppers, tenants, marginal cultivators and poor artisans) to provide tenurial security to the sharecroppers by registering their names under 'Operation Barga'; to distribute surplus vested lands among the landless and semi-landless; to provide institutional credits and other inputs to cultivators and assistance in the form of subsidies to poor peasants; arranging food for work programmes in the lean seasons of agricultural operations; etc. They also undertake various poverty alleviation and employment generation programmes under the Integrated Rural Development and other related programmes. The village panchayats, which are dominated by the left, have been given responsibility to carry out day-to-day mobilisation and to implement the decisions of the ULF government at the grass roots level. The women's wings of these political parties have also come forward to organise peasant women for collective mobilisation.

In the process of such mobilisation, though the class interest of the lowest section of agrarian society is well represented, women's issues and interests have remained widely neglected. It should be mentioned here that the class position of male and female workers are not always the same in the rural society, since they have different terms and conditions of work resulting from their diverse positions in the rural labour market. For example, gender-based wage discrimination in agriculture is a rule rather than an exception. Grass roots mobilisation has not been able to do away with this practice which is a product of patriarchal perception. Similarly, most surplus vested lands and institutional loans are allotted in the name of the male member of the household. A study conducted in four villages of West Bengal shows that of the 197 persons allotted surplus vested land only five are female, and only 4.5 per cent of institutional loans are granted in the name of a female. Recording of the tenure of sharecroppers, distribution of surplus vested lands and providing institutional loans in joint names or proportionately in the names of the male and female, could have been important instruments for socio-economic empowerment of peasant women. Though political parties have shown progressive attitudes in mobilising women, they have lacked the initiative to take concrete action for the empowerment of rural women, since class inequality has been the prime concern rather than gender disparity or women's empowerment.

Indeed, the ideology of contemporary grass roots mobilisation envisages very limited potential for women's empowerment. Following the tactical path of partial ideological modification and revisionism, the reformative peasant movement has been left with little scope to challenge the bondage of the normative structure, patriarchy, gender segregation and subsequent marginalisation. Selected norms and values of society have got wider recognition in these processes, in which the powerlessness of women is the traditional expectation. In these processes of mobilisation peasant women have been perceived as 'beneficiaries' of development schemes and not as 'change agents'. In the grass roots politics of poverty they have been subordinate to and dependent on rural political leaders who have accumulated power and wealth. Development initiatives are being implemented through emerging political leaders. In the face of persistent agricultural backwardness and in the absence of alternative avenues of employment a large section of peasant women tend to follow the immediately available political path for the elevation of their economic status. They want to be the recipients of surplus vested land, house plots, or subsidised loans, to be the beneficiaries of development schemes, work under food for work programmes, etc. Since resources are limited, there is always competition among the rural poor with a view to getting such benefits. One tries to widen the scope of getting these benefits through participation in political processes, viz, dharna, political meetings, processions, strikes, demonstrations and exercise of adult franchise according to the

desire of political leaders. The local political leaders are interested in increasing and strengthening their support bases through such political processes. In this process rural poor women become dependent on political leaders in order to become beneficiaries of development schemes. There have been frequent defections of leaders from one political party to another. Many of the ex-big landowners and local criminals have emerged as local political leaders in the new set-up, hence loyalty and dependency have been more personalised than ideological in nature. The expectations of a large section of rural women remain overshadowed. Maloti Kamarni, a 40-year-old scheduled caste woman of Khanpur village of South Dinajpur district makes a typical statement:

> We are made to be hungry dogs We run after dry bread Sometimes bread is thrown in front of us by the landowners, sometimes by the political leaders We run after everybody with our begging bowls but we find that nobody has given us sufficient bread to meet our hunger Rather we have lost our begging bowls who thinks about us? Even the party leaders do not realise the extent of our starvation, our problems We do not want our wage to be increased by 25 or 50 paise We want 'saman-saman majuri' (equal wage for equal work) and no wage variation by season. They [leaders] do not consult us before coming to an understanding with the landowners When they need us to vote, to join meetings, processions and gherao, they come to us, we follow them because we have no other options left. However, they do not care about our problems

Economic Development and Sanskritisation

The agrarian society of West Bengal has experienced diverse social processes. Peasant women are no longer a homogeneous category. Economic development, occupational diversification and education have helped elevate the economic status of a section of peasant women, which has led to their withdrawal from outdoor manual agricultural activities Though not total, there has been a considerable change in the outlook and life-style of these households In India legitimisation of the upward social mobility of lower castes is through the process of 'sanskritisation', whereby lower caste people emulate the life-style of upper castes. However, sanskritisation has a negative impact on the lives of women It immures them and changes the character of the husband-wife relationship, and leads to heightened sensitivity to ideas of purity and pollution [Srinivas 1978:16]. The process of sanskritisation, while imposing several restrictions on the behaviour, movement and work participation of women, explicitly or implicitly recognises the bridleless authority of men over women Thus sanskritisation leads to seclusion and relative circumscription of activities of women, and to patrilocal and dowry marriage. Gradually women have the worst of all worlds: "They do not have gender parity because of the strictures imposed by sanskritic status emulation, they do not have social respect because of their caste ritual status" [Berreman 1993:370]. Indeed, the upwardly mobile peasant women are in a status trap Though not in spirit, they emulate most of the outward cultural expressions of upper caste women. They are trapped, to be subjugated within the broad cultural fold of the 'bhadralok' – the cultural milieu of the upper caste landed or occupationally mobile gentry, in which women are supposed to remain ideally aloof from the domain of public life and accept the bondage of patriarchy for familial and social glorification, becoming submissive, sacrificing, sober, soft spoken and attentive to male members of the family

It has been indicated that peasant women are not a homogeneous category. While one section has been subjected to the dependency nexus as beneficiaries of development initiatives, and another group has been trapped in the conventional cultural milieu of the upper castes in the process of upward social mobility, still another group has emerged as highly socially significant – a thin layer of women political workers and activists. Though their numbers are not statistically significant, they have socially emerged as highly relevant as 'change agents' in rural society. They are a very dynamic and mobile social category. Some of them occupy even block level political party positions of women's wings of political parties Some have been village panchayat members very recently. However, their individual existence is usually short-lived in this layer since many of them retire from political activity either after getting a job or migrating to other places after marriage. However, these positions are filled in, though not immediately, by other aspirants. These peasant women are the product of a social milieu generated out of the persistent grass roots mobilisation in West Bengal since the late 1970s. Many of them are the relatives of local political leaders. Many have school level education and have been exposed to the outside world and to the mass media while attending meetings and processions in the district headquarters and state capital They have also acquired experience of

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These workers mobilise peasant women under the banner of one political party or the other on women's issues – especially on the use of improved 'chullas', self-employment, adult literacy, primary health care, family planning, etc, along with mobilisation for other political issues, viz. voting, distribution of surplus vested land, food for work programmes, etc. These women have been substantially successful in organising women against wife beating, to send their children to the school, to improve the general sense of health care and family planning. They also constantly raise their voices in village panchayats on the issues of gender-based wage discrimination, dowry, and self-employment opportunities for women.

Although these women have emerged as 'change agents' for women, their participation in overall decision-making has remained negligible both in their own families and in society. The village panchayats have so far been dominated by male members and women have had a very limited voice. Institutionalised mobilisation is carried out in the village panchayats in accordance with the decisions and directives of the party headquarters. The women members are to work within this predefined area of politics. Again, some of these women political workers are caught up in dependency relations since their goal is not to remain as political workers but to get some benefits either for themselves or for their close ones. These peasant women usually shun physical labour or manual work. They also try to imitate the life-style of upper caste or urban middle class women. Such contradictions are, indeed, inherent in the institutionalised pattern of grass roots mobilisation. However, in spite of such limitations they have been largely successful in helping women articulate their own issues which are distinctively different from those of men. Peasant women have largely been aware of their distinctive identities and issues. Indeed, what they need is only a space for the expression and actualisation of their goals. These women political workers are not given that space within this reformative mobilisation of the peasantry.

Conclusion

Empowerment of women is a political issue located in a broad social context. Empowerment of women is possible only by undoing the already existing structure of power, which has inherent class, caste and gender biases. The traditional arrangement of society, its institutions, values, norms, culture, education, and pattern of socialisation, help perpetuate such imbalances. Peasant societies are traditional and value based. Thus any process of institutionalisation only reinforces the institutions of patriarchy, gender segregation and caste and class inequality.

The constitution of independent India has recognised gender equality as one of its foundation stones. However, there remain enormous gaps and contradictions between the constitutional mandates and inherited social realities in India. To fill these gaps various legislative acts and amendments to the constitution have been made for gender equality and empowerment of women. Various voluntary organisations and non-governmental agencies have come forward to provide grass roots organisational support to rural women in some areas of the country. Sincere efforts are made by these organisations to break the gender barriers of development. Broad strategies are framed for greater recognition of women's work, creation of employment avenues for women, and provision of training facilities and adequate information on various avenues of employment for women. Strategies are also framed for their participation in political decision-making and to train women to carry forward their struggle for social equality. In recent years India has borne witness to the proliferation of numerous women's organisations many of them having wide networks across the country. The women's movement and women's organisations, which were confined to urban India in the 1970s and 1980s, are now spreading even in remote areas, though at a slow space.

It is expected that the conditions and quality of life of peasant women will improve gradually with the implementation of the policy initiatives of the government and increasing mobilisation and support of these grass roots organisations. The question, however, remains – will these organisations and efforts for mass mobilisation be able to sustain the momentum of gender equality and be able to generate the space for empowerment of women without a radical agenda of changes in the institutional arrangements of society? Experiences of the peasant movements and contemporary grass roots mobilisation show that women's empowerment should take the form of a self-conscious social movement with a well-designed and co-ordinated strategy for far-reaching changes in the institutional set-up. Such change would begin from women's self-assertion and take the form of collective protest against institutional bondage, traditions and perceptions. NGOs and women's organisations should provide the broad organisational and ideological base to create such a stimulation and for the sustenance of its momentum. Rural women are already aware of their issues, they should only be given the required space for the articulation and expression of their perceptions. They would be able to define the form and extent of their empowerment by themselves.

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Biswajit Dhar

Economic and Social Survey of Asia and the Pacific, United Nations, New York, 1995; pp xii+155.

IN the past few years, the Asia-Pacific region has been the focal point of attention due to the remarkable growth performance of the newly industrialising countries even as the industrialised world was struggling to find a way out of the persevering recession. The economic dynamism exhibited by the former has prompted many to comment that the Asia-Pacific region would emerge as the new growth centre of the global economy. This view has found support in more recent years as the growth syndrome of the NICs has had a spread effect with the countries of south-east Asia showing similar economic performance. Coexisting with these dynamic countries is another set of countries in the region that are among the poorest in the world and for whom stepping up of economic growth has become a daunting task. Yet another dimension of Asia is provided by the central Asian republics which are in the midst of unparalleled economic decline. These contrasting faces of Asia are extensively documented by the ESCAP in its annual *Economic and Social Survey of Asia and the Pacific*. The latest survey, apart from providing a useful round-up of the Asia-Pacific economies, analyses in depth two of the more vexed issues of present times, viz, financial sector reforms and social security. What makes the Survey distinct from the other attempts made by inter-governmental organisations while addressing similar issues is its emphasis on the analytical content rather than on simple-minded prescriptions. By bringing forth the degree of variation in countries as regard these issues, the Survey gives an important message that there are no quick-fix solutions to such intricate problems as financial sector reforms.

The macro-economic overview of the region has been provided by considering a mix of analytical and sub-regional categories of countries. Thus, while the least developed countries (LDCs) and the developed countries have been treated separately, the remaining countries have been classified according to the sub-regions to which they belong. A point worth considering here is whether strict analytical categories would have been better suited for the purpose than the mix of categories stated above. This could have been done in the Survey without making any significant reclassification of the countries since the sub-regions are broadly found to conform to analytical categories. Thus, south Asia comprises essentially the low income countries, south-east Asia of the middle income countries and the central Asian republics of the economies in transition. Countries of the sub-regions of east Asia and the Pacific can be reclassified into their appropriate analytical groups.

Reforms Programme

The macro-economic performances of two sets of countries, viz, the least developed countries and the central Asian republics, reported exhaustively in the Survey are worth mentioning. The performance of these countries assumes significance in view of the fact that they have undertaken a sweeping reforms programme to ameliorate the serious structural problems they were faced with. What is of particular interest is whether the policies of privatisation and marketisation adopted by these countries were to help them accomplish the twin targets of adjustment and stabilisation or a mix of policies using strategic interventions by governments, *a la* east Asian countries, should be considered.

Most of the 12 LDCs in the region had started showing signs of recovery in the 1990s. In 1993, the latest year for which data are provided for all countries, the LDCs recorded positive growth in GDP. What is more, in all but two cases the GDP growth recorded was upwards of 4 per cent. In four countries, for which data for 1994 are also provided, a continuation of the growth momentum was observed. However, for most of the LDCs, this relatively impressive growth notwithstanding, the singular problem was maintaining stability in growth performance. Except Bangladesh, which has shown a continuous improvement in GDP growth through the 1990s, the other countries have recorded wide fluctuations.

An added dimensions of stability seen in case of Bangladesh was in respect of the low rate of inflation. In 1993, inflation was down to less than 2 per cent from nearly 8 per cent at the beginning of the 1990s. Inflation was down to a single digit in all countries barring Cambodia, Myanmar and Maldives. The mounting price spiral in Cambodia has been a particular cause for concern as the consumer price index rose by more than 120 per cent in 1993. Although this increase was significantly less than the 172 per cent increase in 1991, triple digit increase in 1993 comes after inflation had gone down below 100 per cent in 1992.

A common feature of all the LDCs, not quite unexpectedly though, is the large magnitude of resource gap caused mainly due to low levels of domestic savings. With the exception of Bhutan in all countries domestic savings as a percentage of GDP stood at less than 10 per cent, and the small island economies of Tuvalu and Samoa and Kiribati had recorded negative values.

The most important problem faced by the LDCs is the macro-economic imbalances. While achieving stability is a desirable objective, the Survey quite appropriately comments that this is not a sufficient condition for sustained development in these countries. Thus, from among the LDCs, only Bangladesh was found to have achieved a degree of macro-economic stability but the country is struggling to make the transition to a path of sustained economic growth.

Economic declines of the central Asian republics continued unabated during 1994. The now-familiar features of the macro-economic scenarios of these countries, viz, steep declines in Net Material Product (NMP) along with hyper-inflation, were shown by all countries. In 1993 Turkmenistan showed some signs of recovery with its NMP registering a growth, but a sharp reversal took place in the first eight months of 1994 as a 17 per cent fall was registered.

The inflationary pressures faced by these economies in transition had exacerbated in 1993 after relative declines in the previous year. Inflation was upwards of 1,000 per cent in all countries with Uzbekistan recording the highest increase in the consumer price index of 2,500 per cent.

The biggest challenge facing the countries of central Asia is to give effect to meaningful institutional reforms in keeping with the transformation of their economic systems. While major steps towards introducing private enterprise have been taken, the transition from the centrally-planned system has been far from smooth because the required institutions to support the former have taken long in coming. An additional problem pointed out in the Survey has arisen since the countries have tried to introduce fiscal discipline by effecting cuts in the social sector expenditure. All the countries inherited elaborate systems of social care and there are strong pressures to defend these systems. The need to avoid a significant erosion in the standard of living arising out of any cuts in social

expenditure while at the same time controlling budgetary expenditure is among the several critical issues that confront the economies in transition.

Contrasting Pictures

The low and middle income countries of south and south-east Asia respectively present contrasting pictures of economic performance in the 1990s. While the former countries, with the exception of India, showed hesitant tendencies at recovery, the latter have shown an upward movement in their trend rate of growth

That the macro-economic situation has improved in the middle income countries is confirmed by the single digit inflation rate seen in all countries in 1995 and 1994 This contrasts with the low income countries where double digit inflation was recorded by all countries.

The data provided in the Survey leave many points to ponder over the growth prospects of the low and middle income countries. The savings-investment behaviour, in particular, needs to be looked at this context The savings to GDP ratios in all middle income countries, except the Philippines, have been over 30 per cent, with Singapore maintaining a ratio of over 45 per cent Investment rates have also kept in step with these phenomenal saving rates In sharp contrast, the low income countries of south Asia have been recording lower rates of both investment and savings. For instance, in the case of India, savings as a percentage of GDP ratio has been pegged around low 20s for quite sometime now, while Pakistan is yet to reach near the 20 per cent level The inability of these low income countries to improve their savings rate should be compared with the high performer among low income countries, viz, China. China has been able to join the ranks of the middle income countries in recording very high savings to GDP ratios consistently through the 1990s. The rates of saving that countries have shown can quite definitely be taken as indicators of the potentialities that exist in the respective countries for enhancing the growth momentum.

Strategies to influence the savings-investment behaviour therefore assume importance. Liberalisation of the financial sector, particularly interest rate reform, has been the dominant prescription in this regard. The veracity of this prescription has been closely scrutinised in a later part of the Survey dealing specifically with financial sector reforms.

The perspective on the external sector provided in the Survey is set against the backdrop of the emerging trade regime under the jurisdiction of the World Trade Organisation (WTO) on the one hand, and the increasing tendencies at forming regional trading arrangements on the other. The Asia-Pacific region has seen a number of initiatives to operationalise regional trading of which at least two, viz, the ASEAN Free Trade Area (AFTA) and the South Asian Preferential Trading Arrangement (SAPTA), have taken firm roots. But as these initiatives are being taken, the rigours of establishment of APEC, the mega trading arrangement linking countries on both sides of the Pacific, are also being gone through. The strengthening of these trading arrangements, the Survey indicates, would result in a fuller utilisation of the potential of the region through greater intra-regional trade and investment flows.

Trade and Payments Prospects

The Survey has tried to project favourable trade prospects for the countries of the region based on its assumption of a positive impact of the Uruguay Round Agreement. This view is somewhat questionable given the overwhelming evidence that indicates a differentiated impact of the Uruguay Round on developing countries. Studies have shown for instance that the LDCs in particular and the agricultural importing countries in general would stand adversely affected when the Agreement on Agriculture is implemented The phasing out of the multi-fibre arrangement (MFA), discussed separately in the Survey, is another area where developing countries may not gain to the extent desirable. Still other contentious issues including social clause and environment, which can be used as non-tariff barriers having a bearing on trade prospects of developing countries, are waiting to be introduced. All these do not add up to be a happy augury for most developing countries as far as their future trade possibilities are concerned.

The trade and payments situation of the countries in the region during the 1990s is elaborately discussed in the Survey. Trade was buoyant in most countries, with the south-east Asian countries continuing to maintain their momentum of trade expansion. These countries have now been joined by Sri Lanka, India and Vietnam who have been able to rapidly expand their trade during the past two years. However, in order that the latter countries are able to sustain their trade expansion it is necessary for them to find enduring links with the dynamic segment of the region. India, for instance, has established active contact with ASEAN by becoming its sectoral dialogue partner.

While the overall balance of payments outlook for the region has been dealt with, the Survey does not touch upon the important issue of external debt. Although the Asian region has largely been free from the acute problem of debt overhang, the situation may change considerably in the near future due to the appreciation of the yen in recent months. Most of the dynamic countries, including China, have a large component of yen-denominated debt and the upward movement of the currency would put severe strains on their external payments positions. Apart from these countries, large debtors like India are potentially in a vulnerable position arising out of interest rate fluctuations. This is so particularly at the present juncture when the country is witnessing major changes in its composition of the debt-stock with a fast decline in the proportion of the concessional credit.

Financial Sector Liberalisation

Liberalisation of the financial sector, now accepted by all countries as an essential element of the economic reforms package, is one of the focal points of the current Survey. This discussion, which brings out the various dimensions of the major issues involved in a very lucid manner, deserves to be included as an essential reader in this area. The need to undertake financial sector reforms is argued out systematically and critical evaluation is made of the progress of these reforms in different countries.

The impact of government regulation, it is argued, had led to repression of the financial sector in most countries resulting in financial shallowness The scope of financial services remained limited even in the modern sector, it is pointed out. The programmes of directed credit undertaken by the governments were often aimed at providing access to cheap credit. Interest rates were curtailed and as the Survey brings out, nominal rates of interest were set at low levels that barely covered the inflation rates. This resulted in very low or even negative real rates of interest, a factor which is largely held to have inimical effect on domestic savings.

Four main components of financial sector liberalisation have been dealt with in the Survey. These are: (i) reforms of the banking sector, (ii) interest rate reforms, (iii) development of other capital markets, and (iv) external financial liberalisation.

Banking reforms in most countries in the Asia-Pacific region have entailed privatisation of state-owned banks and opening new areas for banks to operate. Foreign banks, which in most countries had a very restricted role to play, were allowed greater freedom to operate under the dispensation. But while banks were freed from most controls they were earlier subjected to and decide on the ways to manage their portfolio, a new form of regulation has now been introduced for ensuring that these institutions follow sound business practices Most countries in the Asia-Pacific region have adopted the regulatory principles laid down

by the Bank for International Settlements (BIS) based on the capital-adequacy norms. Several countries have already achieved the BIS prescribed capital-adequacy norms of 8 per cent by 1994, but many other countries, the Survey indicates, have found it difficult to achieve these norms within a realistic time frame.

Interest rate deregulation has been the critical area of reform aimed at increasing efficiency of the financial system. The Survey provides a systematic overview of the policy initiatives taken by several countries in this regard. The impact of interest rate deregulation on the deepening of financial markets has been assessed by considering the trends in M_2 and financial savings, including foreign currency deposits in financial institutions. Figures provided in the Survey show that there have been a number of countries, including LDCs like Bangladesh and Nepal, where the process of financial deepening was under way. The use of M_2 as an indicator should however be made with caution since it is influenced by flows of speculative capital. Since many countries in the region have seen inflows of this form of capital, financial deepening may actually have been far less than those the data suggest.

Directed credit programmes for disadvantaged groups in the economy were however kept in place by most countries even as they were carrying out reforms in their financial sectors. This, as is argued in the Survey, was because a liberalised system raises the possibility of creating a socially unacceptable distribution of credit. However, in order that the poor are more effectively supported through credit schemes, the Survey proposes a reorientation of the formal financial institutions towards these schemes. In particular, it has been proposed that links between the financial institutions and the non-governmental organisations should be forged. It has additionally been suggested that schemes such as those managed by the Grameen Bank of Bangladesh and the Rashtriya Banyiya Bank of Nepal could be strengthened for a wider coverage of the poor.

The most significant aspect of financial reforms in the Asia-Pacific region has been the development of other financial markets. In many countries of the region, the equities market has showed phenomenal increase since the late 1980s. An indication of the growth of the equities market in the Asian region can be seen from the fact that while the average monthly trading value of Hong Kong's stock market increased by 267 per cent between 1991 and 1993, the New York stock exchange had grown by only about 50 per cent during the same period. Corporate bond markets were in the initial stages of development in several countries. Institutional mechanisms for assessing the risks involved in these instruments have been established among others in India, Malaysia, Indonesia, the Philippines and Thailand, but as the Survey indicates, there are several challenges that these rating institutions face. The functioning of the institutions has been made particularly tough by lower standards of accounting and disclosure as compared to the developed countries.

External financial liberalisation has made most progress in the countries of the Asia-Pacific region. Exchange rates have been made flexible in all countries while several countries have eased restrictions on capital flows. These policy changes have been adopted, the Survey points out, in keeping with the view that financial openness would have its beneficial impact as savings are pooled and allocated globally in the most efficient manner through unbridled movement of capital. But this financial openness, the Survey emphasises, has made management of the financial sector and monetary policy a difficult task for the governments.

Financial liberalisation of the kind taking place in countries of the region raises several piquant issues, many of which have been raised in the Survey. The most important concern arises from the fact that not only has financial sector liberalisation not led to the declared results in most countries, they have often increased the vulnerability of the economies as compared to the past.

Country experiences of the Asia-Pacific region are found to run contrary to the expectations of a positive influence on savings and investment accompanying deregulation of the financial markets. While countries having some of the most repressed markets, e g, China and Korea, have recorded impressive results, others, most notably the Philippines, with relatively open and liberal financial regimes are much less successful. This confirms the findings in several studies that financial liberalisation has made little difference to overall saving and investment. These contradictory experiences do indeed raise a valid question of whether financial liberalisation is either a necessary or sufficient condition for growth.

The integration of the domestic financial markets with the global economy could, as the Survey points out, subject the economies in the region to destabilising influences. Countries can be affected as interest rate differentials between countries can cause large outflows of short-term funds. The effects of such flows on exchange rates, domestic money supply and prices can be so severe that they could be beyond the capacities of the authorities in the affected countries to manage.

Further, volatile movements of short-term capital have compelled the central banks in many countries to intervene and in some cases the central banks have incurred unexpected losses. The complexities involved in undertaking financial liberalisation for achieving the desired results are thus unambiguously brought out in the Survey.

These problems associated with financial sector liberalisation should be considered in the context of an oft emphasised point, viz, macro-economic stability is a necessary and sufficient condition for financial sector reforms to take place. A number of countries in the Asia-Pacific region are yet to attain a reasonable degree of stability, as discussed earlier, and this factor needs to be given due consideration as countries undertake in reforms in this key sector.

Social Security

One of the main concerns in the Asia-Pacific region is the persistence of social problems despite the strong economic showing by several countries. Poverty has continued to be a major problem in most countries notwithstanding policy interventions to remove it in the past. Vast numbers of the poor continue to be deprived of the basic needs such as adequate food, shelter, medical care and education.

The status of the social security systems existing in various countries in the region has been exhaustively discussed in the Survey. The discussion deals with the nine contingencies identified in the ILO Conventions for the conferment of social security benefits. The review of the social security systems in different countries shows that the schemes are narrowly focused, in that they cater mainly to those employed in the organised sectors of these economies. Workers in the agricultural sector as well as the self-employed are not covered under the existing social security systems. Thus, a considerably large section of the population stands deprived. Furthermore, even those who are eligible for the conferment of the benefits do not find themselves adequately compensated.

Although social security protection is extended to workers in the organised sectors in most countries, there are some instances where selected groups of workers belonging to the informal sector have been successfully covered. The Survey highlights a few initiatives taken in India for the benefit of the latter.

A group accident scheme for active fishermen has been sponsored by the government of India that covers all active fishermen between ages 18 and 65 years holding fishing licence. While the fishermen's co-operative and a public sector insurance company manage this scheme, 75

per cent of the premium is shared by the central and the state government.

Primary milk producers in Mehsana district of Gujarat are covered by a life insurance scheme in which the milkmen's co-operative plays the key role. In this case, 55 per cent of the premium is borne by the co-operative societies to which the beneficiaries must belong. These schemes can serve as a model for organising the workers in the informal sector through co-operatives with a view to covering them under social security schemes. However, the success of these schemes, the Survey emphasises, is dependent on the institutional and legal support that the respective governments are able to provide.

The Survey proposes that a multi-tiered approach could be adopted as a long-term strategy for providing social security to a much larger section of the population in the countries of the region. The basic tier of this system could be the universal basic assistance from tax-financed government programme in the form of family support, minimum pension and incomes and a guarantee of basic needs (primary health care, primary education, food security and safe drinking water). A contributory social insurance system among employees and the self-employed, and a private voluntary initiative within a regulatory framework could form the second and the third tiers of this multi-tiered approach. This sharing of responsibilities by different agencies could result in a more effective system of social security than appears feasible in developing countries that have very large populations to cater to.

One of the most important messages that comes out of the Survey is that archetypal solutions do not exist for countries trying to achieve economic development. This could be seen most notably in the case of financial sector reforms where the uncritical acceptance of the logic of the market did not provide any solution to the problems that the countries in the region were faced with. Social security is another important area where considerable intervention by the government and its agencies are seen to form the basis for its success in the countries of the Asia-Pacific region. It thus needs to be emphasised as a corollary to the above that development strategies need to be a constantly evolving process and that the particular objective conditions in the countries need to be given a larger priority than what conventional wisdom of our times suggests.

People and Shelter

Mouleshri Vyas

Community Participation and Slum Housing: A Study of Bombay by Vandana Desai; Sage Publications, 1995, pp 347, Rs 350

COMMUNITY participation, as an ideology and an essential aspect of development work has gained increasing prominence in the recent past. Through a comprehensive presentation of the findings of a study of three slum pockets in the city of Bombay, the author highlights dimensions of community participation in the context of slum housing.

At the core of her research method are two surveys – the first quantitative and the second, qualitative in nature – in the three slums selected. Regular visits to the communities and frequent interaction with people and leaders have substantiated the findings and analysis. The review of literature on the issue is commendable for the range of aspects related to community participation that are discussed. It is comprehensive and makes for interesting perusal as the questions emerging from it lay the ground for the subsequent discussion that is based on the study. The author examines different perspectives on participation of the issue *vis-a-vis* housing. The question of whether structural change is necessary to bring about authentic participation is a basic one, and is raised through comments by others who are quoted.

The role of the state as a co-operator in housing development and the implications of this on low income group housing where decisions get taken by outsiders to the community, are of relevance here. Providing shelter, therefore, is more than creating physical infrastructure.

The policy context of participation indicates the role of governments and institutions such as the World Bank in enhancing the importance of community participation in specific projects. NGOs also have a definite role to play in promoting participation and this is analysed objectively with both the strong points as well as the limitations of NGO intervention in view.

Desai moves on to tracing the evolution of Bombay city, with its demographic features, economic development, industry, trade, finance, housing, etc, which is fairly descriptive. The narration of various institutions in the city, which ensues, throws light on different legislations in relation to land ownership, tenancy and housing in the city. Hence, the role of the Bombay Municipal Corporation (BMC), Bombay Metropolitan Region Development Authority (BMRDA) and Maharashtra Housing and Area Development Authority (MHADA) in provision of housing and infrastructure is traced; the linkages between these various agencies are clarified and the importance of co-ordination among them is made evident.

The Slum Improvement Schemes and Slum Upgradation Programme offer scope for positive changes in housing conditions and environment. The author avers that for the deteriorating housing situation in the city, in the absence of a political will, the government cannot solve the accommodation problems of the economically weaker sections, and that even today, "the authorities have not made up their minds how to solve the problems of shelter". Her analysis of the housing problems of the poor, from the point of view of the role of the government seems to substantiate the above opinion.

The three slums studied are located in different parts of the city, viz, Wadala, Worli and Kurla. Desai mentions the points of difference among them as social class, spatial configuration, etc, and similarities being their central location, their integration into the wider market economy and the fact that they are much affected by structures of state bureaucracy. The slum improvement/upgradation programmes have been carried out in the three slums and there is one NGO which works in all the three areas. This is also a common element.

Her portrayal of the slums is descriptive and creates a vivid picture of the physical environment and the lives of people. This would be of particular interest to those who are far removed from the reality of life in such conditions, and desirous of knowing more about the same. For those familiar with life in slum communities, there is not much that is new in the findings and one realises the scope for generalisation from one's understanding of other slums, since the broader issues and concerns do not differ much.

People's participation in these slums is examined through the role of community organisations – these being self created, independent organisations of the residents, and the role that leaders in the community have to play in solving various problems of people and getting them access to basic amenities. By analysing the class composition of slums and nature of life-styles and interests of each group, the reasons why certain groups of people come forward to move beyond personal concerns and why certain others don't is reflected. The manifestations of ethnicity, gender roles and caste identity, on relationships and on participation are valid concerns as well. The leaders or the 'initiators', seem to be in possession of certain resources and skills which make for their favourable impact at the community, as well as the bureaucracy level. The political nature of this interface between leaders from the

community and municipal officials, political representatives and others is dwelt on. Desai holds that any distinction between 'social' and 'political' movements is 'merely semantic' since social movements may also have a clear objective of bringing about political change. She subsequently examines whether such slum-level struggles are a social movement and her stand here is in the affirmative.

The supra systemic influences on the slums have been analysed and dynamics of NGO, bureaucracy, political party and people's interactions highlight the interests of each, their ways of functioning as well as the nature of mutual interdependencies which exist, in a perspective of power that each hold and exercise. That NGOs have to work in increasingly turbulent and politicised environments adds to the complexity of their intervention. Desai says that there is scope for future research to examine the ways in which NGOs fill the gap in service delivery between the government on one hand an urban poor on the other, and the dynamics of this process.

The soundness of the literature of review raises relevant questions which relate to the findings of the study. Perhaps a more substantive articulation of answers at certain points would have clinched the issues. Desai's presentation of the study is objective, yet the concerns reflected seem positively biased towards the urban poor. The role that governmental and municipal bodies can play in the area of housing is amply clear from her discussion.

It can, I think, be possible to examine the process/issue of participation from two angles. One can decontextualise it and examine the dynamics of indigenous participation in any community - and reasons why communities are naturally organised. However, when participation is examined in the context of any specific scheme or intervention, which is the second angle referred to, then the two angles need to be merged very clearly. One can analyse (a) Community level relationships and structures, as they influence participation, and also (b) Features within the specific schemes/intervention initiated which encourage/limit participation. This would merit a look at the efficacy of institutional structures created as part of development efforts, which is significant since the scheme does not become an end in itself. But if participation is seen as a political process then the impact of such a scheme or venture on people's empowerment is important. These issues could have emerged more emphatically in the analysis.

The aspect of eliciting participation from people is a feature of projects undertaken on a mass scale, and very often reflected as a concern because of stands taken by donor agencies. Desai has pointed out the need for preparedness and orientation among bureaucracy to encourage participation of people. It would, I think, also be crucial to examine in depth, the level to which participation can be elicited within the framework of various schemes. Whether people are involved at the level of (a) information dissemination, (b) consultations, (c) decision-making, or (d) taking necessary action and doing things, is significant. It is through this that concerns for target fulfilment and capacity building or empowerment of people get manifested. The integration of the two angles would make for effective participation as well as greater satisfaction of 'beneficiaries' of schemes.

Various questions reflected in the book are thought-provoking for social activists, students and academicians, and persons new to the analysis of slum life and concerns would also find this a very informative volume.

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World Bank on Fiscal Adjustment in India

M Govinda Rao
R T Shand
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The World Bank's Country Economic Memorandum (CEM) on India this year reviews the progress of fiscal reforms at central and state levels. However, like in the past, the emphasis on reducing fiscal deficits rather than increasing public savings robs the analysis much of the relevance. Also, its assertion that there is no further scope for expenditure compression and additional deficit reduction should be achieved by increasing taxes is not based on sound empirical analysis. In fact, such a recommendation may signal a spate of spending on populist schemes as has been seen recently. Similarly, attributing fiscal problems at the state level to inadequate revenue efforts is not based on facts. This can not only encourage profligacy, but also may introduce additional sources of inefficiency.

I
Introduction

THE World Bank's Country Economic Memorandum (CEM) on India this year reviews, among other things, the progress in fiscal adjustment undertaken in the last four reform budgets and makes a critical appraisal of state-level fiscal reforms. The World Bank's analysis on these issues is particularly important for several reasons. The analysis in the CEM puts forth the point of view of the World Bank and therefore, gives more or less credibility to the policies pursued so far by the government and thus signals future policy directions.

Given that the economic crisis which triggered the reform process in 1991 itself was diagnosed as the consequence of the severe fiscal imbalance that afflicted the economy throughout the 1980s, a detailed review of achievements and challenges after four years of fiscal adjustment efforts is opportune. Further, in a federal polity like India where the state governments have a predominant role in the provision of social services, (particularly the human resource development) and many of the economic services, a review of state level reforms is equally critical. Therefore, it is important that the appraisal of the issues is accurate and balanced and based on sound economic reasoning.

In particular, a proper appraisal of the issues could minimise competitive populism in fiscal policy regime in a pre-election year while an inaccurate appraisal can give credibility and endorsement to populist pressures. A critical appraisal of the analysis contained in the CEM is therefore, is extremely important.

In any assessment of fiscal adjustment at central and state levels, the overall objective of economic reforms must be kept in view. The objective of economic reforms in India has been to stabilise the economy in the short to medium term and to accelerate the growth rate with more equitable income distribution by improving the efficiency in the resource allocation and giving an outward orientation to the economy in the medium to long term. Fiscal reforms must therefore be analysed from the perspective of whether and to what extent they have helped to achieve improvement in resource allocation or at least whether they are directed towards reducing resource distortions. This note reviews the CEM from this perspective, examines whether its diagnosis of the ills is accurate and whether its suggested solutions would improve the competitiveness of the Indian economy.

Of course, the CEM has also reviewed monetary and trade policies and has gone into the micro issues of improving the standards of physical and social infrastructures in considerable detail. However, fiscal adjustment and state level reforms have received the greatest emphasis in the report and accordingly, our analysis of the assessment made by the World Bank is confined to the fiscal issues at central and state levels.

The plan of this paper is as follows: Section II summarises the World Bank's diagnosis of the fiscal disease afflicting the Indian economy at both central and state levels. Section III identifies the major weaknesses of the World Bank's diagnosis. In Section IV, possible policy repercussions of the World Bank's diagnosis are presented in concluding remarks.

II
Disease and Its Diagnosis

The report reviews the structural changes effected in the Indian economy since the reform process was initiated four years ago, records the achievements and lists the unfinished tasks and challenges facing the policy-makers. After reviewing the progress in stabilising the economy, the report proceeds to identify the structural rigidities needed to be overcome to improve efficiency in resource allocation. The diagnosis of the disease automatically leads to the curative measures to strengthen the reform process. The logical extension of the structural reforms is to identify fiscal, financial and institutional problems at state level. Attention to state level reforms is warranted because (i) state governments play a predominant role in the delivery of social and economic services. They account for 85 per cent of spending on social services and 56 per cent of spending on economic services,[1] and therefore, their financial and institutional weaknesses could pose a serious constraint on the infrastructures, and (ii) the essence of reform is to improve the enabling environment for which systemic changes are required in the policy regime which should encompass all the departments and ministries at both central and state levels.

The CEM, like the *Economic Survey* of the ministry of finance, this year emphasises the undesirability of the deteriorating trend in public sector saving and highlights the imperative need to reverse the trend not only to accelerate growth and reduce poverty but also to make fiscal policy more effective as a stabilising instrument. However, when it comes to the details, the focus is not so much on public savings, but on fiscal imbalances as measured by fiscal deficit. The CEM notes that after successfully reducing the fiscal deficit from 8.4 per cent of GDP in 1990-91 to 5.7 per cent in 1992-93, the central government could not prevent it from increasing to 7.7 per cent in 1993-94, due partly to expenditure overruns and partly to tax revenue shortfalls. For 1994-95, the government set a relatively modest fiscal deficit target of 6 per cent of GDP as stronger external accounts have reduced the threat of macro-economic instability.

The CEM warns that persistence of high fiscal deficits is a major threat to macro-economic stability. The report demonstrates that, under reasonable assumptions, in order

to achieve the inflation target of 5-6 per cent and increase the growth rate to 7-8 per cent, at 5 per cent real rate of interest, the primary deficit should not exceed 1.5 to 2.2 per cent. In other words, if the GDP grows at lower than 5-6 per cent, it is necessary to have primary surpluses just to stabilise the domestic debt-GDP ratio. Therefore, a further reduction in fiscal deficit by about 2 percentage points to a level of 3-4 per cent of GDP is critical to achieve government's growth and inflation objectives and to bring fiscal imbalances to sustainable levels.

How should this be brought about? According to the CEM there is not much scope for expenditure compression in fiscal correction. Fiscal adjustment should minimise the burden on the poor and therefore should not reduce public expenditures on human resource development and targeted anti-poverty programmes. Some scope for reducing food and fertiliser subsidies and readjusting oil prices is recognised, but the corrective measure is seen to lie primarily in continued reliance on tax reforms to improve revenue productivity and more aggressive privatisation with the proceeds earmarked to retire the debt burden. The report states, "...non-interest expenditures already have borne the brunt of fiscal adjustment and not much room is left for further reductions."

The CEM stresses the need for state level reforms for two important reasons: (i) the states have a predominant role in the provision of social and physical infrastructures; therefore, improvement in the ability to finance these services and effectiveness of delivery systems at the state level is important. (ii) Significant improvement in the conditions can come about only when concerted effort is made to change the enabling environment by all the concerned agencies at both central and state levels. Discrete changes in some policies by a few central ministries cannot change the institutional environment.

The CEM makes a fairly detailed review of fiscal developments in the states to assess their performances and to identify the financial and institutional constraints on the delivery of social and physical infrastructures. The report notes with concern the rapid increases in revenue expenditures and the declining share of capital expenditures in total expenditures. In the judgment of the CEM, the states will not be able to sustain their current patterns of expenditure. The problem in state finances, however, is not seen to be due to overspending (p 40). According to the CEM, the problem has arisen due to '.. *the absence of improvements in the own revenue efforts of states as a group*' (emphasis as in the original). To substantiate this, the CEM provides evidence that the states' actual additional resource mobilisation during the Eighth Plan was around 38 per cent of the target. Consequently, the hard budget constraint on the states (which is partly due to their inability to manoeuvre borrowing) has crowded out socially productive expenditures. Thus, the problem on the expenditure side is not its size but its composition. Therefore, the CEM recommends, '...as part of the effort to improve public savings, states should seek to reduce their fiscal deficits through a concerted effort on the revenue front.'

The analysis of the resource position of the states leads to the examination of intergovernmental transfers as well. The report refers to multiple agencies making transfers – the Finance Commission, a constitutional body, and the Planning Commission, "a body not required by the Constitution". In fact, the transfers designed by various central ministries are wrongly attributed to the Planning Commission. While the Finance Commission has been found to be successful in reducing inequities, the discretionary transfers of the Planning Commission have offset the attempt to reduce horizontal imbalances across the states. Of course, it also repeats the disincentives arising from the fiscal dentistry practised by the Finance Commission, points out the tyranny of the base year selection and recommends the need to relate transfers to shortfall in fiscal capacities of the states (in its view cost disabilities do not seem to be a serious problem).[2] It is also pointed that the system tends to encourage the diversion of funds from the projects approved by the Planning Commission to meet recurrent expenditures which is considered undesirable. The CEM also lists the initiatives taken by various states, albeit limited, to reform their fiscal systems.

III
Empirical Evidence on Fiscal Adjustment

The World Bank's attempt to take stock of the achievements, identify future challenges and to prescribe the policies to meet those challenges is opportune. However, accurate diagnosis of the problems is the key to prescribing required policy changes to evolve fiscal policy for growth and stability. In this section, we examine whether the empirical evidence on fiscal trends at the centre and the states lends support to the CEM's diagnosis.

The report rightly endorses the concern expressed in the 1995 *Economic Survey* that public sector savings have continued to deteriorate when it states, "...without substantial improvements in public savings, the economy will not be able to accommodate higher levels of investment – public and private, physical and social – needed to accelerate and maintain growth, and reduce poverty." However, the concern for declining public savings stops at this statement and there is hardly any discussion on how this undesirable trend can be reversed. In the analysis of macro-economic developments, reducing fiscal deficits takes centre-stage and a strategy to improve public savings simply takes a back seat. But, reduction in the fiscal deficit does not necessarily add to public savings as has been clearly demonstrated by Indian experience during the last four years. After four years of fiscal adjustment, the fiscal deficit as a proportion of GDP was reduced from 8.4 per cent in 1990-91 to 6.7 per cent in 1994-95 while governmental dissaving actually showed a marginal increase from

TABLE 1 REVENUES, EXPENDITURES AND DEFICITS OF THE CENTRAL GOVERNMENT
(Per Cent of GDP)

	1990-91 Actual	1991-92 Actual	1992-93 BE	1992-93 Actual	1993-94 BE	1993-94 Actual	1994-95 BE	1994-95 RE	1995-96 BE
A Revenue deficit	3.5	2.7	2.8	2.6	2.2	4.2	3.6	3.8	3.4
B Fiscal deficit	8.4	6.0	6.2	5.7	4.6	7.7	6.0	6.7	5.5
C Primary deficit	1.4	1.6	1.5	1.3	-0.1	3.0	1.0	1.9	0.5
I Total expenditure	19.8	18.3	17.3	17.4	16.4	18.0	16.6	17.8	16.5
a Revenue expenditure of which	13.8	13.5	13.0	13.1	12.7	13.8	13.0	13.5	13.1
i Interest	4.0	4.4	4.7	4.4	4.7	4.7	5.0	4.8	5.0
ii Non-interest	9.8	9.1	8.3	8.7	8.0	9.1	8.0	8.7	8.1
b Capital expenditure and loans	6.0	4.8	4.3	4.2	3.7	4.3	3.6	4.3	3.4
II Total receipts	17.7	17.2	16.2	15.6	15.8	16.7	16.0	17.2	16.0
a Revenue receipts	10.4	10.8	11.0	10.5	10.5	9.6	9.4	9.7	9.7
i Tax	8.1	8.2	8.2	7.7	7.8	6.8	6.9	7.1	7.1
ii Non-tax	2.3	2.6	2.8	2.8	2.7	2.8	2.5	2.6	2.6
b Capital receipts	7.3	6.3	6.5	5.1	5.3	7.1	6.5	7.4	6.3
i Disinvestment in PSUs	0.0	0.5	0.4	0.3	0.4	0.0	0.4	0.6	0.7
ii Loan recoveries	1.1	1.0	0.9	0.9	0.8	0.8	0.7	0.7	0.6
iii Borrowings, etc	6.3	4.8	5.2	3.9	4.1	6.3	5.4	6.1	5.0

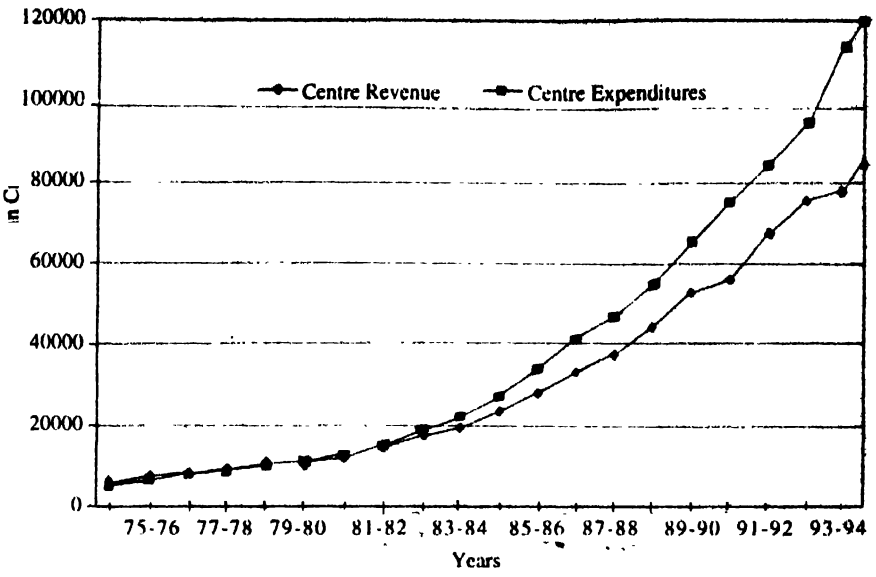
Notes: BE: Budget estimates, RE: Revised Estimates.

3.5 per cent to 3.8 per cent (Table. 1). This was achieved mainly by reducing capital expenditures from 6 per cent of GDP to 4.3 per cent, partly by selling public sector equity (0.6 per cent of GDP) and through a host other adjustments (like appropriating the profit of the RBI).

Let us first take up the discussion on trends in fiscal deficits. The inability to reach the deficit target is attributed to both expenditure overrun and tax revenue shortfall. In 1993-94, when the fiscal deficit figure overshot the target by over 3 percentage points, revenue expenditure exceeded the target by 1.1 percentage points, capital expenditure by 0.6 percentage point and the shortfall in tax revenue was one percentage point (Table 1). However, in order to make a correct diagnosis of the problem and to make policy recommendations it is not enough to state these facts. It is necessary to examine why it happened. Analysis shows that the reason for the inability to achieve the deficit target is due partly to the attempt to show smaller fiscal deficits in the budget estimates by showing optimistic revenue estimates and partly to the lack of political will to compress revenue expenditures. Das-Gupta and Mookherjee (1993) have shown that there was no basis for assuming a 16 per cent growth rate for tax revenues in 1993-94. At the same time, the intention in the budget was to reduce non-interest revenue expenditures from 8.7 per cent of GDP to 8 per cent, but the government could not muster the necessary political will to compress wages and salaries or transfers and subsidies. For example, the original intention to reduce the fertiliser subsidy was not politically feasible and had to be restored. In any case, both targets were too optimistic [Sen, Rao and Ghosh 1994].

What is worrying is not so much the attempt to project smaller deficits by overestimating revenues and understating the expenditures. In a sense, this may actually be useful, for it helps at least to set targets. Rather, it is the inability to muster the political will to reduce public dissavings as targeted. Any attempt by multilateral agencies to rationalise and justify this removes a source of pressure on the government to exercise fiscal prudence. In the CEM, the slippage in conforming to the deficit target in 1993-94 is simply attributed to stagnant industrial output. Furthermore, the deficit reduction and much less a reduction in public dissavings, are no longer important for the CEM. It justifies the lower targets for 1994-95 by stating that, as the external accounts were stronger fiscal imbalances were not a threat to macro-economic stability and therefore, the government could afford higher deficits. This implies that, with a comfortable external reserve position, the government need not unduly bother about fiscal discipline!

FIGURE 1: REVENUE RECEIPTS AND REVENUE EXPENDITURES OF CENTRAL GOVERNMENT



The CEM's observation that non-interest expenditures have already borne the brunt of fiscal adjustment and therefore, further reductions in fiscal deficits are to be achieved not by compressing expenditures, but by augmenting tax revenues or by restructuring public enterprises is not borne out by facts. A careful analysis of the expenditure trends since 1990-91 shows that while capital expenditures were clearly crowded out, there has not been any significant change in the level of non-interest current expenditures. The decline in the expenditure-GDP ratio from 9.8 per cent in 1990-91 to 9.1 per cent in 1993-94 and further to 8.7 per cent in 1994-95 was mainly due to the abolition of the export subsidy following the 1991 devaluation, and partly due to the lower grants given to the states. There has been hardly any significant compression of revenue expenditures on centre's own account. In fact, a careful analysis shows a steadily increasing slope of the revenue expenditure curve has been the principal reason for the increasing gap between current revenues and expenditures as far back as 1979-80. After 1991, the revenue expenditure curve has become even steeper and the gap has widened further (Figure 1).

Even if we were to believe that there has been some deceleration in the growth of these expenditures, it would be erroneous to infer that there is no scope for further reductions if there had been a lot of overspending earlier. The revenue expenditures during the 1980s increased at 18.3 per cent

TABLE 2: GROWTH OF REVENUES AND EXPENDITURES

(Per Cent)

Item of Revenue/Expenditure	1970-71 to 1980-81	1981-82 to 1990-91	1970-71 to 1990-91
1 Direct taxes	12.4	12.5	12.5
2 Indirect taxes	16.1	16.2	16.2
3 Total tax revenue	15.4	15.6	15.5
4 Non-tax revenue	14.2	13.0	13.6
5 Total revenue receipts	15.2	15.1	15.2
6 Capital receipts	18.0	20.6	19.3
7 Total receipts	15.8	16.5	16.1
8 Revenue expenditure	15.0	18.3	16.7
9 Capital expenditure	18.3	11.8	15.0
10 Total expenditure	15.9	16.6	16.3

TABLE 3: GROWTH OF STATES' REVENUES AND EXPENDITURES

(Pre Cent Per Year)

Item of Revenue/Expenditure	1974-75 to 1979-80	1980-81 to 1990-91	1990-91 to 1994-95
I Revenue receipts	15.9	15.5	16.2
a Own tax revenue	14.4	16.1	15.6
b Own non-tax revenue	11.9	12.5	23.7
c Own total revenue	13.9	15.4	16.7
d Central transfers	18.4	15.8	15.8
II Revenue expenditure	16.1	17.6	15.7
III Capital outlay	20.1	11.1	12.7
IV Total expenditure	17.5	15.8	15.1

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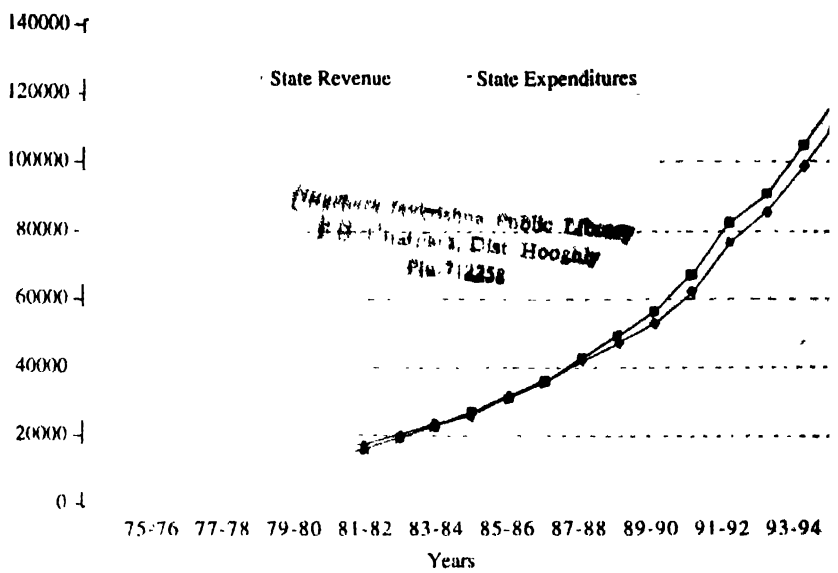
4th Sept '95

per year on the average, up from 15 per cent recorded in the 1970s (Table 2). Numerous studies have shown that there is not only much scope, but also an imperative need to reduce expenditures substantially on wages and salaries, subsidies and transfers [Chelliah 1992; Mundle and Mukhopadhyay 1993; Rao and Sen 1993].

There are also a number of centrally-sponsored projects taken up for populist reasons but not well targeted to the intended beneficiaries which need to be restructured.[3] One source of growth in expenditures has been through the proliferation of these centrally-sponsored schemes. The consequence of this is not merely in increasing public dissavings and widening fiscal deficits, but also expenditure centralisation, distortion of the states' expenditure priorities and inefficiencies in the delivery of public services. In fact, in the 1995-96 budget, the central government has used its expenditure policies and control over financial institutions to interfere over a wide variety of areas which should legitimately fall into the states' domain. Examples include directing NABARD to open exclusive lines of credit to co-operatives and regional rural banks to meet the credit needs of Scheduled Castes and Tribes amounting to Rs 500 crore, directing the banking system to lend Rs 1,000 crore on a consortium basis to Khadi and Village Industries Commission for on-lending to khadi and village industry units, setting up specialised bank branches in 85 identified districts to channelise the flow of credit to them, expansion of the centrally-sponsored schemes on Indira Awas Yojana and the creation of a National Social Assistance Scheme to give old age pensions, (a scheme which already exists in almost all the states) and provision of midday meals for the school children. The important questions that arise are, whether these schemes likely to make a lasting change in the poverty situation, will these be well designed and targeted to reach the intended beneficiaries, and if the central government better suited to incur expenditure on these activities.

If further reductions in the fiscal deficit are to be achieved only by raising more tax revenues and by privatising public enterprises, it is necessary to consider seriously the scope for and implications of raising additional revenues by improving the tax system. It must be noted first that the tax-GNP ratio in India compares favourably with those of the developing countries though the composition has been considered undesirable, with an overwhelming proportion accruing from indirect taxes. Related to this is the need to improve the income elasticity of the tax system, to impart a measure of stability to the tax regime, and to reduce discretionary changes in the tax base and rates from year to year to meet exigencies of additional revenue. It is also necessary to employ customs duties more as a protective device and less as an instrument to raise revenue. The reforms of domestic indirect taxes should simplify the structure by reducing rate differentiation, providing tax credits on inputs and capital goods, and reducing the distortions by extending tax to the retail level. Thus, while an emphasis on tax reforms is in order, the objective should be to evolve a stable, simple, productive and less distortionary tax system rather than simply to raise more revenues. Such a strategy would be in conformity with the broad objective of economic reforms, i e, of imparting greater competitiveness to the economy.

FIGURE 2: REVENUE RECEIPTS AND REVENUE EXPENDITURES OF STATE GOVERNMENTS



Dist Hooghly

This is not to imply that increasing revenue is not a feasible option. In fact, failure to recover user costs on many of the quasi public goods provided by the government has been a major source of implicit subsidy, and as the accessibility of these services is poorly targeted, the subsidy accrues predominantly to the better off sections of society. In asserting its priority areas for reducing the fiscal deficit, this CEM lost an opportunity to identify the candidates for higher cost recovery and to indicate the appropriate strategy for cost recovery.

As already mentioned, the state governments have a predominant role in the supply and regulation of social and economic infrastructures. Cost-efficient provision of these services responding to the needs and preferences of different regions is essential to achieve impart competitiveness to the economy. In particular, human resource development which is critical in accelerating the growth process is almost entirely in the states' domain (over 85 per cent of public expenditures is incurred by them) and fiscal and institutional problems at the state level could pose a binding constraint on the provision of these services. Similarly, the method of financing expenditures by the states can affect the allocation of resources by the private sector and therefore, can be an important factor in determining the competitiveness of the economy. It is interesting to examine to what extent the CEM's observations on the fiscal performance of the states and the solutions suggested therein would help in the structural adjustment programme.

A careful reading of the CEM indicates that many of its observations are not based on a careful analysis of state finances but are grounded in casual observation. It notes with concern the steadily increasing share of current expenditures and declining proportion of capital expenditures during the period, 1986-94. This and the increasing interest burden was enough for the CEM to conclude that the states will not be able to sustain their current pattern of expenditure. Of course, if significant increases in allocations to human resource development are made, as have been announced by the policy-makers from time to time, the share of recurrent expenditure will show a further increase and if these are financed from market borrowing, *ceteris paribus*, the interest burden will also increase. Can the question of sustainability be decided on such casual empirical facts? The simplistic nature of the analysis comes out even more clearly in its recommendations that in order to improve their public savings, the states should reduce their fiscal deficits. We have already indicated the nebulous nature of the relationship between public savings and fiscal deficits. What is more, in the case of the states, the volume of borrowing is, in effect, determined by the central government.

Even more disturbing is the assertion of the CEM that the constraint on states' finances is not due to a crisis of overspending, but their inability to effect improvements in raising own revenue. The only evidence offered to support this assertion is the fact

that the states, in the aggregate, could mobilise only 28 3 per cent of the additional resource mobilisation (ARM) targeted for the Eighth Plan period. Those familiar with the Plan financing table can easily understand that the concept as measured is not only nebulous but can even be misleading and to draw inferences on the states' revenue effort based on such a measure could lead to erroneous conclusions.

First, it is politically appealing to draw up unrealistically large sized plans and as the states' fiscal position cannot generate an adequate balance from current revenues, unrealistic ARM targets are set. In drawing up large sized plans without resource support, the Planning Commission as much as the individual state governments must take the blame. Second, the method of estimating the yearly targets of ARM is unscientific. The change in the tax rate is assumed to generate proportional changes in tax revenues. Third, as fulfilling these targets has become increasingly difficult, all sorts of things were included under ARM, even the money saved due to the delayed dearness allowance payments to employees Finally, the concept of ARM itself introduces instability to the fiscal regime. Revenue performance should be measured in terms of revenue productivity of the tax system and not by how much revenues were generated by effecting changes in the tax base and rate structure year after year. In fact, such discretionary changes can reduce the long run productivity of the tax system and the unstable tax structure can distort the decisions of the economic agents Past experience shows that, in the name of ARM, revenues were raised without any regard to their harmful economic effects. Surely, such measures cannot add to the competitiveness of the Indian economy.

A careful analysis of the fiscal performance of the states does not support the assertion that fiscal imbalances have arisen mainly due to poor revenue efforts and that overspending is not a problem. In fact, the average annual growth of states' own revenues accelerated from 13.9 per cent in the latter half of the 1970s to 15.4 per cent in the 1980s and further to 16.7 per cent in the first four years of the 1990s (Table 3). The states' own tax revenue, after accelerating to about 16 per cent in the 1980s fell only marginally to 15 6 per cent in the first four years of the current decade despite the low GDP growth rates during this period. In contrast, the growth of revenue expenditures outpaced the growth of revenue receipts throughout the 1980s, and even in the four years of fiscal adjustment it remained higher than the growth of states' own tax revenues. These trends brought out in Figure 2, clearly show that the divergence between current revenues and expenditures is mainly caused by the increasing slope of revenue expenditure curve and this became even more pronounced in the 1990s. Thus, contrary to the assertion in the CEM, fiscal imbalance at the state level seems to be mainly due to the crisis of overspending and not to stagnancy in revenues.

However, it would be incorrect to infer from the above that there are no problems in the states' methods of raising revenues. The inefficiencies of the states' tax system, particularly the domestic trade taxes have been widely discussed in the recent past and it is not necessary to go into the details here [NIPFP 1994; Rao and Vaillancourt 1994] The objective of tax reform should be to remove the inefficiencies in the tax system and to minimise resource distortions arising from it with a view to imparting greater competitiveness to the market. Again, improving the long run revenue productivity of the tax system should be the objective. Of course, there is a lot of scope for enhancing user charges and fees on many of the quasi-public services provided by the state governments and much of the increases in non-tax revenues since the beginning of the reforms was achieved by taking credit of larger interest receipts from public enterprises and not by realising user charges.

IV
Implications of World Bank Prescriptions

Realistic assessment of the problems and prescriptions based on them should lead the policy-makers to adopt the right set of measures for fiscal adjustment. In fact, the government can actually use the World Bank's prescriptions as a lever to carry out reforms which are politically difficult to implement However, inappropriate policy prescriptions based on wrong diagnosis of the issues can encourage laxity in fiscal management and defeat the very purpose of stabilisation and structural adjustment.

As shown in the previous section, a careful empirical analysis of the trends in revenues and expenditures of the central and state governments does not lend support to many of the conclusions reached in the CEM. While it rightly draws attention to the need to improve public savings, the emphasis is on containing the fiscal deficit. Moreover, the CEM's assertion that there is no further scope for expenditure compression and that in order to further reduce the fiscal deficit, tax revenues should be raised is not based on sound analysis. Such a prescription can encourage vested interests to seek and obtain large increases in allocations with benefits largely accruing to them and thus engender a spate of spending by the central government for electoral reasons. It is not surprising that there has indeed been a spurt in spending on interim relief (Rs 1,500 crore) to government employees, area development programme for the members of parliament (Rs 790 crore), new social assistance schemes (Rs 1,500 crore). Many more such schemes are likely to crop up with the elections scheduled next year.

The diagnosis of the fiscal problems at the state level in the CEM is also simplistic. Here again, the fiscal problems are attributed not to "the crisis of overspending.... but to the absence of improvements in the own revenue efforts of States as a group" (p 40). In the event, apparently not even the states need be concerned with the difficult task of reducing expenditures, and in a world of competitive populism they can go on a spending spree. The CEM, like the Planning Commission, seems to think that raising more and more resources and not increasing the efficiency in resource use should receive priority. This option may be easier to implement, but the solution may not serve the objective of structural adjustment.

Notes

1 The CEM interchanges these percentages perhaps due to an oversight

2 The CEM wrongly states that the Ninth Finance Commission actually adopted such an approach determine the awards for the special category states In fact, the commission used both shortfall in fiscal capacity and cost disabilities in determining the transfers of major states and not special category states

3 There were 262 centrally-sponsored schemes in 1989 Although the working group appointed by the Planning Commission recommended the abolition of a number of schemes, most of them have continued and the new ones have been added to the list

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On Drinking and 'Drunkenness'

History of Liquor in Colonial India

Indra Munshi Saldanha

The extent of impingement of the colonial state upon what may be called the private, collective domain is well illustrated by the policy of the British government on indigenous liquor making and drinking. This article dwells upon two important legislations, the Bombay Abkari Act, 1878 and the Mhowra Act of 1892, and their effect on the customary practices of the adivasis in the Thana district of Bombay Presidency. It also discusses overt and covert resistance of the communities and the classes which were involved both for and against the policy.

I
Introduction

THE British liquor policy was guided, avowedly, by the twin objects of generating revenue on the one hand, and checking intemperance among people towards safeguarding their morality, on the other. State policy, however, often came into conflict with another morality, that of the peasants, especially the adivasis (tribals), for whom drinking formed an integral part of their material as well as symbolic reality. It is an area of investigation, although largely neglected, which illustrates the impingement of the state upon, what may be generally called the private, collective domain of liquor making and drinking, and the resistance, both overt and covert, of the communities against the state as also the classes involved. Foucault's observation is extremely relevant in this regard, that "aside from torture and execution, which preclude any resistance, no matter how terrifying a given system may be, there always remain the possibility of resistance, disobedience and oppositional groupings [Rabinow 1987:245].

In this paper, the British liquor policy is discussed with reference to two important legislations, the Bombay Abkari Act of 1878 and the Mhowra Act of 1892, and their effect on the customary drinking practices of the adivasis, in particular in one district, Thana of Bombay presidency (present-day Maharashtra). The debates and discussions around the legislations and the crucial issues opened up by them demonstrate that the colonial discourse was not monolithic. The two legislations, however, had the summary effect of blocking the major sources of liquor-toddy, the fermented/distilled juice of palm tree, and mahua drink made from the flowers of *Bassia latifolia*[1] – by taxing the former beyond the means of the poor and banning the latter. The new system opened up an important source of revenue for the government. Towards the close of the period, revenue from excise (most of which came from country liquor) was second in importance only to land revenue. It also gave rise to a class of capitalists for whom manufacture of liquor became an extremely lucrative business. In the emerging market economy liquor, too, could be had for money, lacking which, even land and labour. Given the persistance of semi-feudal relations of production, liquor became an instrument of exploitation of the poor.

Neither the zeal of the government, nor the temperance movement, nor even the Indian-social reformers radically altered the adivasis' attitude towards drinking. They continued to drink, but in the changed situation, more expensive and less healthy liquor. The more popular and widespread alternative, however, was to distil liquor illegally. As the laws became more stringent and the prices rose, the peasants resorted to smuggling, illicit distillation and other acts which came to be termed 'crimes' and 'offences' in the legal discourse. While the government succeeded in fulfilling its object of raising revenue from liquor which, as we shall see, showed a steady increase throughout the period, the second object of checking consumption did not show much success. The fact that the peasants, especially the adivasis, continued to drink, raises basic questions about the very assumptions on which the liquor policy was formulated.

II
British Concern: The Early Years

The system that was continued in Thana district, long after the British took over the district in 1818, was the levy of the 'buddene' cess on palm trees, the proceeds of which was credited to land revenue. It was a cess levied as assessment to land revenue on toddy producing trees. It gave the payer the sole right to the trees, fruits, leaves and juice. Except in a few cases, the payment of this cess under certain conditions entitled the payer to draw and distil palm juice without any further charge. The details of the arrangement varied greatly in different parts of the district. In some parts, for example, Salsette, monopoly of the retail sale of palm juice and other country liquor was annually sold by auction, and it was only to the monopolists that the payers of the buddene and tapping cesses could sell palm juice. Payers of the buddene were allowed to draw, distil and sell to the monopolist on payment of an additional cess. No tapping licence was granted for fewer than 15 trees. In Dahanu and other parts any landholder or any person owning trees enough to represent a tree cess of Rs 10, could, on paying a further sum of Re 1, get a licence to distil and sell liquor within the limits of his village. Persons who were unwilling to obtain distilling licence could tap the trees and sell the juice only to the holders of a distilling licence. This was the case in the subdivisions along the coast where palm trees grew in greater abundance [RD6 1883:4].

In the inland subdivisions, Kalyan, Bhiwandi, Vada, Sahapur, Karjat, where palm trees were fewer, most of the liquor consumed was made from mahua flowers. The right to distil and retain mahua liquor in certain tracts or groups of villages was annually sold by auction. A tree cess was levied on all palms tapped for liquor in these parts, but the payer was forbidden to sell the produce to anyone but the liquor farmer [RD6.1883:4].

The revenue from liquor was, therefore, generally raised by auctioning the monopoly of the right to manufacture and sell liquor over a specified area.[2] Each farm usually comprised only a few villages. The farmers paid a lump sum for their privileges and were then free to make and sell as much liquor of as many kinds and strengths as they pleased uncontrolled by official interference. The farming system was, however, found to have serious weaknesses. It was argued that it left both government and consumers at the mercy of the farmers. The government could only realise in any year just as much revenue as the farmer chose to guarantee, and farmers often combined to keep down prices at the auction sales. It left the government ignorant of the quantities of liquor made and consumed, of the cost of manufacture, of the rates of duty realised on it, the strength and the selling price of the liquor sold and of the amounts of the profits derived by the monopolists from their farms [Report I,

1924:44]. In the district most liquor farmers were Parsis.

The result of this system was seen to be unsatisfactory for other reasons too. The officials found it impossible to supervise the countless stills that were at work all over the district. The abundance of spirit and the low rate of the excise, they asserted, made liquor so cheap that "drunkenness was universal" [RD6 1883:4-5]. In addition, it was observed, a marked increase of smuggling followed the enhanced excise rates which were introduced into the town and island of Bombay in 1874. The system was ineffective in that it provided ample scope for evasion of revenue. The policy of centralisation was already under consideration. In 1859, central distilleries were ordered to be established all over the country, so that a closer control and supervision could be maintained. The need of a more efficient system was recognised and finally introduced in 1879. The justification for the reform, which, as we shall see, created much discontent among the people, was provided by the need to check 'excessive drinking' For example, John Nugent, assistant collector of Thana, observed in 1868 that whereas 30 years ago only 10 per cent of the population habitually drank, it had increased to 75 per cent, and even 90 per cent in some parts. The greater facilities afforded for obtaining liquor than before led to higher consumption [Report I 1924: 43].

The district, along with other coastal districts, appears to have acquired a reputation for 'extreme intemperance'. As early as 1826, the collector was so alarmed by the widespread 'gross intoxication', that he thought it advisable "to cut down all but a few of the liquor-yielding trees". Again in 1863, the commissioner proposed that all palm trees on government waste lands should be cut down as the use of the liquor drawn from them was so demoralising. The proposal was repeated in the following years [RD 6, 1883:8-9] [1] The reasons for it were found to be in the abundance of palm trees on the coast and of mahua trees in the interior, the dampness of the climate, but most important, in the old lax abkari systems which made cheap liquor easily available

III
Abkari Act V of 1878

The task of introducing a new system was entrusted to C B Pritchard who was serving as collector of Salt Revenue and supervisor of the distilleries at Uran in Thana district in 1875. His recommendations were embodied in Act V of 1878 and the new system was introduced from January 1, 1879 The main principles of the reform were to confine the manufacture of mahua spirit to central distilleries, that excise duty be levied on this liquor before it left the distillery, and that no toddy be drawn from trees except by permission and under licence, that for each toddy tree tapped tax under excise (rather than land revenue, as had been the case of earlier) be paid and that liquor and toddy be sold in licensed shops, with licences auctioned as before. These measures were to be introduced gradually over a number of years [Hardiman 1985:189]. The plan was to raise the palm tax annually so that the mahua spirit manufactured in central distilleries would finally replace the distilled toddy liquor Pritchard was appointed as the first abkari commissioner for Bombay presidency in 1878

Under the act, with a separate department and sufficient staff, the abkari system in Bombay presidency was revolutionised. The old farming system was abolished nearly everywhere, the central distillery system with high rates of duty varying in each district, which were steadily increased from time to time, being introduced in its place. This system was accompanied with the grant of moopolies and a 'minimum guarantee' the amount of which was fixed by competition With the help of a large staff as well as the increased power of the magistrate to punish the offender, greater control by the government could now be established.

The result was a general discontent among the distiller and the people. The majority of the tree owners of Thana refused to pay the tax in protest A large number, nearly 1,10,000, trees remained untapped, owing to the prohibitive tax of from Rs 3 to Rs 14 on each coconut tree, Rs 3 to Rs 12 on each brab and Rs 1 8 to Rs 4 on each date tree in the different subdivisions, as well as to the grant of a monopoly of drawing and selling toddy to the liquor contractor [RD6A, 1883:3]. Under the new system toddy could be tapped only by those holding a licence from the government Licences were given to those who took the largest number of trees for tapping. The bhandaris, the traditional tappers and distillers of toddy, complained bitterly that the enforcement of the provisions of the new act had driven them out of occupation. The tax of Rs 10 per brab tree was found oppressive. They could not draw toddy from a small number of trees, and none of them were rich enough to take 50 palm trees, the minimum number fixed by the act. The government had, they petitioned, sold by contract the monopoly of manufacturing and selling liquor to "rich and cruel contractors who have made us their slaves" [RD6 1881:188, 251, 267]. They pleaded that the tree tax be levied from them directly, that they be permitted to tap the trees and sell the produce independently of the liquor contractor, and the present restriction of issuing licence for tapping trees to men approved by the contractor be dispensed with. The government, regretting that they had been deprived of their former occupation and however suggested that they turn to another employment if they had none [RD6 1881:217].

The assumption underlying Pritchard's proposal was that by raising the price of liquor, 'undue consumption' could be checked and at the same time a 'fair revenue' from the excise of liquor could be realised [RDI 1879:45], the principle being that a maximum of revenue should be raised from a minimum consumption of intoxicating liquors. In an attempt to vindicat his stand, Pritchard stated in 1979, "... the measures just advocated are likely to be beneficial to the people as well as to the revenue, that the increase made during the current year in the selling price of liquor in many talukas of Thana coupled with the prohibition of indiscriminate distillation has had the most marked and gratifying effect on the condition of the warlis and other labouring classes. The collector of Thana has informed me that these people are universally reputed to be now more industrious and more capable of hard work and willing to do it than formerly when half their time was spent under the influence of drink ..[RDI 1899:48-59].

The 'mamlatdar' (revenue official) of Karjat who was familiar with the district had however, the following observations to make on the effect of the legislation on the people. "Now the price of liquor being very dear, more illicit liquor is distilled and drunk. Formerly people used to purchase a bottle of liquor at from two to four annas and the illicit liquor now distilled costs the illicit distiller the same expense for manufacturing it... experience teaches me that drinking is more common than before." Moreover, he found that those who had no means to distil illicit liquor had resorted to more petty thefts of paddy, rice, etc, than before. Earlier they used to put aside a portion of their wages sufficient for the maintenance of their families, but now, as they had to spend a large amount of their wages for procuring the quantity of liquor barely sufficient for their requirements, they were led to acquire money by other means [RDI 1879:49]. If the rate of tax on palm trees was reduced, he suggested, people would have less inducement to attempt tapping without permission for illicit distillation. In his opinion, those who engaged in illicit tapping did so 'only to maintain themselves'. Therefore, if the rate of tax and the price at which licit liquor was sold were reduced, illicit distillation would stop (Ibid:52). Many private persons as well as government officials held this view (RD6 1883).

It was argued by the rayats (cultivators) and owners of toddy trees in the district that the poor, for whom toddy served as an article

of food, were being deprived of a source of sustenance.[4] In times of scarcity and famine, toddy had served as a substitute for food and helped them tide over difficult times. The high price of toddy would drive people to harder and more harmful liquors like mahua. They also pointed to the evils of the new liquor monopoly system which supplanted the former liquor contractors who took contracts for limited areas in favour of large capitalists who alone could bid for the large areas consisting of several talukas that were put up for auction. In addition, in the absence of competition, these contractors could have a relatively free hand with regard to both quality and price of toddy [RD6A, 1883:4-5].

Around the same time a British official, F S P Lely, assistant collector of Surat district, launched a powerful critique of the official policy, highlighting the hardships it had caused the poor adivasi peasants and labourers in his district. "... I submit that it is not in the power of any government to enforce the remedy of the teetotalism without entailing worse evils. The attempt to do so by a prohibitive tax has only deprived the women and children of much of their already scanty provision of food, clothes, and salt. ... It cannot be denied that a fair amount of toddy acts, if not as food, yet as compensation for the want of it. It cannot be denied that if not a medicine, yet it is properly believed to be such." Should not a moderate legitimate supply be placed within the reach of the people, he rhetorically asked [RD9, 1884:215].

In 1886, he wrote, ". . the change of 1879 was a small social revolution in that it drove the people out of the fields to the shop. Previously, every man who had trees in his fields, tapped them and gave thereof to his acquaintances with little fear of the farmer who asked no questions. No doubt they often drank more than was good for them, but at any rate it was sound juice taken straight from the tree and only half fermented. The customers at the shops were, as a rule, strangers and travellers only. Upon such a state of things fell the order that no toddy was to be got except at a licensed place, and not even there without payment of cash. To a people whose wages were one anna per day paid in kind, this was really a prohibition, except on very rare occasions. It made no practical difference to them whether the price was two pice per pint or twenty. Both rates were hopelessly beyond their reach" [Quoted in Hardiman 1985:194].

The official concern with the widespread consumption of illicit liquor led to determined efforts by government for the repression of illicit distillation in the inland talukas by the establishment of punitive police posts in many of the villages in which illicit distillation was most rampant and by the infliction of exemplary and determined punishments upon persons convicted of offences against the abkari law [Statement 1905:2]. In spite of these measures, illicit distillation was rife in almost every village in the inland talukas where the mahua grew in abundance. It was easier to make liquor from mahua than to tap toddy since the pot hanging on the trunk could easily be detected.

The abkari officials were alarmed at the organised resistance to the abkari laws. The people discovered ingenious ways to escape detection, for example the pot with fermenting mahua was kept in fields away from the villages, the stills were set up in ravines and 'nallas' and men were posted to give warning. As Sibbald, inspector of the inland range, pointed out, since the apparatus was found in open grounds, no one could be held responsible for it [RD6 1883:10]. The abkari inspectors continued to complain that villager as a body were involved in the 'crime'. No one gave any information. The actual manufacture was carried on on some remote spot, the same spot being seldom used more than a few times. The villagers often offered an organised and determined opposition to the abkari force. There were instances of abkari men being brutally handled by villagers, of being beaten and even killed [RD9 1891.55; RD6 1883.10].

In a large number of instances, Atkins, the assistant collector of Thana in 1883, reported, women and old men were found at the stills, and therefore convicted under the Abkari Act. He believed that it was widespread probably because "The old man, if sent to prison, is unfit to do hard labour and does not much mind simple imprisonment when he is paid for it." The woman often gets off with a heavy fine but her fellow villagers subscribe and pay it as a kind of part payment for the liquor they had during the year [RD33 1884:185]. Atkins described the trial of an old man who had been twice previously convicted, and who was now sent to prison for six months. The man greeted the magistrate, "Ram Ram, Rao Sahib", and went to prison happily. Even the most severe punishment, he felt, seemed to have no effect. He touched on a sensitive issue when he observed that "the morality of a class is subject only to the opinion of that class" and that the public opinion of the cultivating class was not opposed to the illicit distillation of liquor [RD33 1884:186]. Given the strong community support, he felt, it was almost impossible to find the offenders. Even a large abkari staff would find it difficult to be constantly searching houses, hollow trees and other hiding places in forests, holes in the ground, nulla beds and haystacks [RD33 1884:185].

The licensee, too, was expected to employ a sufficient private preventive establishment to put down all illicit liquor traffic within the limits of his farm, so as to control entire licit consumption in the region [RD4 1884:216]. Despite the contractor, illicit manufacture of liquor became more and more popular as the price of liquor went up over the years. From the villager's point of view, it was well worth the risk since he managed to get for almost nothing a bottle of spirit that would cost him 8 to 9 annas in the shop. The operation was a simple one, requiring little more than household utensils and a few pice. Alternately, liquor could be smuggled from the neighbouring princely states of Jawhar and Dharampur and the Portuguese territory, Daman, where generally the price of liquor was lower.

Atkins was clearly of the opinion that poor cultivators needed liquor at the end of a hard day's labour in the field during the rains, primarily for health reasons. They only got bad liquor, at a high price and that too after walking eight to 10 miles. They naturally preferred to make their own liquor. If, however, they could get good liquor at an affordable price, and within a mile or two of where they lived setting up a 'private' still would not be necessary. As for the argument that this would "corrupt the morals of the people", Atkins felt certain that people would not consume more liquor than they did now – they probably drank more than wanted simply because it was available at home [RD33 1884.186].

Mhowra Act (III of 1892)

In order to check illicit manufacture which caused 'loss of abkari revenues' as well as encouraged 'lawlessness' in the inland talukas where mahua trees were plentiful (mahua flowers were also imported from Gujarat for the same purpose), Charles Pritchard proposed that the collection and sale of mahua flowers be banned. To this effect, the Mhowra Bill was introduced in the Bombay legislative council in 1882. But while under discussion it was fiercely opposed by the non-official members among whom were eminent persons like Rao Saheb Mandlik, Sir Jamshetji Jeejibhai, W M Macaulay, S D Sasson and others. They argued that mahua flowers were used as food by the poor for themselves and for their cattle during periods of scarcity. And that no "increase of the abkari revenue would compensate for the injury that would be inflicted on the very poorest classes by depriving them of an article of sale and barter which has been provided for them by the bounty of nature and which they have freely collected from immemorial time" [QJPSS 17, 4 1895:9, see also QJPSS 14, 4 1892:1-73]. They blamed the abkari department for, "driving people to illicit distillation". Since raw toddy had been made

dear and scarce, and licit liquor heavily overtaxed, people took to illicit liquor. The remedy, it was suggested, was "not an oppressive restriction of the free use of useful articles but a reduction of high taxation" [QJPSS 1892:72]. Without mincing words, W M Macaulay observed "it seems to be that the Abkari Act of 1878 and the bill now before us have been framed with one object of increasing revenue" [QJPSS 1895, op cit:9].

It was forcefully argued that the restrictions contemplated would press hard on the poor and tribals who were generally engaged in the collection of mahua flowers. These flowers served as casual, if not regular, food for men, fodder for the cattle, and as medicine. The entire families of the tribals in the district, the kolis, katkaris, warlis, dublas, thakurs and others collected the flowers that fell on the ground of which they kept a share for themselves, and sold the rest to the bania for grain or money [QJPSS 1892, op cit:14]. The supporters of the bill replied that 'when the results are so disastrous to the peace and morality of the country, it is impossible not to interfere with it, even if it is admitted to be a food'. And that when freedom caused the 'demoralisation' of the people, it was necessary to interfere because it was impossible otherwise to check 'drunkenness' and at the same time prevent a serious loss of revenue from illicit distillation [QJPSS 1892:23]. Surprisingly, although the government admitted that mahua flower was used as food in Gujarat and Khandesh and other parts, it persistently asserted that it was not so used in Thana and Kolaba districts alone.[5] As a result, however, of the opposition to the proposed bill, it was vetoed by the government of India under Lord Ripon in 1882.

In accordance with the instructions from the government of India, the Bombay government appointed a committee to further inquire as to whether the high rate of duty charged on licit spirit in the district of Thana and Kolaba had not encouraged smuggling and whether the mahua flower was ever used as food in those districts. A committee consisting of three revenue officials of Bombay was appointed and their conclusions were as expected, in conformity with the government's position. It noted that the high rate of duty on licit spirit was not the cause of smuggling in the two districts, that mahua was not a staple article of food of the people, neither was it generally given, to any appreciable extent, to cattle. Finally, that the only way to check the evil of illicit distillation was to bring the free traffic in mahua flowers under legislative control. They even proposed the cutting down of all mahua trees. On the other hand, a large number of witnesses, the lower level officials as well as non-officials, stated that the flowers were used by the poor, especially the adivasis, as food for men and cattle when their stock of grain was exhausted, and especially in famine times. The flowers were eaten fresh or dried, by themselves or mixed with grain flour and made into bread. Oil extracted from mahua seed was used for purposes of consumption as well as lighting. It was clear that the poor also bartered the mahua flowers for gram, rice or other miscellaneous items of grocery, on which they subsisted during the monsoon months. It was also pointed out that formerly because the peasants derived benefit from mahua, they planted more trees. But in recent times given the changed circumstances they were trying to fell the existing trees and sell them off [RD6 1883].

The bill was turned down once again in 1884. But in 1892, Pritchard took up the matter again and the act was finally passed by the Bombay legislative council. It was applied initially only to the Thana and Kolaba districts. He put forward a proposal whereby a vacation would be granted from the mahua controls between February 15 and April 15 every year. The rest of the time the storing and selling of mahua was to be banned. The act was said to be necessitated by a 'very serious' rise that had 'recently' taken place in the illicit distillation of mahua in Thana and Kolaba districts. In his closing speech Pritchard clearly stated that he was "unable to hold the view that the liquor traffic was not a legitimate source of revenue" [Report I, 1924:45].

The act evoked much disapproval from several quarters. Public meetings to protest against it were reported to have been held all over the two districts. The press, both English and vernacular, was involved in the debate that followed the passing of the act. The Poona Sarvajanik Sabha, a nationalist organisation, took up the issue seriously. It argued that nothing had happened between 1882 and 1892 which could justify the acceptance of the legislation. The 'very serious rise' in illicit distillation, which the government used as a justification, was due to an experiment made by the government in 1887-88 which took off some of the restrictions on raw toddy, but at the same time enhanced the price of licit liquor. The experiment was pronounced as 'disastrous' by the department and discontinued at the end of 1889 [QJPSS 15,2, October 1892:36]. It further argued that compared with the figures of 1880-81 and 1881-82, the figures of illicit distillation in recent years did not show a 'serious rise', but on the contrary, a substantial drop. In support of the argument it was shown that the abkari offences connected with illicit distillation detected were 612 during 1880-81, 767 during 1881-82, 492 during 1889-90 and 408 in 1890-91. During 1888-89 the period of the experiment, they showed a high of 606 [QJPSS April 1892:55]. And that since the abolition of the experiment, the number of offences had been steadily and rapidly diminishing, much to the satisfaction of the abkari department officials. In the opinion of the Sabha, the legislation would deprive the poor of an article which although not a staple article of food was an important supplement to foodgrains. Besides, it would invest the police with even greater power to harass and blackmail people (QJPSS 15,2 October 1892:39-41].

In the 1889 abkari officers in Thana were unanimous in admitting that their efforts to stamp out the 'recent excess' of illicit distillation had been ineffectual. They were generally of the opinion that there were only two ways of putting down illicit distillation by reducing the price of licit liquor or by bringing possession of mahua flowers under effective control. It is evident from the Commissioner's letter of May 9, 1889, that the chief cause of illicit distillation of both mahua and toddy, in his opinion, was the raising of the retail selling price of country spirit to rates that the main body of consumers could not pay. To check the evil, he suggested, the first step to be taken was "to reduce the retail selling prices of country spirit that have risen to rates ranging from 50-100 per cent above prevailing in 1886-87" [RD 2A 1889:26, 79].

The government, rather than reduce the price of licit liquor, chose the other alternative, to control the possession and sale of mahua flowers so as not to jeopardise its revenue interests and passed the legislation under discussion.

Abkari Revenue and 'Offences'

After the year 1879, the revenue from country liquor showed a steady increase. The rate of still head duty on mahua spirit and the rate of tree tax on palm was raised from time to time, and while revenue increased substantially over the years, consumption does not seem to have decreased. At the same time 'offences' as also other forms of resistance to the liquor legislations, despite the severe punishment, continued unabated frustrating the efforts of the government.

In 1878-79 the revenue amounted to Rs 4,92,430. In 1880-81 the revenue had gone upto Rs 6,36,776 as a result of the introduction of the Abkari Act of 1878. The revenue increased to Rs 7,06,137 in 1883-84, but dropped to Rs 5,98,794 in 1889-89, as a result of the experiment referred to earlier. It increased to Rs 8,15,313 in 1893-94, Rs 10,02,259 in 1898-99, and showed a slight fall to Rs 9,82,966 in 1903-04 [Statement op cit, Thana: 2-7]. The official figures for consumption per head showed an overall increase. These, however,

do not reflect the actual amount of drinking given that a fair amount of liquor consumed was illicit and therefore, unaccounted. In 1881-82 the consumption per head was reported to be 19 drams, in 1883-84 it was 22.8 drams, it fell to 8.1 drams in 1888-89 as a result of the changes introduced by the government, mentioned above, which resulted in an enormous rise in prices and therefore to illicit distillation. (One dram is 1/48 of a gallon.) The consumption rose to 23.4 drams in 1893-94, 25.3 drams in 1898-99, and dropped to 20.8 drams per head in 1899-90 as a result of the effects of famine in the district. It rose again to 23.9 drams in 1903-04 and further to 26.7 drams in 1904-05, the highest on record and was attributed to the "return of prosperity".

The government pointed to the "large and steadily increasing abkari revenue" as an indication that people could afford to spend much on 'luxuries'. The more sensitive officials however argued that "the luxury of drinking some kind of spirit or intoxicant is the luxury *par excellence* not to say the necessity of the lowest and poorest classes in most countries" as was evident in the enormous revenue derived from the gin palaces in London and other cities in England. To the weakened, feeble frame of the Konkan rayat, it was pointed out, liquor was as comforting and had become as necessary as it was to the poorest in London [RD34 pt II 1884:17].

Before the century came to a close, however, Thana witnessed a major protest by the adivasis as well as other caste groups in which cheap liquor featured as one of the demands. The action was sparked by a forest regulation passed in 1896 which prohibited the collection for sale of firewood by the adivasis. It caused widespread discontent all over the district, and not only the adivasis, but many other groups, too, voiced their grievance against the government policy with respect to land, forest and abkari. As one official put it, it reopened many old sores connected with toddy, grazing, abkari regulations generally. Bhandaris, who felt deprived of their traditional occupation by the government's abkari policy, too joined the protest [RD 112 1897:45,77].

Abkari inspectors were alarmed at the resolutions passed in meetings to tap toddy trees without permits. The adivasis were reported to have asked the Christians of Bassein taluka to abstain from liquor as a form of protest [RD112 1897:80]. Among other things, people demanded that liquor be sold at one anna a bottle, and the palm tree tax be abolished. In one instance, it was reported in a local newspaper that people forced the acting district deputy collector to give an order for liquor to be sold at one anna a seer on a stamped paper. With this order they went to a liquor seller's shop and bought a large quantity of liquor at one anna per seer and consumed it on the spot (*Arunodaya* November 25, 1896). By 1896 the storm had blown over.

A different reaction from the people, discernible in this district, and much more in the adjoining districts of Gujarat, was collective abstention from liquor. Despite the lip-service paid to temperance by the government, its own response to the anti-liquor movement was often one of concern for the resulting loss of revenue. The feeling was expressed by the abkari commissioner in 1886, when there was a movement in favour of total abstinence in Thana and Kolaba districts. The movement was crushed and the commissioner justified his action in the following words "the question for decision is, shall we sit quiet and allow the movement to continue and to spread and thereby to forfeit a large amount of revenue, or are measures to be adopted, which will bring people to their senses" [Report I 1924:45].

To give up drinking liquor was a way out for the poor "to protect themselves from local coercion" as well as a reaction to the high price of liquor which was leading them to impoverishment. Parsi liquor shopkeepers were known to give liquor on credit and demand labour and even land in return. In 1882 *The Gazetteer* of the district recorded the presence of the Parsi landowners and liquor sellers in the interior villages. Frequent complaints were made against them by the adivasis that "these men press labour for the cultivation of their fields" [*Gazetteer* Thana 1882:247]. Oral testimonies from the adivasis reconstruct how the outsiders came and settled in their villages several decades ago, acquired a little land, opened liquor shops and often encouraged the adivasis to buy drink on credit. And after the debts increased, they would demand land or money. Since adivasis did not have the money, their lands were taken away and they were turned into tenants on their own land. In this way, the landlord would acquire entire villages. These stories are very much a part of the collective memory of the people. Liquor had become an instrument of exploitation of the adivasis by the high caste moneylender-landlords, particularly the Parsis. Field work in the region in 1981-82 generated substantial evidence to support this [Saldanha 1984:660].

In some instances, as in one taluka, Umbergaon, the brahmin landlords evicted tenants who had dealings with the mahua merchants or who themselves engaged in illicit distillation. The Parsi landlords, on the other hand, not burdened by brahminical values which consider liquor drinking as a vice, encouraged or even compelled their tenants to illicitly distil with a view to "enjoyment of the first outcome of the illicit stills" [RD9 1891:27-28].

In 1906 a temperance movement which started in south Gujarat spread to northern Thana. It was started by an educated adivasi in the tribal territory of south Gujarat. Mass meetings of the adivasis were held and vows were taken to abstain from liquor. There was a fall in sales of liquor and toddy and a remarkable decrease in the instances of illicit distillation [Hardiman 1985:213]. A large fall in sales was reported from Thana, too. As a result, the licensees in Thana suffered a loss [RAED 1906:6-9]. The movement was, however, short lived, and by 1906 a rise both in consumption and receipts was reported. In two talukas, Bassein and Bhiwandi the effects of the movement continued to be felt, but on the whole the situation was said to be 'normal'. In 1908, "a certain amount of sporadic agitation mainly of a political and quasi-political character in support of a temperance movement" was reported to have occurred in Thana. The movement took the form of propaganda by means of public meetings, but, by and large, in official view it remained 'spasmodic and ineffectual'. It appears to have been a part of the boycott of liquor shops in parts of Bombay city and several other districts of the presidency following the trial of the nationalist leader, Tilak.

After 1921 with Gandhi's blessings the anti-liquor campaign spread to many areas. In Bombay city the temperance activity was fairly strong. Supported by the Indian National Congress, the campaign was active in almost all parts of the Bombay presidency, resulting in fall in excise revenue. The government's attitude is clear from the statement that it was in sympathy with the measures directed to encourage temperance provided the methods adopted did not lead to 'inconvenience or annoyance' of the public, or to "interference in lawful vocation and the liberty of the subject" or to breaches of peace. The magistrate and the police were expected to take the necessary steps to prevent or punish infringement of the law [Report I 1924:47]. In the government's view, although the anti-liquor campaign was inspired by social and religious reformist ideas, it was very much a part of a political programme to discredit the government.

A most remarkable development, however, was the 'devi' movement which originated among the adivasis in a coastal taluka in Thana in 1922, and spread over south Gujarat. It appears to have started early in 1922 among the Mangela Koli fishermen who were hit by an epidemic of small pox. They believed that the goddess who had caused the epidemic had to be propitiated. Koli women would become possessed by the deity at ceremonies. Through this medium, the goddess let it be known that she would be satisfied if they gave up meat, fish, toddy,

liquor for some time. This propitiatory movement spread northwards to other fishing villages in Thana and then to Surat district [Hardiman 1984:208, see also Hardiman 1987]. It represented an attack on the abkari system as well as on the Parsi liquor and toddy dealers. During the course of the movement the influential section among the adivasis forged an alliance with the middle class Gandhian nationalists of Gujarat, who were the most vocal champions of the cause [Hardiman 1985:214]. The anti-liquor agitations continued to occur in the following years but sporadically and without any lasting effect.

Under the Montagu-Chelmsford reforms of 1919, the provincial abkari came under an elected minister. In Bombay the first elected minister was Sir Chunilal Mehta. He was committed to the cause of temperance. In 1922 he introduced the system of rationing of supplies to liquor shop, initially reduced by 5 per cent in the rural areas, to be further cut year after year. A committee was appointed in 1922 to look into the operation of liquor laws in the presidency with a view to report on whether complete prohibition could be implemented. The committee submitted its report in 1923. Opinions were divided between the government officials and liquor contractors, on the one hand, who favoured the existing policy, and the non-officials, on the other, who favoured either greater restriction or in many cases, complete prohibition. The masses, whose interest was claimed to be represented by the British officials were not however a party to the debate [Hardiman 1985:217].

Nevertheless, the committee came to the conclusion that the Indian people wanted prohibition. It therefore recommended the implementation of a policy of prohibition in Bombay presidency. The government responded by voicing its concern for the loss of excise revenue which formed nearly one-third of the total revenue of the presidency. It would be impossible for them to pursue the policy of prohibition unless the loss of revenue arising out of it was "completely made good from other sources" [Report I 1924:57,91]. In 1928, because Indian ministers controlled only certain departments not the Bombay government as a whole, they could not, therefore, prevent the government from declaring that it did not intend to change the existing abkari policy. The rationing policy was subsequently relaxed [Hardiman 1985:220].

Despite the fluctuations in consumption resulting from the anti-liquor agitations, by and large, the peasants and the adivasis in Thana district continued to drink. Much of the liquor consumed was illicit. The duty on still head as well as the tree tax had been raised steadily over the years [RAED 1918:3, RAED 919.3] making it difficult for the poor peasants to purchase licit liquor. In 1922-23 the W C Shepherd, then commissioner of excise, admitted that excise crime was everywhere on the increase. Illicit trade in liquor not only seriously affected the revenue, but nullified government's effort at promoting temperance. The only remedy, in his view, was to "reduce the cost and raise the strength of licit liquor" [Report I:155, 124]. Not only did liquor cost more, its quality too, people complained, had deteriorated. Often liquor of the highest strength was watered down with impure water, making it unfit for consumption. The customers were often cheated on the short measure.

The figures on consumption of liquor showed a drop to 7 drams by 1928-29 and further to 3.8 drams in 1930-31, partially as a result of anti-drink activity, especially the campaign launched by the Congress in 1930-31 [RAED 1930:20; RAED 1932:21]. That these figures did not represent the real situation is suggested by the fact that the excise officials continued to report on the existence of large-scale illicit distillation. It was generally agreed by them that the high price of liquor was driving the people to illicit liquor which was more potent and cost practically nothing, and that illicit distillation could not be suppressed unless the price was brought under control [RAED 1930: 18-20, RAED 1932:18].

The revenue from country spirit rose to Rs 17,37,127 in 1913-14, from Rs 13,92,445, the average of previous five years [RAED 1914:40-41]. The offences related to liquor for the years 1928-29 and 1930-31 were 713 and 669, respectively. That the poor were subjected to harassment was admitted by J P Brander, the commissioner of excise during 1930-31, who considered it the unfortunate duty of the excise officers to "hunt down the illicit distillers." He observed, "The results are prosecutions, fines and imprisonment of poor villagers and members of aboriginal tribe, and often serious affrays between them and the excise staff, sometimes with fatal results. But these people will have liquor, and if they do not get facilities for obtaining licit liquor not too dear they will go in for illicit liquor, the facilities for making or importing which are in most districts plentiful" [RAED 1932:18].

Although after 1937, when the Congress ministry came to power, some attempts were made at prohibition, it was only after 1946 that the Congress government launched and pursued a programme for total prohibition over a period of four years, commencing from April 1, 1947. The plan was to enforce a 25 per cent progressive cut in the supplies of country liquor and in the number of toddy trees licensed to be cut, a reduction in the number of shops, an increase in the rate of excise duty on liquors and enhancement of punishment for excise offences. This programme was duly carried out from April 1950, complete prohibition was launched in the whole of the then Bombay state. When the Bombay Prohibition Scheme completed one year 1947-48, its working showed, on the one hand, a decline in the consumption of liquor to 2.9 drams per head, and on the other, an increase in the offences relating to liquor to 2,177. A greater effort in dealing with the increase in illicit distillation was called for. A total number of 242 persons were recorded to have been convicted for 'drunkenness' [AARED 1950:22,38-39]. In the year 1949-50, the total number of offences recorded were 4,564 which increased to 11,948 in 1953-54. In 1949-50, 1,579 cases convicted for 'drunkenness' were recorded, which increased to 4,678 in 1953-54 [ARAPED 1951:45, 1955:45].

The results of a study conducted in 1950 to record the effects of prohibition in three districts, which included Thana, noted that large-scale smuggling of liquor from the contiguous Portuguese territories as well as the Indian states was carried on in spite of the police vigilance. Further, since illicit toddy could be obtained in limited quantities, the practice by the sellers was to adulterate it with a mixture of water, half-ground cereal, opium, spice, gur (jaggery) and aritha (a nut used as soap) foam. This mixture looked like highly fermented toddy [Report 1953:29]. The process of distillation of liquor from molasses, mahua flowers, half-ground cereals, wheat stalks, etc, was found to be more widespread. The distillation, it was observed, was very crudely done and under insanitary conditions and was, therefore, 'doubly harmful to health'. It concluded, "we came across a few cases of wretched health as a result of regular consumption of such manufactured liquor. If allowed to go unchecked illicit distillation may undo the benefits of prohibition" [University of Bombay 1953.30].

Drinking in Adivasi Culture

Except for some brief periods of abstention from liquor, as we have seen, the lower classes continued to drink in defiance of the colonial regulations. Although the British administrators' accounts appear exaggerated and derogatory it is beyond doubt that the poor, especially the adivasis drank a fair amount and enjoyed it. Liquor was an essential part of their collective existence, both material and symbolic. It is probably for this reason that they could not and cannot be forced to give up liquor.

Toddy served as a supplement to food, and in years of scarcity, a substitute for food [RD 6A 1883,3-4]. The adivasis believed that the spirits had a medicinal influence in counteracting the effects of cold and damp

[Report I 1924:158]. Toddy was found to be particularly effective against malaria and high fever. Officials often admitted that liquor acted as a stimulant as well as a relaxant. Given the strenuous nature of agricultural work and the wet and damp climate of the region, liquor was found to be a necessity. It provided relief after the day's hard labour.

Liquor also served to strengthen community ties. No important event, marriage, death, birth, divorce, an agreement for a contract, could be solemnised without liquor being served to those participating in the event. Among one of the adivasi groups, the engagement of the young boy and girl was finalised by the former's father dropping a little toddy into the cup of the girl's father and vice versa and both drinking together. Liquor formed part of the 'dej' or the bride price which consisted of grains, clothes, beans, etc, paid by the bridegroom's side to the bride's father [Save 1945:83-85]. Drinking and merry-making was a characteristic feature of a wedding [*Gazetteer Thana*, 182, 162]. In fact, the very last ceremony after a wedding was over consisted of the bride and the groom being served toddy from a small hole made in an earthenware pot. By 1945, given the high price of liquor which most adivasis could not afford, it was reported that methylated spirit mixed with water and sugar was used as a substitute for toddy on occasions when large quantities of liquor were required [Save 1945:231].

Toddy was also an important part of the rituals connected with death. Among some adivasis it was customary to serve toddy to the mourners when they returned from the cremation ground. On the fourth day, the mourners would collect the ashes and sprinkle toddy over them [Enthoven 1922:452]. It was also ensured that toddy was made available to the spirit of the dead. The chief mourner would make a cup out of rice flour and fill it with toddy. The cup was placed inside the house with the belief that if at all the spirit returned to the house at night, it could eat the flour and drink the toddy. Liquor would also be served along with food to the group which collected on the occasion of death anniversary. The singers who sang death songs throughout the night would be served with toddy at intervals [Save 1945:130]. Similarly, toddy would be served to those who assembled to celebrate the birth of a child. A few drops of it would be put in the child's mouth for luck. On the occasion of a divorce, the assembly of influential elders who generally granted the divorce would be offered toddy, bought out of the money given by the woman's lover to her husband. Such practices can be found among adivasi groups in other parts of the country too [Fuchs 1960:73-74, 262-264].

Toddy was and continues to be used as a form of payment to the 'bhagat', the priest-cum-medicine man, for his services. Students training to become bhagats paid the fees of a chicken and toddy to their teacher. Unlike the brahmins and the other castes, the adivasis celebrate their religious festivals with collective drinking and dancing. Observations from the field reveal that on important religious festivals, the adivasis make a symbolic offering of liquor to the gods by sprinkling it on the ground for they believe that the family gods 'must have it'. The argument being that "people like liquor and the happiness of the gods depends on the happiness of the people" [Dalmia 1988:60]. An important feature of the celebration of festivals like Diwali, Holi and others for the adivasis is drinking and dancing for several days and nights.

The significance of drinking among the indigenous communities although not adequately explored has been a field of study of anthropologists.[7] The symbolic significance of eating and drinking has been well established [Levi Strauss 1978]. Ivan Karp (1987:86), speaking of a community living across the Kenya-Uganda border, suggests "for the Heso, no matter what area of their life is being examined – economic, ritual or kinship – beer drinking will be found to be a part of it". What Karp says for the Heso may be said of the adivasis of Thana. Beer drinking, he observes, is "the appropriate vehicle for expressing the customary sentiments", it is a symbolic form "through which the living and the dead communicate and co-operate", it is "a symbol of ritual", it is associated with 'hospitality', it is the "basis of sociability and reciprocity", it is related to both "production and economic exchanges" and over all, it is "a symbol of diffuse solidarity and unencumbered sociability which expresses the ideal form of relations among men that Heso would like to achieve" [Karp 1987:84]. In this study of the Cambas of eastern Bolivia, Heath (1962) points out that drinking takes place only within a social context, solitary drinking being inconceivable to the Camba, and there being no guilt associated with drinking, drunkenness or drunken behaviour.

Verrier Elwin, writing about the Baigas of central India, observes the social-ritual significance of drinking among them. It is believed that god himself sent a great giant to find mahua liquor before the creation of the world, thus making it a necessary ingredient in all Baiga worship.[8] Mahua liquor is drunk to drive away disease from the village and at the sacrifices which protects the 'bewar' (shifting) cultivation. Mourners take it at a funeral and revellers at a wedding. It is an essential item at an engagement, it is levied as a part of the fine to be paid as penalty after excommunication. It is drunk for pleasure. It is a libation to the earth mother. Typically before drinking, each person pours a few drops on the ground, chant mantra and salutes the others, and then swallow the liquor in one gulp [Elwin 1939:44-45].

Concluding Remarks

A large amount of illicit liquor continues to be manufactured and consumed in the district at present. In recent years, black jaggery is used as a base for production of alcohol. A large number of shops openly sell black jaggery, ostensibly for cattle feed, although it is well known that it is used for illicit distillation. In some shops, a harmful chemical, ammonia chloride is given free along with the jaggery in order to aid fermentation. A number of adivasis are engaged in illicit distillation of liquor. In fact, a large number of women, generally destitute women without a regular source of income, sporadically manufacture and sell liquor to earn a little extra money. A few of the adivasi households who have date palms on their own lands do a little business by selling fermented toddy to the villagers. Some take toddy trees on lease from other adivasis or the landlords at the rate of Rs 20 or Rs 30 for an ordinary tree.

A number of non-party political organisations working in the region recognise that the adivasi propensity to drink was and continues to be used as a tool for their exploitation, resulting in the alienation of their lands as well as bondage. Liquor is one of the causes of indebtedness of the adivasis to the landlord. Petty lower level government officials often demand liquor and chicken from the poor in return for small favours. Money borrowed for food and liquor to be served at weddings often results in the bondage of the newly wedded. One estimate suggests that about 1/5 to 2/5 of their weekly expenditure is spent on drinks [Saldanha 1984:580]. Apart from being a drain on the meagre earnings, drinking is reported to give rise to quarrels and souring of relations among the villagers. Women have not only to make do with reduced family income but also to bear the brunt of the men's aggression and violence resulting from drinking.

It is for these reasons, rather than to impose a superior morality, that the organisations have encouraged the adivasis to adopt 'voluntary prohibition'. In 1975 one of the organisations, Bhoomi Sena, started a campaign among the adivasis for a reduction of expenditure on liquor, food, etc, on weddings to avoid the incurring of debt (which results in bondage) from the landlord. Although not entirely successful, it certainly had some impact [Munshi Saldanha 1983:202]. Recently another organisation,

Kashtakari Sanghatna, launched a struggle demanding a ban on the sale of black jaggery. Women are reported to have supported the movement. The ban, however, lasted for a short time because a large number of interests involved, shopkeepers, traders, men and women who make illicit liquor, opposed the ban. The activists often find it an extremely difficult issue to deal with, not only because of the big interests involved, but because of the dependence of the adivasis, especially men, on the injurious brew. The anti-liquor movement, largely led by women, which is growing in several states of the country, clearly brings out the fact that the women have to struggle at various levels: the liquor contractors who are directly involved, the bureaucrats and the politicians who protect them, and their own men who are addicted to liquor [Reddy and Patnaik 1993:1059-1066].

In Thana, the adivasis themselves observe that, ". .Long ago people used to drink, but there was a proper way in which people drank. People drank less. Children did not drink at all. They did not know what toddy or liquor was. They would be given bread to eat. It was a very difficult life then. Even when a boy was of a marriageable age he did not drink. Children never drank. Now women also get drunk like men. Children are given drink and they become habituated to it. This seems to be on the increase. In our time there were a lot of mahua trees on our lands. People used to make liquor from mahua. But now mahua trees have been cut. That is why people make liquor out of black jaggery... People buy liquor in the village and make liquor out of jaggery. People drink liquor like water. Earlier we drank on the quiet. If a drunkard was found, he was arrested. Now drunkenness seems to be increasing. Drinking will not stop unless government stops the sale of black jaggery."

Whether drinking has in fact increased in the last decades is difficult to tell. What is, however, clear is that there has been some change in the type of liquor consumed by the people, from fermented and distilled toddy and mahua liquor to liquor made from black jaggery, marked by a significant deterioration in the quality of liquor. There is a growing awareness among the people, aided very much by the political activists, that liquor is a drain on their meagre resources, an obstacle to united struggle for their rights, cause of domestic quarrels, and an instrument of oppression and exploitation by the landlord, the shopkeeper, and the official. That the outsiders have always exploited their weakness for liquor, turning it to an advantage for themselves while causing ruin to the adivasis, is deeply embedded in their collective consciousness. The following story narrated by an old woman illustrates this cogently.[9]

"A brahmin had a daughter and he wanted to bring home a son-in-law. An adivasi was asked. The adivasi agreed, but he sat at home and did not work. His wife asked him why he did not work. He said he wanted implements to work in the forest. He was given the implements. He cut a sandalwood tree and made a cupboard out of it. In the meanwhile the god of death – 'Jum' – wanted to take away the brahmin. 'Kal' and 'Vel' – Time – were sent to meet the messengers and asked them to go to the forest because the brahmin was there. He then pushed them inside the cupboard and locked them in. Jum came in search of his messengers in the form of a Parsi. He started a liquor shop and began to offer a little liquor to the people. The adivasi took his father-in-law to the Parsi's shop. They began to quarrel. The adivasi blurted out of the fact about Kal and Vel. The Parsi gave them more and more liquor. He challenged the adivasi about the truth of having locked up Kal and Vel. The adivasi took them to the forest and opened the cupboard. The adivasi was pushed into the cupboard and locked in. This is how death came to the adivasis."

The adivasi attitude to liquor, in the changed circumstances, appears to be an ambivalent one. It is perceived, at the same time, as a source of enjoyment, a form of escape from the otherwise dreary existence, an inextricable part of the social and religious existence of the community and also as a weakness, a cause of pauperisation, quarrels, disunity and humiliation. The dominant brahminical values articulated by the landlords, the government officials and the social welfare organisations further reinforce the feeling of guilt and humiliation by attributing the poverty and 'backwardness' of the adivasis to such 'vices' as drinking. The state (colonial and post-colonial), too, shows a certain ambivalence towards the 'drink problem'.[10] On the one hand, state policy reflects a higher class/caste morality which often treats the lower class culture with superior disdain, and seeks to establish a hegemony of its own morality. On the other hand, the fact that liquor constitutes a major source of revenue remains an important consideration in shaping the state policy. In recent years, however, it is becoming increasingly clear that many interests are linked – from the shopkeeper, the contractor, the bureaucrats up to the

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politician making liquor a sensitive political issue. It is, however, encouraging that the movement for restriction, even a ban, on the consumption of liquor is growing from within [Narasimha and Patnaik 1993:1059-1066]. But the struggle, precisely because of its multi-dimensional character, will be a difficult one.

Notes

[The study has benefited greatly from the methodological approach and analytical framework adopted in David Hardiman's 'From Custom to Crime. The Politics of Drinking in Colonial Gujarat' in Ranajit Guha (ed), *Subaltern Studies* IV, Oxford University Press, Delhi, 1985.]

1 Mahua is a common name for *Bassia Latifolia*, a large deciduous tree. It flowers during February and April when the tree is nearly leafless. The fruit ripens in June or July. The tree is valued for its flowers and fruits. Flowers are eaten either raw or cooked. In order to collect the flowers the ground beneath the tree is cleared of grass and leaves so that the fallen corollas may be swept up each morning. A single tree is said to give two to four or even eight maunds of flowers. Flowers are sometimes fermented and distilled for spirit, and seeds crushed for oil. The cakes remaining from oil presses are used as manure [Parker 1940:29]. In the text Mhowra, mohwa refer to mahua.

2 Prior to British rule, Peshwas raised revenue by imposing direct taxes. Shops were permitted in the coastal districts where owing to the dampness of the climate during the rainy season, spirits were considered necessary to the life of the cultivator. Though the revenue derived from spirits was never large, yet it showed an increase in the 18th century [Bell 1869:3].

3 In south Gujarat too, the British had been trying to discourage toddy drinking since 1860 and as it was believed that excessive consumption was detrimental to the development of the district, a large number of trees on government land were cut down in 1885-86 [Hardiman 1985:193].

4 The nutritional and medicinal value of toddy has been pointed out by a team of experts. It is said to be a very wholesome and popular beverage with high nutritional value. It contains all the constituents which are good and improve digestion. It can be consumed in reasonable amounts without any harm to the system if manufactured under controlled and hygienic conditions. It is a good tonic and has a laxative effect. It is found to contain vitamins and protein, to improve the quality of blood, and to be especially effective in cases of Lithasis [Tek Chand 1965:182-183].

5 Large quantities of mahua flowers were exported to France [QJPSS 14,4, April 1892:26-27]. In 1913-14 total export valued of mahua seeds was valued at 3,64,000 [Troup 1917:30].

6 J L Jenkins, Salt, Opium and Abkari reported that as a result of the experiment introduced in 1888 and continued in 1889, illicit distillation became rampant, the number of cases of illicit distillation detected during the season rose to 606, as against 373 in 1887-88 and 234 in 1886-87. Thirty-four shops had also to be closed during the year for want of custom owing to the enhancement in the retail prices. In short not only did the new system fail in its object of restricting consumption, but it also resulted in demoralisation arising from illicit practices and in very serious loss of legitimate government revenue.

7 For an interesting discussion see David Mandelbawn, 'Alcohol and Culture', *Current Anthropology*, Vol 6, No 3, June 1965.

8 The Warlis of Thana, too, believe that toddy is god's gift to mankind, although not without a cost. A legend collected recently from the region has it that god Mahadev, and his consort, Gauri, went around on the earth, sowing seeds. On the way Gauri was thirsty so god planted a toddy tree and dug a small well at its foot. He fetched some water out of it and gave it to her to drink. By this time, he was thirsty too, so Gauri planted a date tree and dug a small well at its foot. She took some water from the well and gave it to him to drink. Their thirst was quenched but both became intoxicated and began to behave in a crazy manner. When they came to their senses they realised that because of the juice from the trees even the gods could lose their minds. They then decided that from then on, no one could take water from the foot of these trees, but if someone needed it badly, he would have to climb up and extract it out of the tree. His thirst would be quenched but he would lose his senses. She also decided that the date she had planted would give water only for 15 days of a month [Dalmia 1988:25].

9 We are grateful to Shiraz Balsara, a Kashtakari Sanghatna activist, for giving us the story.

10 In their history of liquor licensing in Britain during 1700-1830, Sidney and Beatrice Webb pointed out that from the first, the legislators dealt with liquor traffic as an enemy of social peace, but the efforts to regulate the traffic were constantly thwarted by its value as a source of revenue and the governmental policy of encouraging the brewing and distilling industries [Webb and Webb 1963].

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School as Agent of Evangelisation

Rudolf C Heredia

This essay treats not only of Christian education within the missionary enterprise, but extends to the socio-political impact beyond as well. The first is discussed within the ecclesiastical context of conversion and evangelisation and is crucial to the understanding of the inspiration and gradual evolution of missionary institutions. The second is framed by a more secular discussion and is important because of the pioneering role the missions had in bringing western education to India and the effect this had on Indian society. The author concludes by arguing for a socio-political analysis of and a contextualised theology of secular action for Christian education if the liberating potential of its ideals and purposes is to be realised.

THE close association between religion and education has been a common phenomenon in all societies, until the predominance of secularisation in modern ones. Indeed, as long as the religious world-view dominated the 'fiduciary system', to use a Parsonian category,[1] education had to be a subordinate agency of socialisation under the umbrella of the religious one. The corresponding affinity between these two sub-systems of society, and even the dependence of the educational one on the religious is not surprising. The earliest teachers in society were first the medicine-men, shamans and bhagats, later these become more formalised with brahmins and bhikkus, monks and maulvis; and eventually they are institutionalised in ashrams and monasteries.

It is only later, as learning becomes more secular that education can break out from under the religious umbrella. Today even religiously affiliated educational institutions are more concerned with the secular than the sacred, and serve communitarian objectives rather than theological purposes. But this is a comparatively recent phenomenon. Little wonder then, that "the school has been the principal agent of evangelism in the modern missionary movement"[2] that began with the colonial expansion of the west, and ended with its decline.

The penetration was gradual and drawn over four centuries, but Asia was better able than Africa or Latin America to absorb its impact without surrendering as completely. The scale of these societies, the complexity of their civilisations, the rigidity of their hierarchy rendered them far more resilient, but not quite unaffected either.[3]

This essay deals not only with Christian education within the missionary enterprise, but extends itself to the socio-political impact beyond as well. The first is discussed within the ecclesial context of conversion and evangelisation, and it is crucial in order to understand the inspiration and gradual evolution of missionary institutions. The second is framed by a more secular discussion, and is important because of the pioneering role the missions had in bringing western education to India and the consequent effect this had on Indian society. It concludes to the need for a socio-political analysis of and a contextualised theology of secular action for Christian education, if the liberating potential of its ideals and purposes is to be realised. The continuing commitment of the church's resources to education is today far less than it once was, in proportion to the overall outlay by the government now though once, Christian education was almost a viable competitor to it. Certainly the influence of Christian institutions is no longer the dominant one in education any more, but neither is it insignificant.

As can be expected, the religious concerns of the missionaries were first articulated within a theological discourse. But education must also be understood within a more secular one. The dominance of the first has too easily led to a neglect of the second, because traditional theological issues are too often insensitive or impertinent to the socio-political concerns of our changing times. And even as old controversies are laid to rest by an ongoing working consensus, new ones arise, and the discourse in which they are located already delimits the kinds of conclusions that can be reached.

Now it was at the religious level that the issues were debated at first and this continued to be the dominant discourse up until the decline of the west's missionary venture at the end of the colonial period, when changing socio-political conditions precipitate a different set of concerns and a correspondingly different theology. The debate among the missionaries, is well recorded, specially among the Protestants, and equally well articulated too. But as we shall see it does not provide an adequate understanding of the decisions and events over time, and certainly not a comprehensive one. Socio-economic exigencies, even though often not explicitly articulated in the debate, do get expressed in political decisions which may well be only tangentially connected with religious or theological issues.

It is our contention here that the neglect of the socio-political context of Christian education has not helped us to understand or orient it to some of the most relevant and noble objectives the church has opted for. But before we can address ourselves to this issue, we will first make a brief historical sketch of mission education in India, in the context of the wider educational system that emerged over this period, to serve as the backdrop for the discussion of the issues to follow.

Historical Sketch

The history of the Christian mission in the east since the 16th century is intimately bound up with the colonial expansion of the west. The gospel came in the ships of the conquistadors whose purpose was to conquer and convert. Inevitably this fusion of the sacred and the secular led to a confusion of the religious and the political, the entanglement of the ecclesial and the economic. Until the very end of the colonial period, Christian education was very much part of the missionary enterprise and could not but be involved in the same controversy and confusion. The tendency was to confound the two distinct discourses and co-opt the secular one into the religious.

There have been three main agencies for the spread of western education in India: the Christian missions, the governmental, and private Indian ones. Obviously different agencies would have differing goals for their educational involvement. The usual way of conceptualising these has been to polarise them within a dualistic framework: "Government versus private, indigenous versus Western and imperialist versus nationalist", etc.[4] But our concern here is more limited. It is mainly with the Christian educational agencies, in the context of the others in order to situate historically the issues to be discussed later.

The Portuguese were the first to bring western education to India establishing schools in their settlements at Goa, Daman, Diu, Cochin and on the Hooghly.[5] Already in 1543, on January 25, the feast of the conversion of St Paul, the Jesuits opened a college named after the saint in Goa. It was

originally began "to promote the training of priests,"[7] but its scope was very soon extended as in most Jesuit institutions of the time, to other students as well. The French too had begun elementary schools at Pondicherry, Mahe, Chandernagore, and Yanam.[8]

There schools were generally in the vernacular, at least at the elementary level, and for religious instruction.[9] However, in 1684, in order to strengthen Portugal's hold on Goa, Konkani was banned by viceregal decree on June 27, and parish priests and school masters were instructed to teach only in the colonial language, so "that in time it may become the common language for all, making thereafter no use of the mother-tongue".[10]

Gradually the local 'path-shales' were replaced by parish schools throughout the colonial territories and "churches replaced temples as centres of learning in the wake of conversion to Christianity. Church schools were maintained at the cost of the village communities which paid the school master for teaching the sons of the gaunkars".[11]

Further north, "the early history of education in Bombay is chiefly a record of Christian Missionary enterprise".[12] The Portuguese "Franciscans were not only the first missionaries, but also the first school masters".[13] In fact, a month after taking over, Bombay island from the Portuguese, Humphrey Cooke wrote to London on March 3 1665: "The general language is Portuguese,so that it will be necessary the statutes and laws be translated into that language."[14] The British eventually changed this. Fearful of the influence of the Portuguese friars, they expelled the Franciscans on May 13, 1720. They were then replaced by Italian Carmelites.

This began the gradual decline of Catholic education in Bombay. By

> 1770 the former parish schools were no longer functioning, illiteracy, which had practically vanished, now reared its head again. . from 1770 to 1850, not a single Carmelite school was started in Bombay.[15]

In 1850 a Protestant account in a local publication described "the Bombay Baptists" thus:

> With two or three exception, the respectable portion of the European community and of this creed appear to be ashamed of it and do not even acknowledge it. *Bombay Miscellany of Western India*, cited by E R Hull, *Bombay Mission History* (2 vols) Vol I, pp 140-41.

This opinion is collaborated from within by a certain Doctor Dallas speaking in St Xavier's College hall in 1876:

> When I arrived in Bombay in the early fifties, I found the condition of the Catholics especially as regards education so miserable, and their social position so low and contemptible, that I felt almost ashamed to profess my religion; compared with Protestant institutions, ours were the merest corner-schools, or rather, there were no institutions worthy of the name school.[16]

It was only in 1869, that the founding of St Xavier's College by the Jesuits marked "the emergence of the Catholic community from obscurity into the public eye".[17]

Beyond Portuguese territory as well, it was the "Roman Catholic missionaries who took the lead in establishing elementary and secondary schools in Madras and Bengal."[18] However, "Catholic Missions did not do effective work during the period from 1720 to 1850."[19] The suppression of the Society of Jesus in the Portuguese colonies about this time and later in the Roman Church as well in 1773, certainly had a disastrous effect on the missions the world over, and in India quite definitely.

However, with the restoration of the Society in 1814, and the return of the Jesuits to India a revival in Catholic education began, especially with regard to higher education.[20] Some of the colleges that marked this turning point in Catholic education in the 19th century were: St Joseph's College, founded at Nagapatnam in 1844 and moved to Tiruchirapalli in 1882, St Xavier's College, Calcutta, 1862, St Xavier's College, Bombay, 1869, St Aloysius College, Mangalore, 1880, St Joseph's College, Darjeeling, 1888.[21] In the post-independence period Catholic colleges have rapidly increased from 30 in 1944 to 38 in 1948 and to 76 in 1967.[22]

Yet there still remains the urgent

> need to do something about the poor level of higher education among the Christian community. For a community that has practically the highest level of literacy in the country, the percentage of University educated Christians is disproportionately low.[23]

Today Catholic education is so much sought after that now

> there is always the temptation to forget one's roots – e g. Christian institutions which began as orphanages, today appear as high class boarding schools, so restrictive in admissions that there is no place for the poor in the inn.[24]

The accusation of elitism, academic or otherwise, may be somewhat of an unfair over-generalisation. But the widespread perception of these institutions having an "almost exclusive concern with the social elite and the intellectual elite,"[25] is not entirely without a basis.

Already from its beginnings in India four kinds of institutions can be distinguished in Catholic education:[26] (1) elementary grammar schools attached to churches and mission stations, (2) orphanages and other like institutions, for Indian children in which besides elementary instructions, agricultural and industrial work was provided, (3) seminaries and religious houses, for theological instruction and training candidates for priesthood, (4) Jesuit, and later other colleges for higher studies.

Basically it is still these four kinds of institutions which account for the largest part of formal Catholic education, and the typology does help us to derive some provisional but pertinent conclusions. The brief historical outline above was meant to be selectively illustrative of this.

Firstly, the Catholic school was not at the cutting edge of direct evangelisation but rather followed in its wake. It was not so much an instrument of missionary expansion as an agency of community consolidation. It was used not so much to preach to and baptise the unconverted, as to instruct and educate the converted.

Secondly, following on this, the medium of instruction at the beginning was in the vernacular, specially for religious and primary education of the neophytes, though the institutional model used for this was western. It was later that the language of the coloniser was imposed, more for political than pedagogic reasons. In competition then with the western model and the coloniser's dominant language, the indigenous education system collapsed and local languages languished.

Thirdly, post-school education was firstly a concern for providing an adequate clergy, but it did not stop there. However, it hardly reached beyond the upper castes and classes of Catholics, and non-Catholics. Hence we find that while literacy levels are comparatively high among Catholics and school education quite widespread, college and university qualifications are proportionately lower than for other equally literate communities.

Protestant Churches

Among the Protestants, "the first missionaries to start regular schools in India for general education were the Danes working in the Madras Presidency".[27] In 1706 Ziegenbalg and Plutschou arrived in Tranquebar and by 1725 there were 17 schools for 'Heathen and Muhammaden' children and four for Christians.[28] The first Protestant English Mission came to Madras with the Society for the Promotion of Christian knowledge in 1727 and stared schools in Madras, Tanjore, Cuddalore, Palamcottah and Trichinopoly. The Baptists came to Bengal in 1793, and the London Missionary Society in 1804; the Church Missionary Society and the Wesleyan Mission had far-flung settlements at Surat, Meerut, Agra, Calcutta and Tranquebar already in the 19th century.[29]

One of the motivations of the Protestant missionary was their concern with "the

oval of apprehended trouble owing to the predominance of Roman Catholics among the inhabitants of the places where they settled."[30] But the mission to the non-Christians gained increasing importance, especially with the decline of Portuguese and French influence in India. For already the first Danish mission schools and very soon the famous trio of Carey, Marshman and Ward, began to use schools as a means of evangelisation, and founded a school in 1818 at Serampore under Danish protection in the face of opposition from the East India Company, which was apprehensive of the effect of this education on the people, "lest it make them less docile".[31]

The beginnings of the Protestant mission to India in the 18th century were indeed small and not effectively supported by the East India Company, when not actively opposed by it. "It is doubtful whether in 1800 more than a thousand children were being educated in mission schools."[32] However, the first half of the 19th century saw a rapid expansion of Protestant missionary endeavour in education, specially after Macaulay's minute of 1835, and when English replaced Persian as the official and court language in 1837, and again after the 1844 resolution of Lord Hardinge prescribed English as a preferred qualification for government service.

The Company Charter of 1813 granted the missionaries a new but restricted liberty, though in the one of 1833 "all restrictions were at last withdrawn".[33] Some of the Company's servants, like Martin Richard Gubbins of the Bengal Civil Service would even say that "the missionary is the true regenerator of India".[34]

But after Wood's Despatch of 1854, which encouraged government withdrawal from education in favour of other Indian agencies, and particularly after the 'mutiny' of 1857 the second half of the 19th century saw a change of emphasis from expansion to consolidation and quality in Christian education. This was specially after the Education Commission of 1882.[35] Thus some of the most prestigious institutions in higher education are still Protestant ones: Madras Christian College, 1839, St John's, Agra, 1850, St Stephen, Delhi, 1881, as also the Christian Medical Colleges at Ludhiana, 1894, and at Vellore, 1918. By 1931, the Lindsay Commission[36] found that Christian institutions had been displaced from the premier position in education in India by the expansion of governmental and other private resources committed to it. But

> For the most part of the 19th century, they dominated the Indian educational scene, not merely in regard to the magnitude of their educational enterprise but also in regard to the ideas and values inculcated through

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> education. Even more importantly, from the 1870s the Protestant missions were seriously trying to influence the intellectual, religious and political awakenings of the educated Indian on the assumption that winning over the intelligentsia was the surest method to bring about the eventual conversion of India, as a whole.[37]

Once again the short historical sketch outlined here suggests some pertinent though tentative conclusions, which are mooted to carry the discussion further.

Firstly, in comparison to the Catholics, Protestant mission education was more clearly and decidedly evangelical in purpose. This is evident by the number of far-flung schools and college in their mission territory, even where there was no sizeable Christian community to cater to as yet. The first to urge this evangelical purpose for Christian education was Alexander Duff, (1806-1876) the founder of the Scottish Church College in Calcutta, who landed in India in 1830. He thought "that he was laying a mine which would eventually explode and blow Hinduism to pieces."[38] William Miller (1838-1923) of the Free Church Mission Society of Scotland, refined this somewhat crude approach and changed the purpose from direct evangelisation to that of a "preparatio evangelica", where education would be the Christian leaven for Hinduism in order to bring "Christ to India" [39]

Secondly, with regard to language the closer connection between the Protestant churches and the British government made the transition from the vernacular schools, of the early days of the Danish mission, to the English medium ones of missionaries, like Duff, quicker and more decisive. For English was seen not only as a positive gain for employment opportunities by the Indians, but also as a subtle through effective means of transmitting gospel and western values by the missionaries.

Thirdly, moreover, with the change of emphasis from quantity and spread, to quality and excellence, the allocation of resources for higher education and prestigious institutions followed quite inevitably. And even today many Protestant colleges have still held their ground here.

Besides the missionaries there were other agencies that formed the wider context of education in the country. From the beginning of the 19th century the government played an increasingly important role in education, while in the second half of the century other private Indian agencies entered into the field. Obviously each of these had their own interests and goals. Here we will be more concerned with the governmental ones, since these impinged more directly and critically on the missionary endeavour.

Colonial Government

The India Act of "1813 was the first important landmark in the East India Company's education policy,"[40] for it included "a clause requiring the annual expenditure by the Directors of the East India Company of a lakh of rupees on education".[41] Earlier the Company had refrained from such commitments, but now the earlier ban on private enterprise in education in its territories was lifted in 1815.[42] In 1833 the Company's allotment to education was increased to ten lakh rupees.[43] But the government's commitment was never adequate to the task.

For it adopted a 'downward filtration' approach as first proposed by Lord Auckland in 1839, and described by Nurullah and Naik thus:

> the Company was expected to give a good education (which then necessarily meant education through English) to only a few persons (these may or may not be from the upper classes) and leave it to these persons to educate the masses (through modern Indian languages) [44]

The implicit class and caste bias of such an elitist policy was inevitable. It was only strengthened further by the adoption of Macaulay's minute of 1835 in favour of English as the medium for European learning. This effectively destroyed the old indigenous system of education and put the new western one decisively beyond the reach of the masses.

The Company's education dispatch of July 19, 1854, called the Wood Dispatch, rejected this theory in principle, but

> replaced it with the doctrine of state withdrawal in favour of a system of grants-in-aid to privately managed institutions. The expansion of education became dependent on the private agencies who were willing to carry the burden which the government pleaded inability to bear.[45]

Subsequent to the grants-in-aid code, "about a third of the cost of education was borne by the private agencies, two-thirds by the government."[46] This relieved the government of some of the financial cost and much of the organisational initiative in education, but it led to "the *laissez-faire* policy, enunciated by the Indian Education Commission (1882)",[47] also called the Hunter Commission.

The rapid expansion of education that resulted from this caused serious concern to the government. Curzon tried to put some order and consolidate education with an emphasis on quality over quantity, but in spite of the Indian Universities Act of 1904, the Calcutta Universities Commission, chaired by Sir Michael Sadler in 1917 still found the system "fundamentally defective in almost every aspect."[48] The demand for education, especially western and English education, fuelled a rapid expansion by private agencies motivated by the desire of upward mobility for their respective caste and/or religious communities. Thus in 1967 J P Naik estimates that "85 per cent of our colleges and 65 per cent of our secondary schools are in the private sector".[49]

Following the missionaries, as each new group jumped on the educational bandwagon, the brahmins after 1882, the non-brahmins after 1921, the dalits with Ambedkar in the 1940s, and the adivasi seva mandals in the 1950s, government recognition and grants were demanded not on the basis of performance and quality, but on the principle of equality and non-discrimination.[50] Later with education coming under the provincial and state governments, the politicisation and commercialisation of education certainly has not helped more worthy pedagogic or democratic purposes, but it has rather co-opted education to communal and consumerist ones.[51]

A unique feature of the official education policy in British India was its strict religious neutrality. This was according to some "absolutely without precedent or parallel elsewhere, besides being entirely opposite to the traditional idea of education in the East", or for that matter in Europe at the time as well.[52] The 'Pius Clause' for which Charles grant agitated in England, was rejected by the Company's charter of 1793, and though the charter of 1813 and 1833 gave the missions greater freedom, the government retained its religious neutrality.

Thus in his farewell address to some missionaries Lord Bentinck in 1835 reaffirmed that "the fundamental principle of British rule, the compact to which the government stands solemnly pledged, is strict neutrality... with the religious beliefs of the students."[53] The dispatch 1854 forbade any religious instruction in government schools, and the Education Commission of 1882 reinforced this. Queen Victoria's famous proclamation of 1858 solemnly prohibited "all interference with religious belief or worship of any of our subjects, on pain of our highest displeasure."[54]

We are not arguing here that this religious neutrality was a question of moral conviction on the part of the government. Even people like Sir Charles Trevelyan, prominent in the educational controversies of the 1830s and Mounstuart Elphinstone, in Bombay, in spite of their secular credentials were more than just sympathetic to the missionary agenda in education. However, we would not agree that this religious neutrality was simply a matter of historical accident.[55] Given the diversity and depth of religious affiliations in India, this was an obviously pragmatic political necessity. Indeed

> This was unquestionably one aspect of British policy in India. All reasonable men took it for granted that the government should interfere as little as possible with the manners, customs and ideas of subjects whose loyalty was not, and never could be more than precarious."[56]

Here again with regard to the wider contact of education in India we conclude with some tentative observations for further consideration. Firstly, in spite of much liberal inspiration and many noble ideals, government educational policy failed in effective executive follow-up. It is interesting to note that although the Company officially accepted responsibility for public education in 1813, the government in England did so only in 1833.[57] But the difference in their delivery was one of the political will and vested interests involved. Other private Indian agencies in education were overly constrained by more narrow communal preoccupations, and though the nationalist movement was the inspiration for some, it was never quite strong enough, in spite of Gandhi's challenge, to break free from the system they inherited and operated within.

Even the religious neutrality of the formal system was less a committed secularism than a political expediency and this tended to follow whichever way the political winds would later blow. For the grants-in-aid code readily allowed the public good in education to be co-opted by private interests in the community.

Secondly, the new western institutional model and the English language medium through which it was implemented, dismantled the old indigenous system of education and set back vernacular literacy. The overall literacy statistics tell the tragic story convincingly. Using literacy percentages as a vital indicator, we have the following figures for British India: 1881 –4.8 per cent; 1891 –5.6 per cent; 1901 –5.3 per cent; 1911 –5.9 per cent, 1921 –7.2 per cent; 1931 –9.5 per cent; 1941 –16.1 per cent.[58]

Thirdly, not only was the expansion of the new education system unable to make up for the demise of the old one, it was itself inadequate to meet the needs of an industrial and an egalitarian society. The emphasis was on liberal not technical education, which existed more in intent than in effect. For as Lord Curzon himself admitted: "the plant of technical education in India, subsisted mainly on platitudes in vice-regal and gubernatorial speeches."[59] In sum, "the low rate of literacy, neglect of mass education, as well as of technical and vocational education, and the methods of teaching, were all handicaps in the path of development."[60]

Moreover, higher education was extremely elitist, a small tip of a pyramid with a very inadequate base. The focus here was on the transmission of knowledge, not its creation,

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and that too more in the arts than the sciences, more generalists than specialist, more liberal than professional.

And so like much else in the country at the time, Indian education continued to be a colonial appendage to the British system. In spite of, and partly because of the contribution of the missionaries and the role of other various agencies involved, Catholic or Protestant, governmental or private, nationalist or communal, it remained "a colony, intellectually, culturally and even spiritually subordinate to the west and England".[61]

Discussion and Analysis

What was the contribution of the missions to this system of education in India? Certainly they were pioneers when there were few other agencies to shoulder the responsibility for education. The indigenous system lacked influential patrons and the Company held itself aloof from much ventures. Few would doubt that "the origin of the present system of English education in India is to be sought in the activities of early Christian missionaries".[62] But not just the beginnings, they were largely responsible for implementing and stabilising the western institutional model of education with English as the medium of instruction. They were in fact so successful that the demand for admission into Christian educational institutions by upper class/caste non-Christians was much greater than what could be made available.

Indeed,

> For well over a century Christian educationists had stood at the top of the educational hierarchy, not only as pioneers but as leaders in that they excelled in the two principal functions of formal education – the imparting of knowledge and inculcation of values. Moreover, Christian educational institutions were among the best organised and best managed in the country... All in all, Christian education stood on a pedestal during the British regime.[63]

However, mission education was very much part of the larger missionary venture, and always functioned within the ambit of the Christian enterprise. This connection may have been more or less explicit at times, but it has never quite been severed. For even when the content of its educational service was modern and secular, its inspiration still remained Christian and religious.

No wonder then that the perception of the educational needs of this country were filtered through their concern for their church, and the inevitable mismatch between an alien institutional system and indigenous pedagogic requirements could not be addressed. This of course was unavoidable as long as the school was used as an agent of evangelisation. For if mission education was to be implemented and contained within the traditional structures of the church, it could hardly be expected to be non-sectarian in breaking new ground in a secular field, even one with as close an affinity to it as education.

The main contribution of Christian educators then was largely within the parameters of the colonial systems, and it served the Christian community within the churches rather well, even though its role as an agent of direct evangelisation for those outside it was increasingly challenged and marginalised. However, Christian educators, by and large, did not seriously question the basic features of the system for this fell outside the purview of their concerns. Perhaps too late did they recognise that

> the alliance between the Christian colleges and the government and the University system while it has of course given the colleges great opportunities for service, has on the whole been bought at too great a price Christian higher education has seemed to be a cheap form of missionary enterprise.[64]

A fortiori then this would hold true at the lower levels of government-aided education as well.

Christian education, then, was not prepared by its history for a new role in post-independent India. In fact,

> the course of Christian education since independence does not impress the critical observer as a bold and spontaneous effort on the part of a mature section of Indian educators to lead the way in the crisis brought on by the changing times. It does not seem as if Christian educators have truly taken up the challenge of educational reconstruction for an Independent India.[65]

Even as late at 1967, a perceptive and sympathetic educationist like J P Naik does not consider directly challenging Christian educators to the mainstream task of national development. Instead he proposes three purposes for Christian education in post-independent India: the reconciliation of religion and science, the provision of English teachers (!), and a Hindu-Christian encounter.[66]

What could be the underlying reasons for the missed opportunities of Christian education in our country? We believe that these reasons must be sought in the debate within the churches regarding the role of mission education, to which we now turn.

The discussion that preoccupied the missionaries with regard to the school as an agent of evangelism involved a debate about two approaches to evangelisation in India: (i) evangelisation of India through education and intelligentsia; and (ii) evangelisation of India through the masses.[67]

It was a debate that began already in the 19th century and which the Protestants articulated better than the Catholics, who seemed less accustomed to discuss such issues publicly, at least from the source material available to this writer. But the importance of the issue to the goals and purposes of the Christian educational mission cannot be gainsaid. For as Bishop Newbigin insightfully observes:

> The problem of stating our goals as Christian colleges is part of the wider problem of stating in clear terms the theological justification for the pursuit of secular goals.[68]

From the earliest missionaries the goals of Christian education were threefold:

> first, education of Christians themselves in a Christian atmosphere so that they could be good members of their church and occupy important positions in secular society; secondly, to render service to Indian youth at large; thirdly, to build evangelical bridges towards the country's intelligentsia and thus pave the way for an acceptance of the faith.[69]

In other words these were communitarian, service and evangelical, objectives, respectively. While the Catholics may have stressed the first and the Protestants the last, all three goals were present in varying degrees at different times in mission education. Much seemed to depend on what priorities the religious debate justified at the time.

In the first half of the 19th century, Alexander Duff aggressively urged the use of English education to undermine Hinduism and thereby foster conversions. But it soon became apparent that Hindus stopped half way, accepting western education but not Christian beliefs. By the time of the Allahabad Missionary Conference in 1872, "a fresh apologia for Christian education and the educational missions became inevitable."[70]

This was provided by William Miller who argued for a preparatio evangelica, "to prepare the minds to be receptive to Christian principles",[71] and not merely adding numbers to the church. Hence there was now a change of "purpose and role from conversion to evangelic preparation through the diffusion of Christian principles".[72]

Thus began the 'missions to the educated'. This led to

> multifarious religious tendencies, ranging from loss of faith, atheism, agnosticism, indifference, positivism, free-thought, neo-orthodoxy, revivalism, including its extreme aggressive forms of anti-Christian, anti-missionary undertones.[73]

Moreover, the very Christian principles the missionaries proposed of equality and brotherhood, etc, were used by the nationalists to oppose the colonial government much to the dismay of their teachers.

However, it was persons like T E Slater, who were sympathetic to this awakening of India, both religious and nationalist, describing it "as the Renaissance period in the history of the Hindus".[74] Slater's changed approach presented Christianity not antagonistically but as the fulfilment of all the higher and nobler truths of other religions.[75]

The Jesuit, Fr P Johanns, in Calcutta was very much within this perspective with his

To Christ through the Vedanta, in the Light of the East Series, as also Stanley Jones's *Christ of the Indian Road*. More pragmatically, the objectives of Catholic schools and colleges have been

> all more or less justified by their response to the needs of a particular time and place. They include: a Catholic education for Catholic children; the raising of the social and economic level of the Catholic poor; the socio-economic uplift of tribals and harijans; functional literacy and job-skills for the less literate; the establishment of centres for Catholic acceptability in major urban areas; the provision for the nation of highly literate and skilled leaders in professional life; inculcation of habits of moral integrity in a generation of leaders, natural elites ..[76]

But the desire to evangelise this national awakening, put the missionaries in the dilemma of sympathising with a movement which opposed a government on whom they relied for support. Slater, who represented the moderates, summed up three main objectives justifying his support for the Congress Party: in terms of the fusion of the peoples of India into one nation, regenerated morally and politically, and consolidated in a just, and healthy union with Britain.[77]

What we find here and also later at the end of the missionary venture in the colonial period is a still persistent paternalism. For the foreign missionaries were quite conscious of maintaining their identity as representatives of the ruling race.[78] As a cynical remark from some local Christians would put it: "the missionaries wanted them to become only their brothers but not their brother-in-law."[79]

Obviously such a mind-set was quite inadequate to ride out the political storms that were brewing on the national horizons. For few missionaries would risk the political involvement of a C F Andrews or the cultural commitment of a Verrier Elwin. No doubt an appropriate theological justification was conveniently at hand! However, these remained an embarrassing aspect of the missionary mentality, the affinity between the Christian missions and colonial rule, which cannot be easily gainsaid. For

> the principle of ecclesiastical establishment, for all that it was not formally recognised, yet played a quite important role in the expansion of the British empire and the Christian faith. Many problems facing the Christian Church in Asia and Africa today derive from this fact.[80]

All through these debates there are changing theological understanding underlying the issues being discussed. Beginning with an aggressive, almost imperialistic stance for religious conversion, it was modified into a more moderate view of diffusing Christian values and as a preparation for a full acceptance of Christian beliefs. The theology of fulfilment changed the emphasis from bringing 'India to Christ' to bringing 'Christ to India'. But at the end of the missionary venture, it is still a long way off from the religious dialogue and pluralism so much needed today.

The outcome of these exchanges would be relevant mostly to those within the religious discourse in which it takes place. To those on the outside, it would seem more like a hot-house argument among an in-group. For all its very real impact on Indian Society, "education did not help Christianity the way Trevelyan and Elphinstone, among others, had hoped".[81] They were mistaken in thinking that the liberal inspiration of Christian education would do in India, what the church seemed to have done for the poor in England.[82]

For a more satisfactory explanation of the actual dynamics involved, we must enter into a socio-political discourse that provides more pertinent perspective.

As we have remarked earlier Indians sought Christian education because it opened up preferred economic opportunities for them and not out of any religious preference. In fact they were rather suspicious of the missionary connection of these institutions. This was pertinent enough to put a serious question to the assumptions underlying the very basis of these institutions, and thus it led to a "reversal of priorities" in favour of a more direct evangelisation of the masses especially after 1910,[83] and later to the more secular approach of the social gospel.[84]

However, with the political awakening of India and the freedom movement, there "was a growing awareness among British officials of the political dangers of English education".[85] This was a threat that put the government in an obvious dilemma with regard to education, specially at the higher level of the university. And yet, as Krishna Kumar insightfully argues, if "the concept of citizenship underlying the vision of the educated man in colonial India is examined in its ideological roots,"[86] a fundamental "homonymy between the colonial and the nationalist views of the role of education"[87] is apparent.

For as the East India Company evolved into a colonial state, commercial exigencies had to be replaced by political socialisation with regard to its subjects. Towards this end, colonial education was to be more than an assembly line producing clerks; it was to train the student in moral uprightness before the law and to be a loyal subject of the colonial order. "The emphasis it placed on the formation of dependable habits concerning the use of time and space was directly related to the demands of factory life."[88]

Moreover, the very elitism of the system especially in higher education, could not but make the educated Indian feel as patronisingly towards the illiterate masses, as the colonial sahibs felt towards him. The argument between bureaucracy and the Indian intelligentsia was in fact over the claim to speak for the Indian masses. Would it be a Curzon or a Gokhale![89] But at another level the "identification between the educated Indian and the colonial state consolidated the boundary walls around school knowledge"[90] and left the masses of India out.

Thus, in spite of the high-minded rhetoric, what the nationalists did really achieve was less a change of political structure than a 'circulation of elites', political swatantrata, not Gandhian Swaraj. For the people, however, this only meant that the white sahibs were changed for darker ones. Indeed,

> It is worth asking which of the two roles of education was more influential in shaping the cultural and political life of India at the turn of the century – the role of strengthening group solidarity among the educated, or the role of disturbing traditional hierarchies. The first is rarely acknowledged, whereas the second has been highly over estimated.[91]

For an elitist system is best able to do the first, but only a mass-based one can achieve the second. This has not as yet happened in our country, certainly not with secondary, or even primary education.

On the contrary, the pattern of development has only accentuated the elitism and paternalism, the injustice and domination in the Indian state. In all this "the education system in independent India remained an agency contributing primarily to the maintenance of law and order."[92]

The nationalist promise of equality of opportunities for all Indians expressed itself in education as an irresistible demand for the expansion of the system, which was fuelled by the class/caste bias of vested interests, "who exploited the code for missionary purposes, profit, communal advantage or political gain".[93] The social commitment to equitable access for weaker sections through reserved admissions for them is still being resisted on the grounds of 'merit', which is still defined by an examination system that in any case favours those, who already have a privileged access to the means to excel in it, with even further access and privileges. So "what really began as the dream of social transformation became a demand for avenues of upward mobility of individuals".[94]

The anti-brahmin, and other backward caste movements in western and southern India did mobilise and broaden the educational base in society somewhat, and this augured well for the break down of traditional hierarchies. But soon enough the 'transformational force' of these movements "was subtly neutralised by utilitarianism and channelised towards the task of creating a market society".[95] Eventually, these too settled down to secure their own communal advantage, with the consumerist allure of the market-place, leaving the other under-privileged and disadvantaged groups behind.

The radical alternative urged by Gandhi's 'basic education', which wanted to validate local skills and knowledge to make education

self-sustaining, and to integrate it with the lives of the masses, was never given more than lip-service and such a half-hearted implementation, that it was almost deliberately predestined to fail.

No wonder then the social equality and the economic development which education was to deliver for all, became increasingly problematic and is now in crisis. Hence,

> the first conclusion we may draw from this review and social analysis of the educational developments over the last thirty years of independence is that the old pre-independence systems and structure of education have, by and large, been maintained and continued... The second conclusion that emerged is that while the system carries on in its obsolete fashion, a considerable expansion – a wider spread of education – has taken place.[96]

Now given this fundamental continuity between pre- and the post-independence education, and the close identification of mission education with the system from its very beginnings, it was hardly likely that Christian education later would break free from it, given the advantages it had derived from this connection and still hoped to. Notwithstanding the soul-searching of Lindsay and his report[97] the consensus recommendation has been in favour, not of withdrawal, but of a reorientation, which has yet to proof effective.

We believe in this socio-political perspective, that it is, that we must look for the basic dynamics of the role of the school as an agent of evangelisation. For it explains why mission education succeeded less at the Christianisation of those it educated, than their embourgeoisiement

Conclusion

The religious discourse, we had outlined earlier, misses the issues of the larger social situation rather completely. It seeks to explain the impact of, and the response to Christian education in the context of other-worldly concerns and proves quite inadequate to deal with the this-wordly ones on the ground. For the implicit agenda and the real decisions, that influences the role which education plays, must be contextualised in the socio-political realities that obtain, even when they are legitimated in other-worldly religious terms.

What we urgently need then is a socio-political analysis of Christian education, which must be set in a secular discourse. But we also need as urgently a theology of education that breaks out of an exclusive religious discourse, to one which sees the school not only as an agent of evangelisation, but rather, firmly legitimates it in terms of a theology of secular action and involvement. Only when both these are done will Christian education be able to fulfil its task and be truly 'good news' to people, and not just a limited edition of its more catholic ideals.

In his perceptive report in 1931, Lindsay urged a plan for "Christian education as being distinctive but not exclusive."[98] But today, while Christian education is still striving to secure its evangelical purposes, Christian institutions have well-nigh achieved the opposite of Lindsay's recommendation, being rather exclusive without being quite distinctive!

For it seems to us that the neglect of the socio-political issues involved in mission education has allowed Christian efforts to be co-opted by vested interests and integrated into the larger system in spite of its high-minded ideals, articulated by a "noble band of workers to whom India owes the beginning of English Education".[99]

Perhaps what we not need to make effectively, is a distinction between the church-related school, which is constrained to operate within the educational system, and Christian education that must reach out beyond to the very ones awaiting to be conscientised and liberated by it. Our educators cannot be just the apostles, scholars and gentlemen[100] as of of yesterday. They must also be the prophets, activists, and witnesses for today.

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DISCUSSION

Protection and Exports

Sugata Marjit
Abhirup Sarkar

IN a recent paper Patibandla (1995) criticises our earlier work [Marjit and Sarkar 1995] on two grounds. First we do not consider the liberalisation of intermediate good imports which are used in exportables. If tariff goes down marginal cost of export production drops and exports expand. Thus a general reduction in tariff may expand exports. Second, there is a 'proposed ambiguity regarding the local firm's choice of the pricing rule under a tariff. Our response is as follows.

We specifically considered the case with final goods and tried to explain what is really meant by saying that our exports are residual. However, even if one brings in intermediates and marginal costs shift down, there is no *guarantee* that total exports will expand because as tariff on final goods comes down, domestic sales expand and as mc comes down total production expands. One does not know about the *surplus*. But the main point is that conventional wisdom regarding 'tariff-decline led growth of exports' would have to be clarified

The second criticism is totally unfounded if the 'profit-maximisation' motivation of the monopolist is closely followed. We did not provide the explicit proof because we thought it was too obvious. But now we provide a schematic demonstration of the optimal pricing rule.

Let tm be the tariff rate such that,

$P_w + tm \geq P_m$ (we define P_m later) (1)

We know that the profit maximising choice of local and global sales are Q_L and Q_w satisfying the following:

$mr(Q_L) = P_w = C'(Q_L + Q_w) = mc$ (2)

With the local selling price at $P_m = f(Q_L)$. f(.) being the demand function.

Total profit is given by

$\pi = f(Q_L)\, Q_L + P_w\, Q_w - C(Q_L + Q_w)$ (3)

Now suppose tm is reduced to t with $P_w + t < f(Q_L)$.

We prove that the local firm *must choose to sell at* $(P_w + t)$ and since there is *no other firm*, it would serve the entire market.

Given P_w, total $Q = \hat{Q}_L + \hat{Q}_w$ does not change.

The new aggregate profit therefore is

$\pi = P\,\hat{Q}_l + P_w\,\hat{Q}_w - C(\hat{Q}_l + \hat{Q}_w)$ (4)

Note that $\hat{Q}_l + Q_w = \hat{Q}_L + Q_w = Q$, solving $C'(Q) = P_w$. We show that P, the new local price, must be equal to $(P_w + t)$.

Suppose $P > (P_w + t)$. Then nobody buys from the monopolist. Hence, $P > (P_w + t)$ is impossible. Let $P < (P_w + t)$ and $P = f(Q_L)$. $\hat{Q}_w = Q - \hat{Q}_l$. Suppose now, the local firm transfers one unit of output from the global to the local market. It loses P_w and gains a marginal revenue defined as $mr(\hat{Q}_l)$ at $\hat{Q}_l$ This $mr(\hat{Q}_L)$ has to be *lower* than P_w because $P_w = mr(Q_L)$ at $P_m = f(Q_L)$ and $P < P_{w+t} < P_m \Rightarrow \hat{Q}_L > Q_L$. As mr curve is downward sloping $mr(\hat{Q}_l) < mr(Q_l)$. Hence, the firm would always like to *cut back* local sales as much as it can till it reaches Q_L, the first-best with $mr(Q_L) = P_w$. But now it faces a limit at (P_w+t) and would definitely produce only up to $\bar{Q} = f(P_w+t)$. There is no way that the local monopolist would charge a P *lower than* (P_w+t) as mentioned in Patibandla (1995) leaving the only possibility that $P = P_w+t$. This completes the proof.

To conclude it can be rightfully asserted that the theoretical point we wanted to make is the only result consistent with the profit maximisation hypothesis. Patibandla (1995) uses a different model with intermediates and gets different result. The remarks regarding our analytical framework do not stand valid as they fail to note the determination of the optimal pricing rule.

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MRIS 89	53.9%	53.8%	21.5%
MTSS 90	72%	32.5%	20.9%
MRIS 90	7.3%	64.8%	14.4%

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ECONOMIC AND POLITICAL WEEKLY

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Privatising Natural Resources

Having joined the globalisation bandwagon, it is not surprising that recent attempts at privatisation in India reflect the quintessential features of the process of using the state to transform natural resources into means for primitive accumulation by domestic and foreign interests. In at least four areas in the recent past there has been clear evidence of deals and attempts at deals which involve the transfer of publicly-owned resources to private hands on terms which are more than generous to the private parties and involve substantial losses in potential income as well as other costs to the public exchequer. **2351**

Occupational Change

Data on the occupational structure of the population from the 1991 Census have just been released. While the 10-year period covered by the 1981 and 1991 Censuses is not enough for structural patterns to manifest themselves clearly, one may expect to discern some shifts. Have these shifts been along the directions to be expected in an economy undergoing the process of industrialisation? **2375**

Beyond Body-Count

If the situation in Kashmir is to be measured in terms of the casualties suffered by the militants, the over 600 killings in the last two months should go to support the official claims about an improvement. However, elimination of militants does not always lead to elimination of militancy. **2354**

IITs' Solitary Splendour

That the IITs have a unique place in the Indian higher education system does not have to be emphasised. What needs to be done, however, is to encourage them to break their isolation from the rest of the university system. **2389**

Municipal Reform

The 74th Constitutional Amendment accorded, for the first time, constitutional status to municipal government, but the municipal management system operates outside the mandated structural reform and there is a latent contradiction between the reformed institution and the colonial-style management. **2395**

Economic Crystal-Ball

In an overall assessment of the Indian economy, the continued industrial recovery, despite some prospect of a slow-down, is a matter of satisfaction. However, persistence of inflation and the widening fiscal and trade gaps are matters of concern. **2355**

Colonial Logic

The annual 'Dangi Darbar', generally held just after Holi, was started by the British with the objective of co-opting and appeasing the Bhil rajas in exploiting the resources of the Dangs. The logic behind the continuation of this institution after independence has remained the same. **2360**

After Mathura

The Mathura episode showed how much the political scene in UP has changed since the Ayodhya days. The BJP had apparently hoped to consolidate and widen its constituency in the context of the breaking up of the then-ruling alliance and the dependence of the new government on its support. These expectations have, however, failed to materialise. **2358**

Damming the Himalayas

From a purely hydrological point of view, storage and wider distribution of the great amount of water that flows in the Himalayan rivers during the monsoon provide an excellent solution to the ever-increasing water demands from the plains of the Ganga-Brahmaputra basin. However, two environmental peculiarities of the Himalayas – high sediment load and high seismic risks – demand that decision-making cannot be guided exclusively by hydrological objectives. **2367**

Labour Blues

The first Monday of September is Labour Day in the US, a national holiday. This year, far from any celebration, there was grave concern all round about organised labour facing a crisis of survival. **2364**

The destruction of coal mining and mining communities in Britain has left a trail of human decline. **2365**

LETTERS TO EDITOR

Vakkom Moulavi

THIS letter serves to clarify a point in the article by Thomas Isaac and Michael Tharakan on 'Kerala: Towards a New Agenda' (August 5-12). In a reference to my paper on the 'Reform Agenda of Vakkom Moulavi', the authors wrote: "Vakkom Moulavi held that the laws of Islam concerning temporal matters were not *commutable*, and hence..." (p 2000). In fact, the sentence should have been "the laws of Islam concerning temporal matters were not *immutable*, and hence...". The sentence, as it appeared in *EPW* makes the opposite meaning. It may be that a typographical error inadvertently crept into the article.

Another point is that Vakkom Moulavi is known more as a great social and religious reformer than as an associate of Ramakrishna Pillai. In fact, Moulavi launched his *Swadeshabhimani* (patriot) in 1905 at Vakkom and Ramakrishna Pillai joined the newspaper only in 1907. However, this is not to belittle the stature and contributions of Ramakrishna Pillai, but to stress the point that Vakkom Moulavi's spectrum of activities is considerably broader than it is usually referred to.

K M SEETHI

Kottayam

Civil Society

IN his article (August 5-12) Ajit Roy discussed the potential of the institutions of 'Civil Society' in resisting the forces of globalisation. In this connection, he expressed his faith in the "development of working class action in the core sector of capitalism" and the "linkage of the relatively peripheral struggles to the struggles in the core sector". Roy had given credit to Antonio Gramsci for his insights on the role and dynamics of 'Civil Society'.

Gramsci characterised Civil Society as a contested terrain. So, while projecting the potentialities of Civil Society, he was also conscious of its limits. He categorically mentioned in his *Prison Notebooks* (pp 220-21) the possibility of appropriation of political parties and trade unions in safeguarding "the political and economic domination of the ruling classes". In his article, 'The Turin Workers' Councils', reprinted in Robin Blackburn(ed), *Revolution and Class Struggle* (Fontana/ Collins, 1977), he wrote:

> The true process of the proletarian revolution cannot be identified with the development and action of revolutionary organisations of a voluntary and contractual type, such as the political party or the trade unions. These are organisations born on the terrain of bourgeois democracy and political liberty, as an affirmation and development of political freedom (p 378).

Gramsci actually saw the liberation of workers in the birth of Factory Councils, which represent the aspirations of the workers at the grass roots level. In order to promote workers' democracy, he thought of a meaningful dialogue between the party, the trade union and the Factory Council. But, while stating the revolutionary potential of the Factory Council, Gramsci categorically warned that "the party and the trade union should not impose themselves as tutors or ready-made superstructures for the new institution, in which the historical process of the revolution takes a controllable historical form".

ARUP KUMAR SEN

Hyderabad

India's Loss of Freedom

A press report about P V Narasimha Rao goes as follows: "Be it the communists, the Janata Dal or the BJP, they are all trying to attract foreign investment in the states ruled by them", he has said in response to opposition criticism of his policies. "They are all going to New York and Davos (Switzerland to attract investment). They are all doing what we are doing. Then where is the mistake" (*India Abroad*, August 4, 1995, p 4). But because the opposition parties are also doing the same ignorant and stupid thing does not mean there is no mistake. Advocates of foreign help, whether by way of technology or investment, fail to ask this elementary question: from where did these 'advanced' countries get their technology and capital – who helped them? Their technology and their capital are, by and large, products of their behaviour. Trying to advance India's interests by taking technology and capital from abroad is like a student writing answers to questions in an examination by having the answers whispered in his ears by someone else. Not only will the student not have learned anything, but will have lost money and freedom to his accomplice who may gain profound control over him. Mahatma Gandhi's prescription of swadeshi was not a prescription for 'backwardness'; it was a prescription for getting out from under such control. For the same reason he prescribed 'non-co-operation' (today it will be 'non-collaboration', as in the myriad technical collaborations that Indian enterprises, in both the public and private sectors, routinely indulge in) and shunning colleges set up by the British (today it will be places like Harvard and MIT – whose provost was recently appointed director of the CIA). The ever-increasing – though unnecessary – dependence on foreign sources of knowledge is the most profound and dangerous aspect of India's loss of freedom.

SATISH CHANDRA

Cambridge, MA.

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Uneasy Portents

THE sharp and sudden fall in the rupee's exchange rate *vis-a-vis* the US dollar in the last fortnight has evidently taken the government and the Reserve Bank by surprise. The authorities had been taking credit for the stability of the rupee-dollar rate for almost 30 months since March 1993, except briefly in March this year when there was a bunching of demand for foreign exchange and some speculative pressure on the rupee. The rupee-dollar rate has indeed been relatively stable after the dual exchange rate was replaced by a unified rate from March 2, 1993, with all foreign exchange transactions being effected at the market rate. After the exchange rate was freed the rupee had begun trading at Rs 32.07 per dollar and then steadily gained strength and got anchored at Rs 31.37 per dollar in July 1993. It remained at that level till the end of October last year, or for a continuous period of 16 months. This was the outcome of active intervention by the RBI which mopped up foreign currencies worth as much as $24.24 billion – $13.94 billion in 1993-94 and another $10.30 billion in 1994-95 – in terms of gross purchases from the market.

While the claim of stability of the exchange rate of the rupee is technically valid, it was made possible by two special factors: First, the surge in foreign exchange reserves, essentially the result of portfolio investments from abroad and inflows on account of global depository receipts (GDRs), and; second, the RBI's decision not to allow the rupee to appreciate against the dollar, despite the accumulation of foreign exchange reserves. The situation was termed as a "temporary condition of excess supply", whereas it was stressed, the objective of exchange rate policy was "to allow the rupee to reflect economic fundamentals". More simply, the focus of exchange rate policy has been to support exports and so the rupee was not allowed to appreciate even though for a fairly long period during 1993-94 and 1994-95 actual exchange market conditions were such as would have ordinarily resulted in the rupee's appreciation.

Allowing the rupee to find its own level in the market beyond the anchor rate of Rs 31.37 per dollar has been thus the avowed policy of the authorities, irrespective of what happens to the real effective exchange rate and the repercussions of currency depreciation on the rest of the economy in terms of inflation, addition to the debt burden, further depressing of low real wages, widening of income and asset disparities, transfer of real income abroad and lowering of the domestic saving rate.

Once the flow of foreign exchange slowed down towards September-October 1994 and the RBI ceased to intervene, the thinness of foreign exchange liquidity in the market got reflected in two developments: the rupee-dollar rate moved away from the anchor rate of Rs 31.37 and the forward premium for the dollar in the Indian inter-bank market began to firm up. The RBI reference rate, which is based on the quotations of a few selected banks in Bombay at noon every day and which is applicable to SDR transactions and transactions routed through the Asian Clearing Union, moved up from $31.37 and generally ranged between Rs 31.38 and Rs 31.44 up to the end of July. With the growth of liquidity slowing down and the demand for bank credit picking up, commercial banks began to augment their rupee resources by taking recourse to swaps. The six-month annualised forward premia, which had hovered around 2 to 3 per cent until October last year, began to look up and have ranged from 5 to 7.75 per cent during this year so far. Incidentally, the depreciation of the rupee in terms of the dollar during this period took place despite the rapid depreciation of the dollar against the deutschmark and the yen – the latter particularly, with the dollar-yen rate slipping below 80 yen by the end of June.

Likewise the Indian authorities' claim now that the accelerated depreciation of the rupee *vis-a-vis* the dollar after September 5 is attributable to international currency movements and that the rupee has not depreciated against major currencies other than the dollar is hardly convincing. The rupee's depreciation has been sharp and has covered all major currencies. The RBI's reference rate for the dollar jumped from Rs 31.94 on September 4 to Rs 32.13 on September 5 and has risen steadily since then to touch Rs 33.84 on September 22. In between the rupee sank as low as Rs 35.15 on September 15 when the RBI reference rate for the day was Rs 34.15. In this period when the rupee depreciated against the dollar by about 5.7 per cent, it also depreciated against the deutschmark by the same 5.7 per cent from Rs 21.89 to Rs 23.22 and by 7.1 per cent from Rs 49.84 to Rs 53.59 against the pound sterling. It is only against the yen that the value of the rupee has remained by and large unchanged (between Rs 0.3273 and Rs 0.3244) because the appreciation of the dollar against the yen was also sizeable during this period (the dollar-yen rate moving from 97.4931 yen to 103.8509 yen, an appreciation of the dollar by 6.5 per cent or depreciation of the yen by 6.1 per cent). The deutschmark too fell against the dollar, but only fractionally by 1.7 per cent.

The latest depreciation of the rupee has to be viewed in the context of certain other developments. Portfolio investment by FIIs is again beginning to look up (net monthly investment having gone up from $10.9 million in November 1994 to $208.7 million in July and $182.2 million in August this year) and the flow of foreign direct investment (FDI) too has been

sizeable (Rs 2,862 crore in the first five months of 1995 against Rs 2,972 crore during the whole of 1994). The foreign exchange reserves (other than gold) standing at $19,075 million appear comfortable. Despite these developments, the RBI has chosen not to react though the rupee has depreciated beyond the 5 per cent limit. This is not in keeping with its declared policy which has been reiterated in its latest *Annual Report*: "The Reserve Bank quotes its buying and selling rates which are in tune with the market rates and which can move within a 5 per cent band of the prevailing market rates. The RBI at its discretion intervenes in the market, to ensure that orderly conditions prevail in the market." All these norms seem to have been violated by the recent movements in the rupee's exchange rate without evoking a reaction from the central bank.

At the current bilateral exchange rates for the rupee, the trade-weighted real rate (TWER) is likely to have declined in real terms below the TWER established after July 1991, when it was worked out at 60.56 (base 1985=100). The latest data available for June place it at 63.84. In nominal terms the TWER for July 1991 was 50.91 which had declined to 41.20 by June this year. Clearly, the government has been following a policy of ensuring that the rupee remains undervalued on considerations of protecting export competitiveness.

Apart from the thinness of the foreign exchange market due to the government's decision to route all its non-IMF debt servicing (nearly $2.5 billion or Rs 5,916 crore of repayment plus interest payments) through the market, there are signs that the so-called stability of the 'underlying fundamentals' in relation to the country's balance of payments is beginning to get disturbed. In fact the latest data on external trade and balance of payments suggest that the economy may have once again entered a phase of galloping imports and large current account deficits. While exports rose by 17.9 per cent in dollar terms in 1994-95, non-POL imports jumped by 27.4 per cent and the trade deficit based on BOP data reached $3.95 billion, which was three times the deficit of $1.29 billion in the previous year. The current account deficit similarly rose from $315 million to $2.08 billion. Merchandise trade data for the current year show that non-POL imports have shot up by 44.1 per cent during April-July while exports rose by 29.9 per cent, widening the trade deficit to $1.53 billion against $594 million in April-July 1994. Apart from the debt service obligations of over $12 billion in each of the next three years, another signal which does not augur well for the BOP scenario is that outflows under two heads of invisibles, namely, 'travel' and 'investment income', have begun to rise rapidly. Payments under 'travel' jumped from $385 million in 1992-93 to $750 million in 1993-94 and $1,205 million in 1994-95. Likewise, the outgo under 'investment income' increased from $3,799 million to $4,300 million and further to $5,009 million. Payments under the head transportation too went up from $1,485 million to $2,250 million and $3,016 million. The only saving grace has been the impressive accruals under private transfers which rose from $2,784 million to $3,850 million and $6,220 million. The financing of imports, both legitimate and clandestine, of gold, silver and consumer durables, accounts for not less than $3.5 to $4 billion annually in foreign exchange through the 'havala' trade. The 'havala' rate has shot up from Rs 35 to Rs 37 per dollar after the latest rupee depreciation. After all the hoopla about external sector adjustment and elimination of 'havala' trade, this is indeed significant. All things considered, the prospects are that, in the name of further adjustment, the country will soon face another bout of currency depreciation – as much to take care of the accelerated inflation rate which has been a factor contributing to the repeated depreciation of the rupee in the past.

POLITICS

Shaky Structure

PRIME MINISTER Narasimha Rao's Kamaraj Plan – the recent reshuffle of his council of ministers – ostensibly claimed to be an effort to redirect the expertise of senior Congress leaders from ministerial responsibilities to the task of toning up the party organisation, has turned out to be yet another exercise in the tightrope-walking that Rao has specialised in. As all such exercises, the present one also is fraught with uncertainties, now that Rao has tied himself up with unreliable allies among the newly inducted ministers, and disgruntled foes among those who have either been ousted or shunted off to new departments.

To start with, Rao's original plan has not worked out to his satisfaction. He wanted to purge the cabinet of heavyweights who were proving to be difficult for him – agriculture minister Balram Jakhar, civil aviation minister Ghulam Nabi Azad and railways minister Jaffer Sharief. He also reportedly wanted to shift home minister Chavan to defence, and give the home portfolio to Karunakaran. None of them apparently agreed to give up their plum positions and Rao had to be contented with 'obtaining' resignations from nonentities like Ajit Panja, Krishna Kumar, Tarun Gogoi, Basav Rajeshwari and P K Thungon. Although not powerful enough to pose a threat to Rao, some among these ousted ministers are quite capable of retaliating by queering the pitch organisational politics in their respective states. Ajit Panja, for instance, has already started the process in West Bengal by dropping veiled hints in public that external affairs minister Pranab Mukherjee was behind his ouster from the union cabinet. In the faction-ridden West Bengal Congress, Panja has apparently found enough supporters who, at a public meeting organised by the party in honour of the prime minister in Calcutta, raised slogans against Mukherjee. Ajit Panja's ouster is likely to further fragment the precariously balanced structure of the West Bengal Congress organisation.

At the centre also, a similarly shaky structure in the form of the existing union cabinet is being sought to be revamped by Rao, but again through a patchwork of balancing acts. The new faces which grace his council of ministers are a medley of individuals, not known for any firm ideological commitment to any cause, but more identified with certain powerful factions within the party, or selected on the basis of their respective regional, religious or casteist origins.

What is intriguing is the induction of R K Dhawan into the council as minister of state (with independent charge) for urban development. The name of this gentleman is still under a cloud and has not been cleared since the comment made by the Thakkar Commission (appointed by the Congress government to inquire into Indira Gandhi's assassination) naming him as the person towards whom the 'needle of suspicion' was pointed. But Dhawan had evidently managed to worm his way into favour with the Congress hierarchy. Sacked by Rajiv Gandhi after Indira Gandhi's death, he bounced back when Rajiv sought his help and reappointed him on his staff – significantly during the crisis over the Bofors scandal that Rajiv was facing. Dhawan's re-entry into Rao's ministry strengthens the popular suspicion that his being privy to many secret Congress deals over a long period – from Indira Gandhi's regime in the late 1960s to Rajiv's in the 1980s – makes him an indispensable crutch for Congress prime ministers who inherit the legacy of corruption and who need hustlers to bail them out whenever they are in a fix.

As for the other newly appointed ministers, an examination of their past and present activities indicates Rao's inclination to appease some from among the amorphous crowd that hovers around Sonia Gandhi, some from the different religious, regional and caste backgrounds and some who had been opposing his arch rival Arjun Singh. Sardar Singh Ahluwalia and Suresh Pachouri, ministers of state for urban affairs and defence production respectively, are known to be close to 10 Janpath. There has

been adequate representation from the Muslim and scheduled caste communities. Some like Aslam Sher Khan, the youngest entrant into the council of ministers, have been rewarded for breaking with Arjun Singh.

But even after all this, one doubts how long Rao will be able to sustain the balancing act. His vendetta against Rajesh Pilot for unleashing the prosecution process against his patron-godman Chandraswami, has further exposed Rao to attacks from both the opposition and within his own party.

EXCHANGE RATE

Hidden Agenda

A correspondent writes:

THE ink had hardly dried on the RBI's *Annual Report* claiming the stable exchange rate of the rupee as one of the principal factors responsible for the export performance of 1994-95 and the 'large' capital inflows in the second half of 1993-94 and the first half of 1994-95 than the exchange rate of the rupee *vis-a-vis* the US dollar took a downward plunge of 12.5 per cent within a matter of days. For the first time in the past four years after the sharp two-stage devaluation in 1991, the rupee has taken a plunge against the dollar, the currency to which it had stood virtually pegged, thanks to the exchange rate policy pursued by the authorities, lip-service to market forces notwithstanding. Although the authorities have disavowed market intervention from time to time the fact remains that it was in pursuit of the policy of not allowing the rupee's exchange rate to appreciate that the RBI went on accumulating foreign exchange reserves even though it posed for the central bank "problems for the conduct of monetary management". To say that the authorities forswore market intervention in order to support the exchange rate is simply not borne out by the 'experience of the past four years. What they had so far been doing through their operations was to keep the rupee's exchange rate depressed in spite of the external demand for the rupee generated by capital inflows. Now, when the tide is threatening to turn the other way, the authorities are taking cover behind their professions of non-intervention. This current disavowal of intervention now really amounts to an implicit approval of the rupee's depreciation.

The finance minister and the officials of his ministry see no cause for alarm in the depreciation, sharpest in the past four years, and assure us that the rupee would soon stabilise at "a satisfactory level", without any indication of the level the authorities would consider satisfactory. It is obvious, however, that neither the finance minister nor his officials are prepared at this point of time to commit themselves to an exchange rate for the rupee, any downward slide from which would trigger intervention with the help of the foreign exchange reserves that have been accumulated over the recent past. After all, the whole purpose of foreign exchange reserves is supposed to be to ensure a steady exchange rate and that is possible only through a policy of intervention with the help of these reserves.

Given this refusal to commit themselves to the level where the authorities would like to see the rupee's exchange rate stabilised and which level the authorities would feel obliged to support, would it be unreasonable to suspect that the rupee might be allowed to slide even below the Rs 35.15 to a dollar level that it reached at one point last week? Here it is pertinent to add that the authorities themselves are supposed to have created the present situation by requiring the SBI and the IDBI to go to the market to meet their foreign debt servicing obligations. A signal was believed to have gone thus from the authorities. Of course, it could be argued that this would be quite consistent with the unspoken pursuit of the policy of keeping the rupee's exchange rate permanently depressed, unmindful of the losses such a policy entails for the economy on account of adverse terms of trade and the mindless pursuit of larger and still larger foreign exchange reserves, a pursuit that is not only highly expensive but also increases the vulnerability of the economy, given the type of capital inflow on which much of this accumulation has depended. The RBI's *Annual Report* itself speaks of the "exposures to volatility" and the difficulties in the conduct of monetary policy which capital inflows create.

Let us not forget in this context that a 29 per cent increase in export earnings during the first four months of the current fiscal year, even though alongside it there has also taken place a 39 per cent increase in the import outgo, cannot by any measure be regarded as a sign of any erosion of the economy's relative cost advantage to justify the rupee's depreciation. The present downward slide of the rupee, one is driven to suspect, is an officially engineered slide in pursuit of the policy of keeping the rupee perpetually depressed.

PANCHAYATI RAJ

How Serious Is the Centre?

NO time is ever lost by Congress(I) spokesmen, be they ministers or party functionaries, to claim credit for ushering in panchayati raj. But they conveniently forget that it is the Congress(I) ruled states which have proven to be the most reluctant to pass the legislation necessary, in pursuance of the constitutional amendments, to hold elections to the new local bodies to be created under such legislation and to devolve powers and finances to the bodies which have at last come up. Most state administrations have seen to it that no effective devolution comes about during their current five-year tenures. Of course, what is true of the Congress(I) ruled states is no less true of opposition ruled states with the solitary exception so far of West Bengal, a state which it must be said did not need to be pushed into devolution to local bodies by the constitutional amendments.

In the circumstances, how seriously does one take pronouncements from the centre urging state governments to devolve more and more of their local level development functions? At a two-day workshop in Delhi of state project directors, the minister for rural development and employment, Jagannath Mishra, is reported to have urged the state governments to bring the district rural development agencies (DRDAs) "under the overall supervision, control and guidance" of the zilla parishads, with the chairman of the parishad as DRDA chairman. On the face of it, this recommendation to the state governments sounds impressive in that the major district level agency, through which all funds flowing in from the centre for various centrally-sponsored schemes, is thereby sought to be brought "under the overall supervision, control and guidance" of the zilla parishads. What should not be forgotten, however, is that already some at least of the state legislations have gone far ahead of what the centre is now so belatedly trying to secure – and that too half-heartedly. In Karnataka, in Ramakrishna Hegde's time, the panchayati raj legislation deemed the district level panchayat as the DRDA. The same was done through executive action in West Bengal. Thus in effect the DRDA was done away with as a distinct agency and the district level panchayat made the agency through which the central schemes were to be implemented. In this manner, one and only one agency had the responsibility to undertake development tasks within a district.

What the centre now seems to be doing is to put its stamp of approval on the tendency among most state governments to keep the DRDA as separate and distant as possible. Asking the states to let the zilla parishad chairman also be the DRDA chairman will not bring the DRDA projects under the parishad's effective "supervision, control and guidance" (let us not forget the word "overall" used by Mishra). Only the Hegde formula will achieve that. But is the centre genuinely interested in such an outcome?

Foreign exchange reserves, now $19.08 billion, have declined by $1.74 billion since the beginning of the fiscal year. The current account deficit in BOP crossed $2 billion in 1994-95 against $315 million in 1993-94. During April-July this year, the trade deficit exceeded $1.5 billion. Under non-factor services, while receipts under 'travel' rose from $2.1 billion to $2.3 billion, payments under the same head galloped from $0.7 billion to $1.2 billion. While private transfers bolstered the BOP through a rise in net receipts from $3.8 billion to $6.2 billion, net outgo under investment income remained sizeable and rose from $4 billion to $4.2 billion. The exchange rate has experienced a sudden fall from Rs 31.85 to the US dollar at end-August to Rs 33.51 on September 15, a depreciation of about 5 per cent.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Sept 02, 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
				Latest	Previous	1995-96	1994-95				
All Commodities	100.0	296 0	0.5	8.5	8 8	3 8	5.7	10.4	10.8	7.0	13.6
Primary Articles	32 3	306 3	0 9	9.2	9.3	4.9	8.3	12.7	11.5	3.0	15.3
Food Articles	17.4	338.8	1.0	7.7	6.9	7.9	12.2	11.9	4.4	5.4	20.9
Non-Food Articles	10 1	323 7	0 5	12.2	15.4	0.0	3.0	15.5	24.9	-1.4	8.1
Fuel, Power, Light and Lubricants	10 7	284.3	0.0	1.6	6.2	-0.1	0 6	2.4	13.1	15.2	13.2
Manufactured Products	57.0	292 3	0 4	9.4	9.0	3.9	5.1	10.7	9.9	7.9	12.6
Food Products	10.1	280.9	0.2	2.3	6.8	3.1	8.9	8 1	12.3	6.8	10.2
Food Index (computed)	27 5	317.5	0 8	5.9	6.9	6.3	11.0	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Sept 02, 1995)	100 0	292.2	-	9.8	10 1	9.0	11.4	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent): Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
			Latest	Previous	1995-96	1994-95				
Industrial Workers (1982=100)	313[7]	2 3	11.4	11.1	6.8	5.2	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	244[3]	0.4	9.9	8.3	9.9	8.3	9.9	8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1387[7]	3 7	14.5	13.4	6.7	3 1	10.6	11.6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	Aug 18, 1995	Variation					
		Over Month	Fiscal Year So Far		1994-95	1993-94	1992-93
			1995-96	1994-95			
Money Supply (M_3)	543894	4793 (0.9)	13092 (2 5)	11748 (2.6)	78617 (17.4)	73307 (19.3)	50916 (15.5)
Currency with Public	108439	-153 (-0.1)	7650 (7.6)	6346 (7.7)	18806 (22.9)	14170 (20.9)	7111 (11.7)
Deposits with Banks	428030	5036 (1.2)	1397 (0.3)	4633 (1.3)	58956 (16.0)	57925 (18.7)	43377 (16.3)
Net Bank Credit to Govt	239588	-4063 (-1.7)	17172 (7.7)	7624 (3.7)	16325 (7.9)	28315 (15.9)	18657 (11.7)
Bank Credit to Comml Sector	291334	33 (0.0)	1679 (0.6)	-3946 (-1.6)	44991 (18.4)	17147 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	73375	6 (0.0)	-2529 (-3.3)	11709 (22.2)	23298 (44.3)	27674 (110.9)	3726 (17.6)
Reserve Money (August 25, 1995)	180176	1421 (0.8)	10897 (6.4)	11605 (8.4)	30607 (22.1)	27893 (25.2)	11274 (11.3)
Net RBI Credit to Centre	112230	-3682 (-3.2)	13317 (13.5)	-3759 (-3.9)	2130 (2.2)	260 (0.3)	4257 (4.6)
Scheduled Commercial Banks (September 01, 1995)							
Deposits	386212	2131 (0.6)	-647 (-0.2)	9084 (2.8)	56947 (17.3)	48827 (17.4)	39017 (16.1)
Advances	212497	-354 (0.2)	937 (0.4)	-3257 (-1.9)	40422 (23.6)	11782 (7.4)	23757 (17.5)
Non-Food Advances	198995	603 (0.3)	-290 (-0.1)	-4876 (-3.0)	37581 (23.2)	9091 (6.0)	21684 (16.6)
Investments	155535	1524 (1 0)	6282 (4.2)	12954 (9.6)	14171 (10.5)	28435 (26.7)	16820 (18.7)

All monetary and banking data presented here are based on March 31 figures after closure of government accounts

Index Numbers of Industrial Production (1980-81=100)	Weights	April 1995	Average for Full Fiscal Years							
			1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	252.4(13.4)	250.6(8.4)	231.1(5.6)	218.9(2.3)	213.9(0.6)	212.6(8.2)	196.4(8.6)	180.9(8.7)	166.4(7.3)
Mining and Quarrying	11.5	235.5(15.3)	245.8(6.3)	231.2(3.4)	223.7(0.6)	222.5(4.5)	221.2(6.3)	211.6(7.9)	199.1(3.7)	184.6(6.2)
Manufacturing	77.1	243.3(13 6)	241.8(8.8)	222.3(5.5)	210.7(2.2)	206.2(-0.8)	207.8(8.9)	190.7(8.6)	175.6(8.7)	161.5(7.9)
Electricity	11 4	330 8(11.3)	314.6(8 5)	290.0(7.4)	269.9(5.0)	257.0(8.5)	236.8(7.8)	219.7(10.9)	198.2(9.5)	181(7.6)

Capital Market	Sept 08, 1995	Month Ago	Year Ago	1995-96 So Far		1994-95		End of Fiscal Year		
				Trough	Peak	Trough	Peak	1994-95	1993-94	1992-93
BSE Sensitive Index (1978-79=100)	3366(-26 0)	3423	4551(76.4)	3015	3557	3233	4604	3261(-13.7)	3779(65.7)	2281(-46.8)
National Index (1983-84=100)	1540(-28.4)	1576	2150(75.2)	1482	1691	1572	2176	1606(-12.2)	1830(79.2)	1021(-48.1)
BSE-200 (1989-90=100)	347(-33.8)	357	524(64.3)	336	385	360	497	368(-18.2)	450(92.3)	234(-60.0)
NSE (Nov 3-21, 1994=100)	76(-23.2)*	78		99*	72	83	-	-	79	-	-

* For November 23, 1994.

Foreign Trade	July 1995	Cumulative for Fiscal Year So Far		Full Fiscal Year Variations				
		1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	7706	30537 (30.0)	23490 (8.3)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US $ mn	2454	9724 (29.9)	7488 (8.3)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports Rs crore	9472	35329 (39 4)	25353 (10 0)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US $ mn	3019	11250 (39 2)	8082 (9.9)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US $ mn	2722	9130 (44 1)	6339 (19 6)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-3023	-4792	-1873	-6375	-3259	-9687	-3800	-10640
US $ mn	-702	-1526	-594	-2018	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Sept 08, 1995	Sept 09, 1994	Mar 31, 1995	Variation Over						
				Month Ago	Year Ago	Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
						1995-96	1994-95				
Rs crore	61111	56538	66028	-921	4573	-4917	8912	18402	27430	5385	10223
US $ mn	19075	18099	20816	-308	976	-1741	2923	5640	8724	731	3383

External Sector

Balance of Payments (US $ million)	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
I Current Account	-2082	-315	-3526	-1138	-9680	-6841	-7997	-4853	-4563	-4845$
i) Exports (fob)	26763	22700	18869	18266	18477	16955	14257	12646	10420	9463
ii) Imports (cif)	30709	23985	23237	21064	27914	24411	23618	19816	17740	17298
iii) Trade Balance (i-ii)	-3946	-1285	-4368	-2798	-9437	-7456	-9361	-7170	-7320	-7835
iv) Invisibles, net	1864	970	842	1620	-243	616	1364	2317	2758	2967
Receipt	14671	10745	8241	9502	7463	7498	7545	7156	6475	6437
Payment	12807	9775	7399	7882	7706	6882	6181	4839	3718	3470
2 Capital Account Total net	6839	9183	4254	4754	8402	6100	6997	4116	3990	4267
Reserve use (minus means addition to reserves)	-4757	-8868	-728	-3576	+1278	+740	+1001	+738	+573	+578

Note: $ includes 23.3 million non-monetary gold movement.

Invisibles by Category of Transactions (US $ million)										
1 Non-factor Services, net	-494	777	1128	1207	979	723	730	545	995	1187
Receipt	7284	6226	4716	5022	4550	4246	3953	3572	3219	3311
Payment	7778	5449	3588	3815	3571	3523	3223	3027	2224	2124
i) Travel, net	1120	1325	1713	1512	1064	1030	1013	1056	967	636
Receipt	2325	2075	2098	1977	1456	1433	1418	1432	1257	972
Payment	1205	750	385	465	392	403	405	376	290	336
2 Official Transfer, net	390	370	363	460	461	539	500	410	411	252
Receipt	390	371	364	461	462	542	506	413	415	262
Payment	-	1	1	1	1	3	6	3	4	10
3 Private Transfer, net	6200	3825	2773	3783	2069	2281	2653	2699	2329	2305
Receipt	6220	3850	2784	3798	2083	2297	2669	2725	2341	2317
Payment	20	25	11	15	14	16	16	26	12	12
4 Investment Income, net	-4232	-4002	-3422	3830	-3752	-2928	-2519	-1337	-978	-776
Receipt	777	298	377	221	368	413	416	446	501	547
Payment	5009	4300	3799	4051	4120	3341	2935	1783	1479	1323

Note: Includes delayed export receipts and errors and omissions. For the year 1992-93, it also includes errors and omissions arising out of dual exchange rates applicable under the liberalised exchange rate management systems (LERMS).

Exchange Rate of Rupee	Apr 95	Apr 94	1995	1994	1993	1992		1991	1990	1989	1988	1987
36-country TWER (1985=100) (Based on FEDAI Rates within brackets)												
Nominal	(40.98)	(44.98)	(41.44)	(44.99)	(44.99)	(43.87)		48.89	56.29	69.26	72.52	77.05	81.73
Real	(63.96)	(64.99)	(63 46)	(63.55)	(59 15)	(56.53)		64.24	67.13	76.59	78.37	82.15	85.43

Exchange Rate of Rupee Rs per US $	Sept 15, 1995	Month Ago	Year Ago	Mar 31, 1995	Mar 31, 1994	Monthly Average Rates 1995	Monthly Average Rates 1994	Annual Average Rates 1994-95	Annual Average Rates 1993-94	Annual Average Rates 1992-93	Annual Average Rates 1991-92
Offical/RBI Reference Rate	34.15	31.60	31.38	31.50	31.37	31.65	31.37	31.40	31.37	25.97	24.47
Market/FEDAI Rates	33.51	31.60	31 38	31.50	31.37	31.37	31.37	31.37	31.37	30.65	-

Tourism

	April-July 1995-96	April-July 1994-95	1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87
Tourist Arrivals (Nos in '000)	570.5	556.6	1907.3	1871.3	1820.8	1781.9	1613.7	1765.0	1619.3	1513.5	1491.9
	(2.5)	(14.1)	(1.9)	(2.8)	(2.2)	(10.4)	(-8.6)	(9.0)	(7.0)	(1.4)	(-)
Foreign Exchange Earnings: Gross											
Rs crore	2311.5	2099.4	7365.6	6509.0	6060.0	4892.0	2613.0	2386.0	2054.0	1856.0	1607.0
	(10.1)	(28.2)	(13.2)	(7.4)	(23.9)	(87.2)	(9.5)	(16.2)	(10.7)	(15.5)	(35.2)
US $ million	736.9	669.2	2345.7	2074.9	2092.5	1984.6	1456.5	1433.0	1418.5	1431.0	1257.4
	(10.1)	(28.2)	(13.1)	(-0.8)	(5.4)	(36.3)	(1.6)	(1.0)	(-0.9)	(13.8)	(29.4)

Bullion	Sept 15. 95	Month Ago	Year Ago	Mar 95	Mar 94	Mar 93	Mar 92	Mar 91	Mar 90	Mar 89	Mar 88
Bullion Prices											
Bombay Gold (Rs/10gm)	4690	4680	4670	4680	4611	4082	4443	3440	3140	3140	3140
London Gold ($/OZ)	383.40	383.90	388.30	386.70	387.35	330.34	344.64	363.39	393.66	390.27	443.49
Spread over london (per cent)	(11.4)	(20.0)	(19.2)	20.0	18.0	21.9	36.1	53.4	44.8	61.3	69.6
Bombay Silver (Rs/kg)	7025	6879	6991	6335	7159	5492	8050	6663	6464	6755	6136
London Silver ($/OZ)	5.54	5.51	5.42	5.18	5.64	3.63	4.50	3.97	5.07	5.79	6.41
Spread over London (per cent)	(15.5)	(22.9)	(27.6)	21.3	25.9	49.1	88.9	171.8	131.5	133.9	129.4

Estimated Imports	1995	1994	1994	1994	1994	1994	1994	1993	1992	1991	1990	1989
Official/clandestine: Tonnes	Q2	Q1	Total	Q4	Q3	Q2	Q1					
Gold: Import Official	59.3	66.8	178.4	57.3	39.4	47.9	33.8	114.0	95.3	na	na	na
Total	77.9	100.8	327.5	102.5	72.1	80.3	72.6	304.4	360.9	150.0	170.0	173.0
Silver: Import	na	na	280.2	na	na	na	na	3375	1750	1360	1300	650

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript * stands for September. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year. (iii) na means not available.

CROMPTON GREAVES

Foreign Tie-Lips

CROMPTON GREAVES, the flagship of the Thapar group and one of the largest private sector electrical engineering firms, closed its fiscal year ended March 1995 with a turnover of Rs 999 crore, up by 20 per cent from Rs 828 crore recorded last year. Interest costs came down by 10 per cent from Rs 41 crore to Rs 37 crore. Rise in provision for depreciation from Rs 11 crore to Rs 16 crore coupled with a rise in tax provision from Rs 8 crore to Rs 17 crore did little to dampen the bottomline which rose from Rs 31 crore to Rs 43 crore.

Exports were up from Rs 92 crore to Rs 96 crore and imports rose from Rs 59 crore to Rs 83 crore. Raw material were 90 per cent of total imports. To give a further boost to exports, the company laid special emphasis on strengthening the quality systems and is working towards obtaining the ISO 9000 accreditation for its operations At present 18 divisions of the company have been accredited with the ISO certification. A dividend of 35 per cent has been recommended by the directors against 30 per cent last year.

During the year under review, the company's three new units – at Goa for manufacture of LT motors, FHP motors and fans, and traction motors, at Baroda for light sources and at Nashik for zinc lightning arrestors – started commercial production. Production of DC/AVS motors at the motor factory at Ahmednagar and of the non-silicon range of electrical steel stampings at the stampings factory at Bombay also began in 1994-95.

Having identified telecommunications as the thrust area for the future, the company is planning investments of up to Rs 600 crore in its different telecom ventures. The company also plans to enter the basic telecom services. "We want to be aggressive in the telecom sector", according to Nohria, managing director. The company has signed a memorandum of understanding with NEC of Japan for manufacture of fibre optic online terminal equipment to be made at the company's Bangalore plant. It has also signed technical agreements with two Israeli companies to provide LAN and WAN services to the corporate sector Marketing of facsimile machines under its own brand name, with subcontracting arrangement with Daewoo, a joint venture with Bellsouth Milicom of Denmark for value added services like cellular phones and electronic mail are some of the plans of the company The company has entered into an alliance with Packard Bell, a major personal computer manufacturer based in California, to manufacture high quality computers in India. With this alliance CG Informatics, a division of Crompton Greaves, is launching a new line of high powered Packard Bell products.

The company has tied up with AT&T Paradyne, a division of AT&T, USA, a leading player in the data communication products worldwide, to market the latter's entire range of data communication and networking products in India.

Crompton Greaves has tied up with Periphonics Corporation of the US to market its range of advanced voice processing systems. The company is partnering Siemens, Germany, for its telephone instruments, NEC and OKI Electric, Japan, for its data comproducts and Mobile Telesystems of the US for its satellite communications. Periphonics Corporation is one of the largest suppliers of the interactive voice systems in the US. According to senior director Don Kaiserman, "We view India as one of the largest markets of the future".

During the year under under review, the company floated a joint venture project with NEC of Japan to make main switches. Similar switches are also made by Siemens, AT&T, Ericsson and ITI through an agreement with Alcatel. The company has two technology transfer agreements with NEC for wide-band transmission systems such as optical fibres and microwave transmission equipment. The optical fibre project to come up at Jigani is estimated to cost Rs 20 crore. Telecommunication equipment is manufactured at Pithampur, Madhya Pradesh, Chandigarh, Goa and Bangalore. The company manufactures products for private and public networks including value added services.

A Rs 2.4 crore new switchgear plant, jointly set up by Crompton Greaves and W-Lucy, the oldest electrical company of UK, was inaugurated at Ambad industrial belt, Nasik According to Noharia, the new joint venture. CG-Lucy, will manufacture medium voltage distribution switchgear called ring main unit. This will be the second joint venture between the two companies, the first also being on a 50:50 basis. Under the first, manufacturing facilities have been set up in Nasik to make medium voltage ring main units (RMUs). Along with being a financial partner, W Lucy is providing technical knowhow under a separate agreement. W Lucy is a 235-year old company and is a world leader in medium voltage distribution switchgear.

The company continued its efforts to develop new products like electronic speed governers for hydel and steam turbines, cogeneration packages for the sugar industry, solid state interlocking for railway yards, block multiplexer for data communication for railway signalling, upgradation of soft starters and transformer technology absorption of AVS controller from Powertec, USA, micro-processer based trip relay controllers for air circuit breakers and micro-processer based test and measuring instruments. The company spent Rs 7 crore on research and development.

J K CORP

Diversification and Expansion

In 1938 the Singhania group set up Straw Products to manufacture straw board from wheat straw. Successful diversifications led the company into the feilds of paper, cement, polyester staple fibre and polyester filament yarn and magnetic tape. A decision by the directors taken in order to reflect the company's multi-dimensional activities and its growing corporate stature led to the re-christening of Straw Products and J K Corp (JKC) was born.

The company closed the financial year ended March 1995 with a sales turnover of Rs 426 crore against Rs 365 crore in the previous year, a rise of 16 per cent. Other income rose significantly by 60 per cent, from Rs 10 crore to Rs 17 crore. The combined effect of the two was reflected in the total income which increased by 15 per cent from Rs 378 crore to Rs 435 crore. A zero tax provision saw the company close the fiscal year with a net bottomline of Rs 52 crore against Rs 33 crore in the previous year. A dividend of 30 per cent has been declared by the directors.

In 1994-95, 35 per cent of the company's sales were of paper. Of the rest 21.7 per cent from the PSF division, 19.4 per cent from the PFY division, 19.3 per cent from the cement division and 4 per cent from magnetic tapes.

Production of paper stood at 66,755 tonnes against 62,800 tonnes in the previous year. With the commissioning of a new speciality paper machine, JKC raised its capacity from 60,000 tpa to 75,500 tpa. To increase volume and reduce cost while simultaneously improving quality, the company is installing a brand new pulp mill of 300 tdp based on the latest technology, upgrading some of the existing paper machines and installing a new one are the other plans in the offing, estimated to cost Rs 450 crore. As a result, the company's manufacturing capacity is to increase from the current level of 50,000 tonnes to 1,25,000 tonnes. These expansions are likely to go on stream by mid-1996. JKC is presently engaged in the manufacture of

(Rs lakh)

Financial Indicators	Crompton Greaves		J K Corp		TVS Suzuki	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	99890	82843	42593	36518	40885	27174
2 Value of production	96689	82580	41856	36738	42614	27187
3 Other Income	257	381	1657	1043	306	314
4 *Total income*	96946	82961	43513	37772	42920	27501
5 Raw materials/stores and spares consumed	67689	53807	19887	18210	28664	18645
6 Other manufacturing expenses	1167	792	5730	5321	396	258
7 Remuneration to employees	11164	10632	3274	2847	1600	1103
8 Other expenses	5766	8718	5474	3682	7387	4271
9 *Operating profit*	11160	9012	9148	7712	4873	3224
10 Interest	3687	4097	3646	3430	509	789
11 *Gross profit*	7534	5044	6697	4902	4363	2432
12 Depreciation	1556	1135	1546	1630	666	628
13 *Profit before tax*	5978	3909	5151	3272	3519	1804
14 Tax provision	1650	800	0	0	322	0
15 *Profit after tax*	4328	3109	5151	3272	3197	1804
16 Dividends	1451	1040	1179	649	578	277
17 Retained profit	2877	2069	3972	2623	2619	1527
Liabilities/assets						
18 Paid-up capital	4426	3890	4538	3364	2310	2310
19 Reserves and surplus	44329	21287	63184	37130	3232	435
20 Long term loans	13703	15277	57749	38853	1302	2480
21 Short term loans	6929	6992	4000	4040	1587	1087
22 Of which bank borrowings	0	0	0	0	1211	803
23 Gross fixed assets	33837	26514	101850	80433	9907	8863
24 Accumulated depreciation	10421	8908	28996	27753	4535	3875
25 Inventories	16230	13039	13129	8316	5197	2937
26 Total assets/liabilities	94727	75262	144519	95108	16531	12241
Miscellaneous items						
27 Excise duty	7933	5715	10530	11174	0	0
28 Gross value added	22786	20176	14071	11293	6907	4926
29 Total foreign exchange income	9604	9230	2857	517	643	1624
30 Total foreign exchange outgo	9196	6259	10659	7024	3356	2617
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	105.5	110.1	29.5	38.4	247.3	222.0
32 Sales to total net assets (%)	168.2	174.6	32.9	43.8	484.9	430.5
33 Gross value added to gross fixed assets (%)	67.3	76.1	13.8	14.0	69.7	55.6
34 Return on investment (gross profit to total assets) (%)	8.0	6.7	4.6	5.2	26.4	19.9
35 Gross profit to sales (gross margin) (%)	7.5	6.1	15.7	13.4	10.7	8.9
36 Operating profit to sales (%)	11.2	10.9	21.5	21.1	11.9	11.9
37 Profit before tax to sales (%)	6.0	4.7	12.1	9.0	8.6	6.6
38 Tax provision to profit before tax (%)	27.6	20.5	0.0	0.0	9.2	0.0
39 Profit after tax to net worth (return on equity) (%)	11.2	12.3	7.6	8.1	57.7	65.7
40 Dividend (%)	35.00	30.00	30.00	30.00	25.00	12.00
41 Earning per share (Rs)	97.79	79.92	11.48	9.85	13.84	7.81
42 Book value per share (Rs)	875.6	647.2	150.8	122.0	24.0	11.9
43 P/E ratio	2.0	8.1	12.1	35.6	18.4	24.3
44 Debt-equity ratio (adjusted for revaluation) (%)	35.4	60.7	85.3	95.9	23.5	90.3
45 Short term bank borrowings to inventories (%)	0.0	0.0	0.0	0.0	23.3	27.3
46 Sundry creditors to sundry debtors (%)	96.4	90.7	68.4	82.4	329.8	269.6
47 Total remuneration to employees to gross value added (%)	49.0	52.7	23.3	25.2	23.2	22.4
48 Total remuneration to employees to value of production (%)	11.5	12.9	7.8	7.7	3.8	4.1
49 Gross fixed assets formation (%)	27.6		26.6		11.8	
50 Growth in inventories (%)	24.47		57.88		76.95	

commercial type paper varieties like copier, laser, bond and others, which account for 90 per cent of its sales of paper, the balance coming from pulp board. JKC is currently the biggest manufacturer of copier paper in the industry.

Production of cement for the year under review stood at 5.64 lakh tonnes. According to the company, it would have been higher were it not for heavy rain in the factory area on account of which operations suffered. A new cement unit of 9 lakh tonne capacity was commissioned in March 1995, taking total installed capacity to 1.5 million tonnes. The unit was set up with technical assistance of Blue Circle Industries plc, UK. The expanded capacity has a pre-heater and a calcinator which will increase its operational efficiency significantly.

Orissa Synthetics, the company's polyester fibre division, enhanced capacity from 23,000 tpa to 28,200 tpa in September 1994 and is expected to further raise it to 38,000 tpa by March 1996. High cotton prices as a result of a poor crop have turned more and more people towards synthetic fibre. A strike in the last fiscal quarter of 1994-95 adversely affected the working of the division, but the unit has now returned to normalcy. Growth will be maintained in the near future, with demand for polyester on the rise and the company's plans to make value added products.

The company introduced India's first cobalt tape. It has trebled production over the past few years and the plant has been working continually at over 100 per cent capacity utilisation. A GDR issue of $ 55 million was made successfully and will be utilised for funding a part of the expansion plans with the rest of the need being met through internal accruals.

The company was accredited with ISO 9000 certification for all its divisions. JK Paper is the first paper mill in India to receive ISO 9001 certification. Lakshmi Cement has recieved ISO 9002 certification. JK Magnetics is the first and only unit in the industry in India to recieve ISO 9002. In the previous year, the company's Orissa Synthetics had been the first unit in the synthetic fibre industry to recieve ISO 9002 for its entire range of products.

TVS SUZUKI

New Models

TVS Suzuki closed the financial year ended March 1995 with a sales turnover of Rs 409 crore as against Rs 272 crore in the previous year, a rise of around 50 per cent. Net profit stood at Rs 32 crore, up from Rs 18 crore in the previous year, a rise of 77 per cent. It would have been higher were it not for a tax provision of Rs 3 crore as against a zero tax provision in the previous year. A

dividend of 25 per cent has been recommended by the directors against 12 per cent in the previous year.

TVS Suzuki, promoted by Sundaram Clayton of the TVS group in 1982, was the first among the Indo-Japanese two-wheeler joint ventures to set up operations in the mid-1980. It has a technical collaboration with Suzuki Motor Company of Japan which holds a 23 per cent stake. The promoters hold 32 per cent with financial institutions holding 22 per cent and the public 20 per cent. The company was the first to launch the 100 cc Japanese motorcycle in India, but lost out to Yamaha and Hero Honda on the way. The plummeting of the rupee-yen exchange rate and a heavy import content resulting in heavy import duties affected profit margins adversely. In addition, problems in fuel efficiency led to the company being almost written off. The final blow came in the form of a 100-day lock-out in 1990. January 1991 saw the company come out with a revival package based mainly on consumer preferences. Instead of catering to a broad mass as in the past, the motto now was to concentrate on specific products for different target groups. Thus was launched the Max 100, the economy model, Max 100 R, the rural version, Samurai, the high fuel efficiency bike, and Shogun, a high powered sleek bike targeted at the younger group. In the mopeds market the company came out with TVS XL and TVS Champ, with the TVS Astra in the up market segment. In the scooters segment it introduced the Scooty (60 cc). The company also revamped the distribution network reducing the number of dealers from 400 to 270 and developed high quality reliable vendors near its factory at Hosur for the manufacture of critical components.

In 1994-95, among the three segments of 2-wheelers, motorcycles have shown the highest growth of 44 per cent followed by scooters at 27 per cent and mopeds by 10 per cent. With sales of 2.02 lakh vehicles, TVS Suzuki leads in the mopeds segment which has had total sales of 5.22 lakh during 1994-95. The company commands a 39 per cent market share in the mopeds segment, ahead of Kinetic Engineering with a share of 23 per cent. The company's share in the highly competitive motorcycle segment has shot up from 8 per cent in 1993-94 to 13.37 per cent in 1994-95.

The company has a disadvantage in that it does not have a four-stroke engine unlike its competitors Hero Honda and Bajaj Auto, which are more fuel efficient. But managing director Venu Srinivasan argues that the company's vehicles satisfy the norms set out for 1996 and an electronic fuel injection system, to be in place by the year 2000, does away with the need for a four-stroke engine. The company has plans to revamp its existing moped models and give them more power without sacrificing on fuel efficiency. It plans to introduce three new models in this segment by the end of the year.

The company plans to sell mopeds in Vietnam through Berkat Corporation, a Singapore-based trading firm, which has marketing infrastructure there. Setting up a plant in Vietnam is on the anvil after popularising its products. TVS Suzuki will sell Astra 60 cc, the veriomatic two-seater bike with kick starter, which has captured the South American market.

TVS Suzuki is to invest Rs 300 crore over the coming few years in keeping with its plan to capture 25 per cent of the two-wheeler market by the year 2000. The plan is to increase production from 2,90,000 two-wheelers (1994-95) to one million in five years.

The company has signed a 3.5 crore purchase agreement with Computervision Corp(CV) of the US for the use of the latter's software to develop world class design for its new range of mopeds and scooters and reduce the lead time from 24 months to 12.

Lakshmi Auto Components, the company's subsidiary manufacturing components for the automobile industry, performed satisfactorily. It closed the financial year with a 46 per cent increase in turnover. Net profit grew by 79 per cent leading the directors to recommend a dividend of 15 per cent against 12 per cent of last year. •

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Privatising Natural Resources

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Having joined the globalisation bandwagon, it is not surprising that recent attempts at privatisation in India reflect the quintessential features of the process of using the state to transform natural resources into means for primitive accumulation by domestic and foreign interests.

SELLING off productive assets has always been the last resort of the economically desperate. In these situations, the degree of desperation of the seller is usually inversely related to the price at which such assets are sold. The most piquant of such phenomena involve those who are already very poor, who have little in the way of alternative sources of income or economic opportunity. Thus, the undervaluation of land and similar collateral in mortgage-based loans in rural India, whereby small holders are deprived of their paltry assets at prices far below their market value, is well known. Similarly, periods of severe economic hardship are typically associated with large-scale distress sales of assets among the population at large, and these sales inevitably are accompanied by reductions in the market prices of such assets.

When such sales of productive assets are conducted not by individuals or groups but by governments of sovereign nations, however, matters are entirely different. In these cases, as is becoming increasingly obvious, the privatisation of state-held productive assets can incorporate a whole range of considerations, of which fiscal difficulties constitute only one part. The wave of privatisation which has spread like a virus affecting governments across the world reflects not only the desire of these governments to earn some quick (and easy) money to ease budgetary constraints, but also the current ideological tendency which decries all publicly held institutions as inherently inefficient and prone to mismanagement. The credibility of a government under this dispensation often depends not on the logic of a specific policy or programme or its end result, but simply on the pursuit of certain policies irrespective of the consequences.

Needless to say, this conservative ideological environment often serves certain parallel aims of those in power. States in capitalist societies, especially the less developed among them, have always been important sites for primitive accumulation by the rich and the powerful. In an underdeveloped economy, a capitalist class unable or unwilling to finance accumulation on its own constantly seeks to use the state as a mechanism for channelling surpluses, garnered from an overwhelmingly poor populace, to the private sector. The fiscal strategy of the state – taxes and subsidies and pricing and investment policies – is geared to that end. With the capitalist class still nascent, this conversion of the state into an instrument for primitive accumulation also allows those in political power to create their own capitalists, meeting in the process the needs of nepotism, clientelism and the like.

Indeed, there is mounting evidence – not only from developing countries but also from the formerly socialist economies as well as developed industrial countries – that the privatisation of state-held assets can be carried out in a manner that inordinately benefits certain groups of purchasers and deprives the state (and therefore also the taxpayers) of the rightful value of such assets. The advantage that buyers enjoy in distress sales is compounded in the case of government sales by further gains from preferential treatment, differential access and other features which stem from closeness to the powers conducting the privatisation concerned. Given this, it is usually certain (privileged and powerful) domestic groups or individuals who are the main beneficiaries of a process from which ordinary citizens are the losers.

More recently, the enhanced subordination, through the aegis of institutions such as the IMF and the World Bank, of most less developed countries to the requirements of international financial and industrial capital has introduced a range of new players into the picture. Either directly as collateral for private sector balance of payments finance (as in Latin America, for example) or indirectly by making foreign companies disproportionate beneficiaries of the sale of publicly held assets in the name of attracting foreign investment and earning scarce foreign exchange, private international interests are also gaining control over the assets in the developing world at prices that show signs of 'enforced' distress.

Unfortunately not all assets in the underdeveloped countries are equally valuable, especially to international players. However, there is one form of tangible wealth that since the industrial revolution has commanded the respect of capital, whether located in the metropolitan centres of capitalism or in the less well endowed periphery. And that is wealth in the form of natural resources that serve as raw materials or intermediates for a range of productive activities. It is this wealth therefore that tends to be targeted in any phase where an ability to 'influence' the state allows its policy to be directed towards furthering the process of private enrichment.

Having joined the globalisation bandwagon, it is not surprising that recent attempts at privatisation in India reflect the quintessential features of this process of using the state to transform natural resources into means for primitive accumulation by domestic and foreign interests through the relative undervaluation of the assets that are being sold. The fact that the sales here concern not produced assets which can be replaced but natural and often non-reproducible resources belonging ultimately to the people of India, lends a particular poignancy to this matter. In at least four areas in the recent past there has been clear evidence of deals and attempts at deals for the transfer of publicly-owned resources to private hands on terms which are more than generous to the private parties and involve substantial losses in potential income as well as other costs to the public exchequer.

One of the most blatant of such cases involves a deal which was struck more than two years ago, the details of which have only recently come to light. In 1992 the ministry of petroleum and natural gas asked for 'offers' — essentially from foreign investors – to develop certain proven oil reserves held by the ONGC. It is important to remember that the ONGC itself has been converted from a statutory authority into a public limited company and, following upon this, an estimated 20 per cent of its equity has been sold to private agents at prices which are as yet undisclosed. The equity of the ONGC which stood at Rs 343 crore in March 1993 was far below both its 'net worth' of as much as Rs 19,613 crore or the value of its proven reserves and production of oil and natural gas, and it may be inferred that the sale of this equity provided a windfall to the fortunate private purchasers.

This divestment of shares notwithstanding, the critical aspect of private gains in this sector has come from another source – the effective sale of proven oil and natural gas reserves of the public sector to private companies. The main settlement in this area is the agreement signed in 1992 by the government of India, the ONGC and the multinational company Enron in collaboration with Reliance Industries. This has resulted in a new company – of which the ONGC is a minority shareholder without any real say in decision-making – to develop the oilfields of Mukta and Panna. These

fields had earlier been discovered, explored and proven by the ONGC, which had incurred substantial costs in setting up drilling capacity, platforms and other facilities. These costs were ultimately borne by Indian tax-payers, through government financing of such exploration and development. The agreement, however, in its provision for returns to costs, effectively wipes out all earlier costs as well as some still being incurred at present by the ONGC, and offers no return to such expenditure. Instead, the contractor (Enron/Reliance) will be entitled to recover all costs at the rate of 100 per cent per annum, until the specified Cost Recovery Limit is met. This sum, which is more than US $ 577 million, is likely to be reached only after five or six years of production, until which time neither the government of India nor the ONGC will have any claim on the oil produced. This means that ONGC will have to contribute 40 per cent of the capital for the new company, but will still have to wait for its share of 'profit oil', and this too is dependent upon the decision of the contractor who can decide when actual commercial production is to start.

This agreement therefore hands over to Enron/Reliance the already proven and developed rich oilfields of Mukta and Panna at what amounts to not even a throwaway price, since Enron and its Indian partner are saved the entire burden and cost of exploration and discovery, and even of development of the oilfields. The argument that the continued running and exploitation of these oilfields would not have been possible without the entry of foreign private parties is totally specious since the large profits of the ONGC as well as the high value of its owned assets would have made it easy for the ONGC to raise the capital required for this through borrowing. It was actually prevented from doing this and instead this complicated and adverse arrangement was arrived at. Since the oil sector is one of the most profitable in the world even after absorbing the very large costs of exploration and development, the profitability of this venture without such costs can be easily imagined. Yet the simple provision of readymade profits in already developed oilfields was surely not the purpose of inviting foreign investment into the oil sector. Rather, the argument has been that the Indian government simply does not have the funds for the massive investments required for exploration and development. If the more difficult and expensive part of the process still has to be financed by Indian tax-payers, only to be transferred to (primarily) foreign hands once the profitability is evident, then the process does not represent the success of the new economic strategy so much as a public fraud of gigantic proportions.

A scam on nearly a similar scale is evident in the attempted sale of a mine in Bailadilla in Madhya Pradesh which is currently creating much controversy. This time the natural resource concerned is iron ore, and the public sector undertaking involved is the National Mineral Development Corporation (NMDC). The pattern is very similar: once again, a joint venture is sought to be set up in which the NMDC will be a minority shareholder, with 89 per cent of the shares being held by Nippon Denro Ispat (NDIL) in which the Mittal group holds the controlling share. The only significant difference is that this time the private beneficiaries are predominantly Indian, with the foreign (Japanese) participant holding a minority share. The mine in question is No 11B, one of the most profitable iron ore mines of the NMDC, with more than two-thirds ferrous content. The mines were discovered after 12 years' exploration work by the NMDC and, cumulated over the last two decades, have already fetched a net profit of Rs 1,764 crore. However, the deal envisages handing over the facility to the new company for only Rs 16 crore, to become a captive mine of the NDIL steel unit.

This is clearly a settlement which is against the interests of the NMDC, which has been prevented from either using its own earned profits or raising resources through other means to finance expansion and which has had to part with one of its most productive mines for a pittance. It also indicates the strength of the current discrimination against the public sector steel units which have been denied the advantage of possessing this as a captive mine. At least one steel PSU, the Visakhapatnam steel plant, had expressed interest in acquiring Bailadilla mine No 11B without getting any positive response from the steel ministry. Instead, the ministry's choice was finally a secretive and untendered deal with a private party on terms which are more than generous to the private contractor and costly for the public sector units involved. There has been widespread criticism of this agreement, not only by the NMDC management and labour unions, but also by the Madhya Pradesh government as well as other independent observers and in parliament. These criticisms – which have held up the finalisation of the agreement thus far – have mainly concentrated on the closed and surreptitious nature of the deal which therefore carries with it a strong whiff of likely corruption, pay-offs and similar influences with which Indian citizens are now only too familiar. While these factors may well be operative, the close similarities of this with the ONGC settlement with Enron/Reliance suggest that there is a pattern to these agreements which transcends the immediate kickbacks accruing to individuals or groups.

This suspicion is confirmed by the recent proliferation of similar contracts that are being negotiated between various public sector units and state governments on the one hand and private (often foreign) parties on the other, specifically with reference to extractive industries. These may not be as extreme as the deals discussed above in terms of the highly skewed nature of the contracts and the loss to public units, but they reflect the same broad approach to the appropriation of natural resources previously controlled by public undertakings. Thus the Orissa Mining Corporation (OMC) has signed a memorandum of understanding with the private sector Mesco group, which plans to build a steel plant in Orissa, to set up a joint venture company (once again with minority public sector shareholding) to mine iron ore. This involves handing over five small iron ore deposits, all of which have already been explored and some of which have been developed by OMC. While the mines concerned are smaller in size and slightly lower in ferrous content than the Bailadilla mine No 11B, their transfer is part of the same broad process of handing over established mineral resources, whose very presence has been discovered by expending

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The controversial proposal to hand over degraded forest lands to the pulp and paper industry for plantations, which has been cleared by the environment ministry but has yet to get through the cabinet, is slightly different from these other deals, but is still part of the broad approach of privatising available natural resources. This proposal envisages that the state-level forest development corporations would enter into a memorandum of understanding with certain private pulp and paper companies, in which forest land in units of at least 100 hectares would be leased out for 30 years at first and possibly for another 30 years later. The official excuse, as usual, is that budgetary constraints have meant that afforestation and forest regeneration schemes have had to be curtailed so that the 'only option' is that of allowing private contractors to take over. It has been argued that this would prevent the encroachment of forests as well as enable private industry to meet its raw material requirements easily. However, the scheme has been criticised because this amounts to subsidising private industry and handing over important land areas to the companies, even as it squeezes small farmers and reduces the access to these lands of the local communities who depend for livelihood or some part of subsistence upon fuelwood and minor forest produce. It would also jeopardise those farm forestry programmes under which farmers are encouraged to produce wood for industry in a sustainable manner by planting trees between their crops. In effect, this scheme violates the government's own National Forest Policy of 1988, but it still has some chance of being pressed through by this regime.

What is the rationale behind this very broad sweep of government policies directed towards privatising publicly-held natural resources? While graft and kickbacks accruing to those in control may be important elements in explaining the details of individual deals, they can explain at best only a part of the general pattern. Nor can fiscal difficulties be upheld as the genuine cause of this spate of resource privatisation, since in most cases these resources are being transferred to private hands at effective prices well below their real valuation, and imply losses of potential revenue from these assets as well. What seems to matter is the government's acceptance of a policy regime that makes the 'fiscal retreat' of the state and foreign and domestic private investment the central features of its growth strategy. The widely publicised belief that public sector enterprises simply cannot manage natural resources efficiently or make the best and most cost-effective use of them is one element of such a regime that legitimises privatisation as an end in itself. So is the view, assiduously nutured by the government, that winning the 'confidence' of the private foreign investor and ensuring thereby the inflow of large volumes of private foreign capital is a sure route to successful development and therefore an indicator of economic success itself. These 'beliefs' imply the dismissal without thought of the argument that the inadequacies of public sector units managing natural resources can in most cases be attributed to the fact that they have been starved of investment funds by the government and have actually been prevented (by the ministries concerned) from undertaking expansion plans with their internal resources or by raising funds in capital markets.

This tendency to dismiss alternative perspectives by the government has been heightened in practice by the failure thus far of two of the critical planks of the present government's programme of 'economic reform': privatisation and the need to attract foreign investment. The privatisation programme of the government has over the years 1991-92 to 1994-95 yielded receipts estimated at Rs 10,188 crore or an annual average of Rs 2,547 crore. Compared with the net increase in its internal debt of well above Rs 20,000 crore in 1993-94 and 1994-95, this is an extremely small sum. Thus privatisation as a proclaimed means of reforming the fiscal regime has hardly been successful. Not surprisingly, the government has chosen to raise the budgeted receipts from privatisation to Rs 7,000 crore in 1995-96. However, with the stock markets witnessing a prolonged period of slack there is little hope of this year's privatisation taking off. Overall, there have been three problems faced by the privatisation exercise. First, it has proved impossible to divest shares in the poorly performing public sector corporations, and an initial effort at clubbing such shares with those of profit-making companies discounted the price of the latter to a degree where the press was flooded with stories of a virtual scam in the sale of public assets. Second, even in the case of relatively successful companies the government has on occasion not been able to obtain bids that match the reserved price that it has set for sale of shares of such companies. And finally, precisely at a time when an unsustainable increase in its borrowing requirements forced the government to expand the scale of its privatisation programme, the market has turned lukewarm in terms of both the price it is willing to offer and the volume it is willing to take.

The sense of 'failure' generated by this tendency has been aggravated by the experience with the other main plank of the government's 'reform' programme: namely, the drive to attract foreign capital into the country. This has been seen as necessary to fill numerous gaps which constrain economic growth: the saving gap, which would be met by the inflow of foreign saving; the foreign exchange gap, which would disappear because of the money brought in by foreign investors; and the technology gap, because foreign investors will bring in international front-of-the-line technology in critical areas of production. In all of these areas, and particularly the last, the FDI inflows have been woefully short of expectations. The inflows that have had a substantial impact on the balance of payments have been those of portfolio capital which is now widely accepted as less stable and less desirable from the standpoints of economic growth and sustainability. By contrast, the total actual FDI inflow in the four years from August 1991 to May 1995 amounted to a paltry Rs 8,646 crore. While FDI approvals (as opposed to actuals) have increased substantially over the past few years, even these are not all that large in relation to either domestic saving and investment or the overall capital account of the balance of payments. Thus, excluding the issue of global depository receipts by Indian companies abroad, FDI proposals approved in 1994 totalled only Rs 8,890 crore, marginally above the 1993 figure of Rs 8,860 crore. Even these are mainly in areas which have not been considered priority areas for foreign investment insofar as the provision of newer and more sophisticated technologies is concerned, and very little of it has been in longer term investments which involve large outlays of capital. Thus, in the past four years, only Rs 386 crore worth of FDI proposals have been approved in the oil and hydrocarbon sector — and this amount includes the Enron/Reliance deal over the Mukta and Panna oilfields.

The failure of the government to push through its strategy of privatisation on the one hand and attracting foreign investment on the other has had two major consequences. First, since these were expected to contribute to a reduction in the government's fiscal deficit and to induce a degree of buoyancy in the level of private investment, their inadequate realisation contributes to shortfalls relative to explicit or implicit fiscal and investment targets set as part of the 'new' economic programme of the government. Second, since they are the principal planks of the reform programme, their 'failure' begins to question the viability of the liberalisation process itself. Unfortunately, given the interests at work the world over, such failure never results in a reconsideration of liberalisation, but in the argument that the process has not gone far enough. It is perhaps partly because of this perception that the government finds the need to put on sale natural resource based-assets at prices that no potential buyer, domestic or foreign, can refuse. What matters is not whether the exercise contributes to the objectives, such as resource mobilisation or rising private investment, that it set out serve. What is at stake is the credibility of the instruments the government has chosen for achieving its goals. In such circumstances it is not the end result which matters, but the pursuit of a strategy, whatever be the cost. That in the process the primitive accumulation drive of powerful interests is also served, converting social costs into private benefits, only whets the appetite of those who handle these instruments.

COMMENTARY

Post-Militancy Scenario in Kashmir

Balraj Puri

There is a school of thought in India which will welcome it if the Pakistan-based militants in Kashmir continue their operations, for then the military aspect of the Kashmir problem will completely overshadow the political and moral aspects. The weakening of the Kashmir-based militant movement is encouraging this school to argue against any political measures to reduce the alienation of the people and in favour of further repression to force the people into total surrender. But the dividing line between demoralisation and desperation is a thin one and will it be in the interests of India to push the Kashmiri people over it?

IF the situation in Kashmir is to be measured in terms of casualties of the militants, over 600 killings in the last two months should confirm the official claims about the improvement there. However, elimination of militants does not always lead to elimination of militancy. Nor is the end of militancy synonymous with the end of alienation.

As long as depletion of the ranks of the militancy is replenished by fresh recruits, locally or from outside, the situation would hardly improve. Similarly some non-militant forms of expression of alienation can be more unmanageable and embarrassing than even militancy. The crucial question is how the vacuum created by decline of militancy is filled.

Militancy itself is a consequence of the vacuum created by the collapse of politics in Kashmir. The games that New Delhi played from 1984 to 1986, including dismissal of a duly elected government of Farooq Abdullah and his reinstallation after he agreed to share power with the ruling party at the centre, did succeed in undermining the Kashmiri identity and the prestige of its then leader. The vacuum was filled by the emergence of the Muslim United Front (MUF). But when the MUF, too, was not allowed a fair chance in the battle of the ballot in 1987, it created an appeal for the method of the bullet.

The JKLF which pioneered the militancy in the valley seized the opportunity to occupy the space vacated by Kashmiri nationalists and democratic politics. But within two years, the state government claimed that the JKLF had been wiped out. The vacuum did not last long. For meanwhile Pakistan too shifted its support – in terms of supply of arms and training – to alternative outfits like Hizbul Mujahideen. For the last one year, the Hizb has borne the brunt of the operations of the security forces and suffered heavy losses.

During this period the disillusionment of the people with Pakistan also grew for a number of reasons. Shift in Pakistan's support from pro-independence to pro-Pak groups and its exclusive reliance on Jamat-e-Islami, which disapproved of many of the religious beliefs and practices of Kashmiri Muslims, and killing of leaders like Qazi Nisar and some ideologues of Kashmiriyat, allegedly by a pro-Pak outfit created a backlash of Kashmiri nationalism. As alienation with India had not declined meanwhile, nor were any measures taken to assuage the hurt feelings of Kashmiriyat, the clashing forces of Kashmiriyat and Islamic solidarity remained within the broad secessionist umbrella.

Aside from the efforts that Pakistani agencies might have made to resolve differences between the two factions, the government of India too contributed to imposing unity on them. The decision to hold elections in the state, without any understanding or dialogue with any dissident group, was regarded as a move to thrust the traditional leadership on the state as has been the past practice. Despite their internal differences all the militant groups and their overground leaders united in giving a call for the boycott of the polls. The postponement of the proposed polls gave an impetus to their morale and unity.

The way Chrar-e-Sharief crisis was handled by the Indian government has a far greater unifying impact on the secessionist groups. As nobody in Kashmir believed in the official version about the responsibility for the tragic incident of burning of the most sacred shrine of the valley, the degree of alienation also increased. Thus whatever might have been gained in anti-militancy operations was lost on the political and psychological front.

It was under these circumstances that the JKLF had to rejoin the Hurriyat which added to the latter's respectability and representative character. As Jamat-e-Islami joined in popular protest against the burning of the shrine, its reservations about the sanctity of Sufi shrines was condoned by votaries of Kashmiri Islam. Though it still stands for Kashmir's accession to Pakistan, it has agreed to abide by the verdict of the people. Hurriyat also withdrew its condemnation of the use of Gandhian methods like fasts adopted by the JKLF chief Yasin Malik.

The dividing line between Kashmiriyat and fundamentalists has thus been blurred. But a line has now been drawn between Kashmir-based and Pak-based groups mostly comprising non-Kashmiris. The latter include Harkatul Nisar, Lashkar Toeba and Al Farhan. Hurriyat leaders disapproved of the ban by the Harkat on the Amarnath yatra and the series of bomb blasts in Jammu which it owned. They also condemned the kidnapping of the five foreign tourists by the Al Farhan and organised a successful bandh to protest against the killing of the Norwegian hostage.

How sharp is this divide and how long it will last will depend on the capacity of the Hurriyat to withstand the pressure from both the sides – India and Pakistan – and to provide effective leadership to the people and the militants in the valley. Already Pakistan agencies are maintaining varying degrees of influence on and contacts with its constituents. The division of the secessionist camp may be partly under a tactical understanding.

The Kashmir-based militants are equally handicapped in facing the Indian offensive. The security forces have established a clear edge over them. The supply of local recruits is dwindling. The yearning for peace among the people is also growing. Are Kashmiri leaders in a position to articulate the popular mood and agree to initiate a dialogue with the non-Kashmiri Muslim communities of the state and the government of India to explore possibilities of an honourable settlement which may eventually involve Pakistan? Or will they allow Pak-based militants to continue their war on their own volition on account of lack of response.

There is a school of thought in India which will welcome the latter prospect. For the military aspect of the problem will then completely overshadow the political and moral aspects which it believes suits India. In fact the weakening of the local militant movement in the valley is encouraging this school to argue against any political measures to reduce the alienation of the people and in favour of further repression to force the people into total surrender. But there is a very thin line between demoralisation and desperation. Is it really in the enlightened self-interest of India to push people to the latter course?

The cost of subjugating an alienated, humiliated and fanaticised people will become increasingly prohibitive. It will undermine the moral, secular and democratic basis of the Indian nation apart from the economic costs and diplomatic humiliation.

The stakes for Kashmir are even more serious. For as the ground between Indian security forces and the foreign militants shrinks, there will be no room left for its identity and dignity. More Kashmiri blood will be shed and more Kashmiri lives will be endangered. The choice for the people may eventually be reduced to be ruled either by, say, a Mast Gul or a stooge of Delhi.

This scenario is not inevitable provided those who matter in New Delhi and Srinagar are conscious of their own enlightened self-interest and knowhow to assert it.

India: Economic Outlook, 1995-97

In an overall assessment of the economic situation, the continued tempo of industrial recovery, despite the prospects of a slow-down, is a matter of satisfaction. However, persistence of inflation for this and the next year and widening fiscal and trade gaps are matters of concern.

I
An Overview

SURPRISES in the economic sphere have, by and large, been conspicuous by their absence during the last six months. For the year ending March 31, 1995 our current estimate of the growth of real GDP (at factor costs) is about 5.8 per cent. The rate of inflation based on the wholesale price index (52 weeks average) has actually turned out to be about 10.8 per cent. Merchandise exports in US dollars appear to have increased by nearly 20 per cent over the preceding year whereas the growth of imports in dollars has been of the order of about 22 per cent. Trade balance appears to have widened from about US dollars 1.2 billion in 1993-94 to about US dollars 2.1 billion in 1994-95. The current account deficit has also correspondingly widened. However, since the foreign currency assets currently stand at a comfortable level of about US dollars 19 billion, this widening current account deficit poses no immediate problem. As more recent, revised and firm information comes in, our prognosis of the state of the economy made in March 1995 is getting confirmed, more or less, in all its dimensions (*Economic and Political Weekly*, March 25, 1995). Thus, our overall view of cautious optimism remains valid not only for 1994-95, but also for the current fiscal year, 1995-96.

For this year, 1995-96, our forecast for real GDP growth stands at 5.7 per cent with a strong possibility of the rate exceeding the 6 per cent mark during the next year (1996-97). While real fixed capital formation is likely to rise by a little over 8 per cent in both the years, the growth rate of total capital formation would be about one percentage point higher. The rate of inflation is likely to be about 9 per cent this year and a percentage point lower next year. Fears of higher inflation during the current year are looming large due to populist expenditures launched in view of the forthcoming general elections to parliament. During 1995-96, the dollar value of exports is likely to grow by nearly 17 per cent and next year, by about 15 per cent. This is going to be accompanied by increase in the merchandise import in dollars by about 25 per cent in 1995-96 and by about 19 per cent in 1996-97. These imply a trade gap of the order of about 5 and 7 billion dollars in the years 1995-96 and 1996-97 respectively. The current account deficit will correspondingly be of the order of about $3 billion in 1995-96 and a bit less than $5 billion in 1996-97.

II
Output and Prices

The tempo of growth has been considerably strengthened by continued good conditions in the agricultural sector due to the eighth successive favourable south-west monsoon. Fears of a poor monsoon at the start of the year have now turned out to be false. Rains, though delayed, have turned out to be normal or even better in terms of coverage of different parts of the country. The traditionally drought prone regions of Rajasthan and southern Andhra Pradesh (Rayalseema) have received more than their normal rains. While Orissa and Maharashtra were deficit till August end, these regions too have now had more rains and perhaps reached their normal levels. Our forecast assumes just normal rainfall giving a growth rate of 2.1 per cent for 1995-96 as compared to 2.4 per cent in 1994-95 and 2.8 per cent in 1993-94. If the south-east monsoon in October-November also turns out to be as good, agricultural sector may grow at a higher rate pushing the overall GDP growth rate to a level slightly higher than that predicted. For 1996-97, growth rate of the agricultural GDP is projected to be about 2.7 per cent, if rainfall is normal.

Growth in the industrial sector is subject to substantial improvement in the performance of the infrastructure sector. Infrastructure sector is poised to grow at about 5.5 and 6 per cent in the current and next year respectively. This may not be able to sustain a high tempo of growth in manufacturing. Though public sector investment is, in general, unlikely to increase by more than 2 or 3 per cent in real terms due to continued high inflation, real private sector investment is expected to grow by about 7 or 8 per cent. This implies that real fixed capital formation grows by over 8 per cent in 1995-96 and 1996-97 compared to about 5 and less than 8 per cent in 1993-94 and 1994-95. Total real capital formation is poised to grow by over 9 per cent per annum. Under the circumstances, manu-facturing GDP is expected to grow by over 8 per cent for 1995-96 and 1996-97, a rate somewhat slower than that (9 per cent) in 1994-95, a year of substantial revival from a lower base in 1993-94.

With a satisfactory performance in agriculture and industry, the demand for economic services is likely to keep in step. Consequently our forecast is that this sector will grow by 7 to 8 per cent during the current (1995-96) and the next (1996-97) year which is in alignment with the performance of this sector in 1994-95. This year (1995-96) being the election year, expenditure on public administration and defence, including that on social services under various schemes will result in increased level of activity under this sector. The rate of growth of GDP in public administration and defence is thus likely to exceed 6 per cent for the current year. For 1996-97 the growth rate is predicted to be just 6 per cent.

One issue which has been rightly worrying policy-makers, especially those in the Planning Commission, as well as economists in the country, is the decline in the rate of saving. The poor state of public finances in the states as well as at the centre adds to this problem. This is particularly important as regards availability of resources for investment in social and economic infrastructure. In the wake of the Enron affair, setback with regard to inflow of foreign direct investment, particularly in infrastructure, appears to be quite likely though this may be only a temporary phenomenon. In the absence of adequate capital formation in the infrastructure sector, bottlenecks will quickly emerge, as they already have, with improvement in capacity utilisation. This is bound to affect adversely not only industrial growth but also exports.

The fact that elections for the parliament are now no more than six months away does take its own toll. In his independence day speech, the prime minister has already committed about Rs.40 billion for various schemes for the poor, leaving little resources for investment in the public sector besides throwing public finances, in general, out of gear. During the first five months of this financial year, the net RBI credit to the central government has risen nearly by Rs. 160 billion compared to a much smaller figure for the corresponding period last year. Despite this restraint last year, money supply (M_3) rose by an unprecedented rate of over 21 per cent largely due to foreign inflows. There are thus indication that our assumption that M_3 will grow only at about 18 per cent in 1995-96 and at a still lower rate of 17 per cent in 1996-97 may turn to be optimistic. Obviously, if the trend of the recent months

[Note prepared by Institute of Economic Growth (IEG) and Delhi School of Economics (DSE) Research Team on Macromodelling of the Indian Economy for Fall Meeting of Project LINK, University of Pretoria, South Africa, September 25-29, 1995].

continues, monetary expansion will be much higher and hope of even a gradual deceleration in inflation could be belied.

In our forecasts, the prices of agricultural products are likely to increase at a much lower rate than in 1994-95. The rate of increase is likely to be in the range of 9-10 per cent in 1995-96 and 1996-97 compared to about 13 per cent in 1994-95. Increase in the procurement prices of foodgrains has been of the order of 4 per cent in 1995-96 compared to an average of about 15 per cent during first half of 1990s. The stock of foodgrains with the government agencies is presently as high as 35 billion tonnes. While these factors would have a favourably depressing impact on prices of agricultural items, shortage of some critical items like pulses could have an opposite impact. Similarly the prices of manufactures are likely to increase at a lower rate in 1995-96 than in 1994-95 as the energy-mineral related administered prices are assumed to increase at a slower pace (7 per cent) than in the last few years (over 10 per cent). However, the international oil price situation could push up this rate. On balance, our forecast indicate an increase in the price of manufactures at the rate of about 9 and 8 per cent in 1995-96 and 1996-97 respectively in contrast to nearly 11 per cent in 1994-95.

III
Trade and Balance of Payments

Turning now to the external sector, we observe mixed signals. During the first quarter of this fiscal year (April through June 1995) export earnings have recorded an unprecedented 28 per cent increase in dollar terms over the corresponding period of last year. At the same time the import bill in dollars has also gone up by nearly 38 per cent. The fact that a good part of imports comprise of capital goods, industrial components and POL products has to be juxtaposed with favourable performance of the economy. Also, important to note is the fact that prices of POL products in the world have shown a significant upswing recently. Whereas these prices actually declined by a little over 4 per cent during 1994, they are likely to go up by 7 per cent in 1995 and by a little over 6 per cent in 1996. What is worse, there are indications that these prices will maintain an annual increase of 5 to 6 per cent till the early years of the next century (millennium) according to LINK forecasts. That this steady upward trend should occur when at long last India is witnessing a measure of economic recovery is not at all good news particularly as there is concern for domestic price stability.

The widening trade gap and its implications for the current account deficit has also to be seen along with the fact that India's external debt is steadily increasing towards the 100 billion dollars mark. During the four-year period beginning next year India is due for repayment of 24 billion dollars implying an average repayment of 6 billion dollars per year. With 3 to 5 billion dollar current account deficit in 1995-96 and 1996-97 and even larger deficit in the subsequent years, annual total payments burden could well be of the order of 10 billion dollars. In such a situation, the current foreign currency assets of the order of 19 billion dollars do not appear to be sufficiently comfortable.

Growth of exports at the rate of 28 per cent during the first quarter of 1995-96 is clearly out of line with 16 per cent growth as predicted by our model. 38 per cent increase in imports during the first three months of this year too is way above 20 per cent, the rate projected by us. Our forecast of trade gap of the order of about 5 billion dollar in 1995-96 would also stand revised upwards with all its forbidding consequences. While we have yet to watch the situation as it unfolds, it is quite likely that in the subsequent quarters, export and import growth may decelerate. 'By how much?', it is hard to foresee. One thing that is in any case clear is that over the next two to three years, growth of exports will remain about 15 per cent per [illegible] about 20 per cent per year - both in dollar terms.

In making the foregoing forecasts we are guided by a number of empirical judgments. First, we assume that the domestic production of crude will steadily increase from about 33 million barrels in 1994-95 to about 50 million barrels in 1999-2000. We also assume that the rate of import duties in aggregate will this year record a further decline by about 10 per cent and then stay unchanged. Similarly, export subsidies will this year decline further and then remain unchanged. World real income is perceived to grow by a little over 3 per cent per year over the next four years according to LINK forecast. We have also allowed for a moderate (approximately 2 to 3 per cent) depreciation of the rupee against the dollar. Recently exchange rate is hovering around Rs 32 per US dollar. However in mid-September 1995, rupee plunged close to Rs 34 against US dollar which some circles believe to be a temporary phenomenon. It is interesting to note that we assumed Rs 33 per dollar for 1995-96 in our March 1995 forecasts. We have now assumed Rs 32 per dollar for 1995-96 and Rs 33 for 1996-97. But, perhaps a larger measure of depreciation may become necessary to keep imports restrained and trade deficit in check. This, however, has

TABLE 1. PRODUCTION, CAPITAL FORMATION AND PRICES
(Financial Year: April 1-March 31)

(Rs billion)

Items	1993-94	g	1994-95	g	1995-96	g	1996-97	g
Production (Factor Costs) at 1980-81 Prices								
	694.1	2.8	710.9	2.4	725.7	2.1	744.9	2.7
Agricultural and allied activities	(694.1)		(710.7)					
Manufacturing	463.0	3.4	504.4	9.0	547.1	8.5	591.2	8.1
	(464.2)		(504.6)					
Infrastructure	339.9	4.1	357.7	5.2	377.0	5.4	400.2	6.1
	(341.3)		(359.9)					
Services	696.9	6.4	748.6	7.4	803.5	7.3	867.2	7.9
	(704.0)		(744.8)					
Public administration and defence	125.1	4.3	132.2	5.7	140.6	6.3	149.0	6.0
	(126.9)		(133.0)					
Total GDP	2319.1	4.2	2453.9	5.8	2593.9	5.7	2752.5	6.1
	(2330.4)		(2453.1)					
Capital Formation (Total of Industry of Use) at 1980-81 Prices								
Fixed	447.6	5.2	482.4	7.8	522.4	8.3	565.6	8.3
	(468.1)							
Total	489.7	-0.97	534.6	9.2	582.7	9.0	638.5	9.6
	(479.4)							
Money Stock (M_3)	4343.9	18.4	5264.9	21.2	6212.5	18.0	7268.7	17.0
Wholesale Price Indices: 1981-82 = 100								
Agricultural products	270.8	7.7	305.5	12.8	335.7	9.9	367.7	9.5
	(271.5)		(307.8)					
Manufactures	243.9	7.2	269.9	10.7	293.7	8.8	316.4	7.7
	(243.2)		(268.6)					
All commodities	247.9	8.4	274.7	10.8	299.1	8.9	323.6	8.2
	(247.8)		(247.6)					

Notes: (i) g: Growth Rate in per cent
(ii) Figures in parentheses under Production and Capital Formation are Central Statistical Organisation's Provisional Estimates for 1993-94 and Advanced Estimates for 1994-95.
(iii) Figures in parentheses under Wholesale Price Indices for 1993-94 and 1994-95 are official figures.

implications for domestic price situation, exports and growth. There are trade-offs which will have to be appraised carefully.

Our estimates of exports, imports and trade deficit presented earlier are based on customs data (Directorate General of Commercial Intelligence and Statistics). These do not account for non-dutied and non-dutiable imports and lags between shipment of and receipts for exports. We have assumed 2 per cent and 3.5 per cent upward margin for exports and imports respectively to arrive at trade deficit according to balance of payments (BOP). These margins are in alignment with recent figures. Taking these margins into considerations, our estimates of trade deficit on BOP account turn out to be over 5 and 7 billion dollars for the years 1995-96 and 1996-97 respectively. These estimates are obviously higher than those based on customs data. Accounting for invisibles of the order of 2 4 and 2.8 billion dollars, current account deficit turns to be about 3 and 5 billion dollars in the years 1995-96 and 1996-97 respectively.

In this context we like to point out that trade deficit (customs) projected by us for 1994-95 is close to estimates provided in the just released Reserve Bank of India's (RBI) *Annual Report for 1994-95*, but trade deficit on BOP account is off by a wide margin. This is on account of larger margin (nearly 8 per cent) on imports (customs) and a lower margin (less than 2 per cent) on exports (customs) assumed by RBI for 1994-95. Consequently, the RBI estimate of trade deficit (BOP) is close to 4 billion dollars in 1994-95 in contrast to our estimate of 2.5 billion dollars. If this trend in the margins continues, trade deficit (BOP) for the subsequent years would also be larger. Another point to be noted in this context is that net invisible for 1994-95 according to RBI estimates is about 1.9 billion dollars. This is higher than our estimates of nearly one billion dollars. Consequently, our estimate of currant account deficit for 1994-95 is lower (close to 1.6 billion dollars) than the recent RBI estimate (about 2 billion dollars).

IV
Medium-Term Structural Ratios

It may be worthwhile now to turn briefly to the behaviour some of the 'great ratios' over the next few years. As proportion of gross domestic product at market prices, gross investment (total of using sectors) increases from 20.7 per cent in 1995-96 to about 22 2 per cent in 1999-2000. Government final consumption expenditure rises from 13 per cent to 14 per cent over the same period. Private final consumption expenditure moves very slowly from 76.5 per cent to 76.9 per cent. Exports (customs) increase from 9.0 to 10.5 per cent – for the first time in double digit since the late 1950s. But imports (customs) also record an increase from 10.4 to over 13 per cent. Trade deficit (BOP) rises from 1.6 to 2.8 per cent, whereas the current account deficit widens from less than 1 per cent to about 2 per cent. Public investment is likely to decline steadily from about 35.2 per cent to about 27.2 per cent as a share of total investment over the period.

As regards the structure of production, the share of agriculture in real GDP at factor costs declines steadily from 28 per cent to nearly 24.3 per cent. While the shares of manufacturing increases very slowly from 21.1 to 22.4 per cent, that of infrastructure remains more or less unchanged at 14.5 per cent. Services go up from 31 per cent to 33.6 per cent and public administration is more or less stay put at 5.4 per cent until 1997-98. Thereafter it begins to decline slowly but steadily.

TABLE 2 TRADE AND BALANCE OF PAYMENTS
(Financial Year April 1-March 31)

(US $ billion)

Items	1993-94	g	1994-95	g	1995-96	g	1996-97	g
Trade (DGCI and S)	22.19	18 6	26.46	19 3	30.86	16 6	35 42	14.8
Total merchandise exports (fob)	(22 24)		(26.25)					
Total merchandise imports (cif)	23 37	5.5	28 53	22.1	35.59	24.7	42 22	18.6
	(23 30)		(28 28)					
P O L imports	6.22	-3.3	6 65	6.9	8.50	27.8	10 91	28 4
	(6.22)		(6 64)					
Non P O L imports	17.15	9.2	21 88	27.6	27.09	23.8	31 31	15.6
	(17.08)		(21.64)					
Trade Balance	-1.18		-2.07		-4.73		-6.80	
	(-1 07)		(-2.03)					
Balance of Payments								
Merchandise exports (fob)	22.72		27.03		31.52		36 17	
	(22.72)							
Merchandise imports (cif)	24.15		29.53		36.84		43.70	
	(24.03)							
Trade balance	-1.43		-2.50		-5.32		-7.53	
	(-1.29)							
Invisible (Net)	0.95		0.94		2.38		2.81	
	(0.95)							
Current A/C balance	-0.48		-1.57		-2.94		-4.71	
	(-0.31)							
Exchange rate (Rs per US dollar)	31.37	9.0	31.37	0.0	32.00	2.0	33.00	3.1

Notes: (i) g: Growth Rate in per cent.
(ii) Figures in parentheses under DGCI and S series are preliminary estimates.
(iii) P O L imports denotes category SITC 3.
(iv) Figures in parentheses for 1993-94 under balance of payments (BOP) are RBI's quick estimates (Annual Report, 1993-94).
(v) The mark-up of BOP exports and imports over DGCI and S are assumed to be about the same order as in the source cited in (iv).

Summing Up

As stated at the very beginning, our prognosis of the economy is not significantly different from what it was about six months back. This is because during this period there have been neither any significant policy initiatives nor any major exogenous shocks. Both the polity as well as the economy at present appear to chart a predictable course. Monsoon has been good once again. Fiscal imbalances and high monetary expansion persist. Exchange rate more or less stays put where it has been for the last two years. On structural adjustment programme front, policy-makers have not come up with anything new. The international economy too has remained more or less docile. A few things of either small importance or temporary effect are, however, worth recalling. The Enron deal is off at the moment but there are ample indications that it will be reviewed and perhaps restored. The increase in procurement and energ mineral related prices have been so far in the current year of a lower order than in the past.

In an overall assessment of the situation, continued tempo of industrial recovery, despite the prospects of a slow-down, is a matter of satisfaction. However, persistence of inflation for this and the next year, and widening fiscal and trade gaps are matters of concern. All the same the general mood of optimism continues to have an upper edge at the moment. The fact that election to the parliament due at the end of the fiscal year casts a shadow on the economy is already quite clear. This is manifest in terms of continued fiscal imbalance, inability of the government in taking any new and bold decisions, and more than all this, perceived uncertainty about the prospects of political stability.

UTTAR PRADESH

After Mathura: BJP's Emerging Strategy

Amaresh Mishra

The entire Mathura episode shows how much the political scene in Uttar Pradesh has changed since the Ayodhya days. The BJP had apparently hoped to consolidate and widen its constituency in the context of the break-up of the ruling alliance in the state and the dependence of the government in power on its support. This it has not been able to do.

THE deceptive calm which has descended upon UP in the immediate post-Mathura period is leaving some interesting trails. The BJP, of course, could not accomplish what it had intended. Nor did it suffer any major damage. On the contrary, its climbdown on the issue has brought it closer to Mayavati, despite the confrontation over the issue which seemed likely to revert the state back to the Ayodhya days. Indeed, the whole Mathura episode reflects how far UP politics has changed and that a revival of past events on the same basis is not going to occur. With Ayodhya no longer providing the necessary ammunition, Mathura and Varanasi were expected to be next on the Sangh parivar's list. For, in spite of shifting, the focus away from purely mandir-based politics, the BJP and the RSS appeared reluctant to give up attempts to exploit their potential. Thus the VHP's effort to whip up passions through the 'jalabhishek' in Varanasi and the 'mahayagna' at Mathura were not isolated attempts, without timing and backing. They were very much a part of the BJP's gameplan both to 'test' the waters and follow up its agenda. In the days to come, along with the following general issues, the BJP will continue experimenting with a host of mandir matters through different means and channels in keeping with the needs of the situation.

This time around, however, in both Varanasi and Mathura, especially in the former, the issue became more of a law and order problem rather than a 'political' one. Both its political build-up and follow-up remained poor: such issues can be said to gain credence when they are able to generate a 'new' controversy at the mass level, when some form of turbulence can be discerned at the level of civil society, independently of the 'hype'. All these features were distinctly absent from Varanasi where it became more of a VHP-Bajrang Dal cadre affair. The communal atmosphere could also not be pitched too high; the BJP apparently had hoped to consolidate and widen its constituency on its own plank in the context of the break-up of the alliance which had once provided a challenge to it, plus the presence of a government dependent wholly on its support. The ideal situation for the BJP would have been not so much a confrontation with the administration and renewed rise of a fear psychosis, but more, the raising of the communal temperature and a shift of issues to renewed polarisation around religious lines. This could have served the purpose of the BJP which in any case could not have been willing to precipitate a definitive crisis at this juncture.

But as things turned out, any communal polarisation reminiscent of the Ayodhya days could not take place. The Varanasi population remained sullenly indifferent at times, and even at Mathura which in any case has not seen any major communal disturbance for long, the unease was more over the fall-out of the issue in terms of security, etc, than because of a sense of political assertion over Krishna janambhoomi. The reaction of the Muslims too was muted and directed mainly against the state government, besides the BJP. Yet even though the BJP and its allies ultimately had to effect a climbdown, it was not a case of 'climbing down' against the state government led by Mayavati. During the event, the BJP and Mayavati supposedly stood at a stand-off with the chief minister adopting a hard administrative stand on the issue of allowing the VHP yagna at the original site. But here too as elsewhere it was not a simple case of diverging interests and perceptions of the two main alliance partners. For both the BJP and the BSP, the issue and the controversy was not without its merits; for the latter in particular, the Mathura episode came at quite a convenient time. Of late the rating of the BSP had slid further amongst the Muslims; after creating much noise over giving 15 per cent reservations to Muslims in jobs, the party had finally agreed to give a representation of 8.44 per cent to backward Muslims within the stipulated 27 per cent. But that order was subsequently reduced to a caricature: it transpired that what the BSP meant was not a special provision for backward Muslims but a mere issuance of certificates to backwards amongst the community. There was natural consternation over the whole issue and since then, the BSP has been hardpressed to make up to the Muslims. One of its methods was to extend, incredibly, the coveted Z security, which is provided to VVIPs and is currently enjoyed only by Kalyan Singh, Mulayam Singh and Mayavati, to a noted criminal of the Ghazipur district, Mukhtar Ansari. Its other move was to raise as far as possible, the temperature over VHP plans and appear as a saviour of the Muslims.

For both the BJP and BSP the occasional striking of pro-Hindu and pro-Muslim postures is taking on increasingly, the contours of a peculiar game of tacit understanding. This perception is strengthened further by the fact that even at the height of the controversy it was becoming apparent that a compromise formula would be worked out and the alliance partners would not go so far as to jeopardise their political agreement. The BJP's strategy was also presumably to effect a rift in the BSP, particularly between Kanshiram and Mayavati and explore possibilities for an alliance with the latter; especially in the light of Kanshiram's attempts to move closer to the prime minister Rao.

But immediately after the Mathura episode and the grant of security to Mukhtar, dissensions within the BJP have emerged openly on the question of support to the Mayavati government. Recently Kalyan Singh issued a couple of statements against the administrative failures of the Mayavati government and went so far as to issue threats of dislodging it. Mayavati replied by lashing out against the former chief minister and enlisting the support of Advani and Joshi. Soon after, however, the top leaders of the BJP themselves chided the chief minister for claiming in print their support against Kalyan Singh and since then the controversy has been going on. Speculations about the possible fall of the government have once again become rife and a Murli Manohar Joshi vs Kalyan Singh rift is also being predicted. Yet, the controversy might blow over for the BJP would like to retain Mayavati till at least the threat from Mulayam Singh is sufficiently contained. In fact, the BJP organisational meet at Bithur held in the first week of September has finally decided to continue support to the government.

The other interesting feature of the whole episode right from the Mathura controversy was the inability of Mulayam Singh to emerge significantly. His role during the mahayagna

was limited to issuing mild statements and his passivity came in for criticism from the Muslims. In rallies held before the event Mulayam was trying mostly to appeal to upper caste voters; the apparent calculation was to move a section of them closer to the Samajwadi Party in a period when the Congress is disintegrating. Mulayam, it seems, is still trying to work out the pre-breakup equation; the only problem is that a belief about Muslims and backwards voting for him again in the same manner is just too simplistic to sustain. In the absence of any other alternative, sections of the democratic intelligenstia are ardently wishing the renewed rise of Mulayam. But the latter is not complying with the same earnestness; his efforts proved to be a damp squib during Mathura and in general too, the former chief minister has yet to drum up a credible anti-BJP, anti-BSP plank based on issues rather than a mere rhetoric against his ouster from power.

This is so even when the much trumpeted entry of Sonia Gandhi into Amethi did not become much of a statewide issue. Amethi has been a traditional stronghold of the Gandhi family and the reception accorded to Sonia was quite generous. An open anti-Rao rhetoric also made big headlines, but the significance of the whole affair was limited to Amethi and the inner politics of the Congress. In other parts there was not much of a ripple and it remains to be seen how far Sonia Gandhi can play a role in the changed situation of UP. The same predicament is till stalking the Tiwari faction of the Congress, which despite the best efforts has yet to carve out a niche for itself.

These forces right from Mulayam to N D Tiwari are unable to take full advantage of maladministration and anarchy that has become the order of the day in the BSP regime. In near panic the Mayavati government has started a campaign of transferring and suspending officials the arbitrariness of which is creating further problems. The BSP government is also meeting the demands of the rural poor and the dalits for land reforms and minimum wages with repression. A movement along these lines has emerged in parts of east UP being led by the Poorvanchal Kisan Sabha, a front organisation of the CPI-ML. Probably after many decades, a land struggle of note has come up in UP: in areas of Benaras, Ghazipur and Ballia sharp struggles are being witnessed which in Benaras have acquired the dimensions of armed confrontations. Here struggle is centring around more than a thousand acres of land belonging to the Kashi Naresh in the Chakia block and land seizures are also taking place against a number of the neo-rich landlords. The CPI-ML is co-ordinating this struggle of the grass roots with the larger political one: it has announced a big peasant march in Benaras on October 14, on the question of communalism where the strugge of the peasantry for land will be combined with the struggle against the political forces of communalism. The social and political basis for the latter in an agrarian society like UP is actually provided by the landlords of the countryside who are the main props of the communal ideology. In the current atmosphere of the state, riddled with the prospect of the extension of Ayodhya to Varanasi and Mathura, a march like this in Varanasi might open a new chapter in the beleagured annals of UP politics. Elsewhere too, the actions of the BSP government are leading to the prospects of new unrests in the days to come. In an extraordinary move, the chief minister appointed Bua Singh, the prime accused in the Muzaffarnagar killings of Uttarakahand activists, in charge of the crime branch, thus treading, rather imprudently, over the feelings of the people of Uttarakhand. This has opened up possibilities of the revival of agitation in the hills with students once again gearing up for a fight.

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Strategy of Containment

Dangi Darbar Drama

Lancy Lobo

The annual ritual of honouring the ex-rulers of the Dangs camouflages the growing impoverishment and uprootment of the tribals of the region.

DANGI DARBAR is generally held just before Holi. This year it was held on March 13, 1995. Five Bhil (tribal) rajas (kings) of Dangs were given their 'political pension' by the Dangs district administration at a public function. This practice is 153-years old and was started by the British. The idea was to co-opt and appease the Rajas in exploiting Dang's resources. The logic for continuing this institution after independence remains the same. Following is a report of this year's Dangi Darbar followed by some comments on Dangs and on the nature of development in general.

Dangi Darbar

Ahwa is the district headquarters of the Dangs. It is situated on a small plateau on the hills. It mainly houses government offices, and residential quarters mostly for non-tribal officers. The largest fair of the year in the area is set up mostly by the non-tribals. The most prominent items of the fair are the giant wheel, grocery shops, cloth, electronic items and other household items. A few forest products were also seen. The area gets crowded at the bazzar and the fair site. On the periphery of the fair a large number of Dangis, mostly Bhils, camp with their bullock carts. With small fires lit women prepared 'rotli'. Others were eating, smoking and drinking. Just below the government circuit house a large 'shamiana' with a stage was set up for holding the darbar.

In the morning of April 13 the Dangi tribals began to come into the shamiana. There was a large contingent of forest guards and policemen monitoring the people's movement. The space inside the shamiana was divided into three parts – the stage and its frontal and the rear sections. On the stage there were a couple of rows of expensive chairs followed by some ordinary ones. Facing the stage were simple metallic chairs with the rear side having only space for sitting or standing. The chairs on the stage were meant for the officials, Rajas, Nayaks, 'Bahubands' (relatives) of Rajas, and the chairs below the stage were meant for non-tribal guests and the last section was meant for tribals.

Later, the official cars rolled in, according to their hierarchy and occupied seats on the front row on the stage. At the centre of the stage was the chief guest – the administrator of Dangs, R L Meena who is also the commissioner for the cottage and rural industries for the district. On his right was the chief conservator of forests, Balaguruswamy, with two DFOs. DSP and on the left of Meena were the collector, DDO, the newly elected MLA of Dangs and then rajas of Gadhvi, Linga, Daher, Vasurna and Pimpri.

This seating arrangement reflected the power structure in Dangs. The powerful bureaucracy on the right, the nominal rajas on the left and the politician (MLA) in between. He was the centre of attraction and attention, the centre of new power structure. The Ukai police band, especially invited for the occasion, played tunes to welcome the officials.

Among the rajas, the first one to arrive was that of Linga a middled aged person in dhoti, shirt, headgear and shoes. Second was the king of Daher, aged about 25, in white pant and shirt, with no headgear, but a pair of old *Hawai* slippers in his feet. The king of Pimpri an eldery person arrived third in dhoti, shirt and headgear. After much waiting the fourth Raja of Vasurna arrived. The fifth king, the raja of Gadhvi, was absent and the programme started without waiting for him as he had not been attending the darbar for a couple of years. It was reported that he was 'missing' for two years. Then came the newly elected MLA with elaborate 'Ram Ram' greetings to the police, and everyone.

The master of ceremonies called on all the nayaks as well as bahubands to come and occupy the seats on the stage irrespective of their age. Symbolic honour was to be given to the tribals irrespective of age. The seats on the stage fell short of requirements and a few bahubands were found sitting on the floor of the stage.

The rajas were brought in the government jeeps sent to their respective villages. It was reported by an official that without jeeps rajas would not come to the darbar. This is doubtful. Rajas were very ordinary persons. As the raja entered the shamiana with his bahubands it was difficult to make out as to who the raja was, until he occupied the appointed chair. There was no apparent difference between him and his relatives. Rajas were not greeted by the senior officials; nor did they stand up as the former walked up to the stage. Neither did the rajas greet the people or the officials. The police band too did not particularly greet the rajas as it did the officials. A petty official showed the rajas their seats.

This shows a duality on the part of bureaucracy. They continue to stagemanage an institution apparently to honour the rajas but their behaviour showed that they themselves are the real rajas. Rajas were pinned with a badge which was actually used by the election officials a few days ago. It had no meaning but was decorative.

The MLA was greeted by the officials and he in turn greeted them back. He was the new raja of Dangs. There were two pedestal fans on the side of the officials, but none for the rajas on the stage. A hoarding on the stage read, "Dang Darbar 1995, Vanvibhag, Dang, Ahwa. Aag Nivaran Inamo Vitaran Samarambh" suggesting that the occasion was also used for distributing awards for controlling forest fires. There was a Doordarshan team recording the proceedings with a few photographers and press persons.

Introductory remarks were made in the Dangi dialect by an official on behalf of the organisers of the function, viz, the forest department, the revenue department and the sarkar in general. He said that though the kings in the world are different, the Dangi kings fully trust the government, take what it gives, obey what it says and that is the reason for continuing the custom started by the British a century and a half ago. As we shall see later, the first part of the comment is totally false. The second part was an exercise in co-opting and appeasing the rajas. After these words a group of primary school girls, mostly from non-tribal families in the Taluka school, sang a prayer, "Hamara dharma hai seva, karma hai seva, vatan ke liye jeena aur marna" (Our holy duty is to serve and to live and die for the nation). One needs to ask if tribals were part of this nation and what benefits they got. Girls also sang a welcome song, "Nati heera ke moti, arpan shun kariye" (We do not have emeralds or diamonds and so what could we offer you?). The police band played the national anthem.

The garlanding ceremony began with the officials garlanding the rajas. The garlands were given in their hands. The nayaks were garlanded by another official. Later the chief guest garlanded the MLA. Other officials were also garlanded by each other.

The welcome speech was given by a who addressed the guests of honour by their names. He however did not name the rajas (probably he did not know or it was not significant in his scheme). He said that Dangs was paavan bhumi (holy earth) inhabited by the Lord Rama himself during his Vanvas and known as the Dadakaranya from where the name of the region was arrived at. The British began the Dangi Darbar and this good custom has been carried out because people like to honour their kings, he said. He pleaded that this enthusiasm of the people should not only remain limited for today but continue.

The function was inaugurated by the chief guest who was invited to light the lamp. He in turn invited the MLA, the collector, the chief conservator and the DDO but not the rajas, to light the lamp. Then the collector went to the rajas and gave political pension, comprising of a cheque, khes (clothes) and pagdi (turban) to the rajas of Vasurna, Pimpri, Linga and Daher in that order. This year for the first time the nayaks were also honoured. But unlike the rajas they came to the collector to receive the awards. The table shows the amounts distributed to the rajas, nayaks and bahubands. The forest department headed by the chief conservator also gifted clothes to the rajas.

A folk dance known as Pavari was enacted just below the stage on the open ground. The police band played some music. This was followed by a series of speeches by officials.

The DDO made the first speech. As he kept emphasising figures and statistics, the tribals began to move off from the shamiana to the fair. He said that the Dangis were poor and no development had taken place. While only a few works had been done for them a lot was still to be accomplished. He voiced his concern about the tribals by saying that they let their cattle loose instead of stall-feeding them. Hence they lose dung as well as milk. He urged them to stall-feed the cattle so that both can be saved, viz, dung for enriching cultivation and milk for consumption. Stall-feeding suggestion was very absurd in the Dangi context. It only exposed how alienated this official was from the tribals. The Dangis cannot but take their children when they migrate and cannot help but let their cattle loose for grazing. His second concern was with the children. Dangis migrate to the plains after Diwali for wage labour in the sugarcane fields and their children accompany them. Hence, their education gets hampered. He said that the ashram schools could be enforced to accommodate more than the stipulated number for the migrants' children. The DDO was a tribal from the Panchamahals but seemed to be totally alienated from the tribal reality of the Dangis. Migration was a structural feature. Little teaching is done in Dangi schools and ashram schools are jersey cows for the local politicians. It was reported that the DDO, instead of implementing poverty alleviation schemes in the district, distributes money which is used by the people for consumption of liquor and not in income generation activities.

The collector identified the major problems of the Dangis as related to land, water, education and migration. He pleaded that he had taken up this assignment only recently and would see to it that more land was made available to the people. He emphasised that for the development of Dang, the unity and co-operation between the Dangis, officials and rajas was a must.

The newly elected tribal MLA of the Congress Party, Madhobhai Bhage, stated that while Dang is rich Dangis are poor. Dang, though receiving 150 degrees of rain, is very thirsty. Dangi water is dammed and taken to the plains where Dangis go for wage labour. Dang needs check dams which the forest department does not allow. He advised people not to listen to the naxalites in Dangs who say, "Cut jungle and cultivate". He exhorted the people to take to ambar charka, handloom, furniture and carpet making, handicrafts and toys to generate more income. At one point of time an official requested him rather loudly on the microphone to switch over to Dangi dialect from Gujarati. He did it but then the electricity went off at this point and the public address system failed to carry his speech further. In the midst of his speech the youngest raja of Daher, with pant and shirt, jumped off the stage and went away never to return for the remaining function.

The chief conservator made his speech despite the failure of the public address system. He said that 35 check dams costing 56 lakh rupees had been built by the forest department and promised ownership rights of land to people and 'maafi' cards.

Later the award giving ceremony for putting off forest fire was held. Those awarded were the police patels and the karobaris of villages. The police patels were given blankets and the karobaris brass utensils. There were awards for children who took part in elocution competition on a topic related to environment.

Finally, the chief guest who is the administrator of Dangs and commissioner of cottage and rural industries recalled the open house discussion he organised to discuss Dang's problems last year and mentioned the 22 crore of rupees of development projects. The rajas were given shawls and a lunch, known as 'samooha bhojan', was served for officials, rajas, nayaks, bahubands, and people.

During al these activities and functions none of the rajas, nayaks or their bahubands spoke officially. Neither were they called up to speak.

As part of the Dangi Darbar celebrations for three nights entertainment was organised by the officials in the same shamiana where the darbar function was held. Most of the items were tribal songs and dances performed by well trained troupes. The Kahadiya dance performed by young girls and boys came in for much appreciation by the crowd. In another item two Bhuvas (oracles) came on to the stage with their torses, began howling, vibrating as if in a trance. They were handed with burning fire-wood sticks which they freely applied to their own chest, arms, legs, backs and also hit each other. They bit pieces of burning embers and spewed them out slowly, shrieking, yelling and vibrating all along. This religious ritual of the tribals amused the non-tribal crowd. It elicited from them some contemptuous comments regarding tribal religion.

TABLE: POLITICAL PENSION TO DANGI KINGS, NAYAKS AND RELATIVES

Name of the King	Kingdom	Monthly Political Pension (Rs)
Yashvantrav Umarsing Pawar	Gadhavi	3084
Shagatrav Anandrav Pawar	Daher	2099
Bhanvarsing Hasusing Suryavanshi	Linga	2328
Sahebrav Bhavaurav Pawar	Pimpri	2535
Chandsing Somansing Pawar	Vasurna	1889
		11935
Nayak		*Monthly*
Bhulsing Devsing Pawar	Kirli	435
Jivya Rangu Pawar	Shivvara	321
Bhavanrav Fatesing Pawar	Chinchali	421
Motiram Mahadu Pawar	Avsar	149
Umarsing Rahirav Pawar	Ranasvir	110
Lalsing Laxman	Vadiavan	105
Janerav Kanjurav Pawar	Piplaidevi	151
Avsu Ganpat	Gadkhadi	733
		(Yearly)
Mahadu Bhavja	Bilwadi	927
		(Yearly)
		3352
Bahubund of Kings (Relatives)		*Yearly*
146 persons	Gadhvi Raj	1,55,760
146 persons	Basurna Raj	1,53,314
101 persons	Linga Raj	1,46,600
65 persons	Daher Raj	74,457
76 persons	Pimpri Raj	87,22
		5,17,355

The Dangs District

The district of Dangs is at the southern end of the tribal belt in eastern Gujarat. Dangs has 31 villages and is forested with hills and valleys. The only three townships are Vaghai on the hills touching the plains, and Saputara and Ahwa on the crest of hills. Over 90 per cent of Dangi population is tribal. It consists of tribes such as Bhil, Kokana, Varli, Kotwalia and Gamit. Almost all land is under the forest department. Hence, the revenue department has little significance. People cultivate on slopes and grow only one crop mainly nagli (a coarse grain) They often come in conflict with the forest department for the use of land, water, fodder and fuel. After Diwali, the working population migrates to the plains for harvesting sugarcane to earn a livelihood. They also sell forest products and rear cattle.

Dangs was ruled by the Bhil kings. In the 18th century they raided the neighbouring territory controlled by the Peshwas of Pune and the Gaikwads of Baroda. The latter took a policy of appeasing the Bhil kings owing to their inability to subjugate them. The British conquered Dangs but did not make any effort to rule it directly. They ruled the region informally. But some local officials employed by the agent took advantage of the Bhils. In retaliation, the Bhil king of Gadhvi raided British villages. The agent realised that grievances of the Bhils were not redressed. Periodic meetings between the British and the Bhils were held from 1843. But from 1870 onwards these came to be known as annual Darbar during which the collector discussed with the chiefs and their followers their grievances, admonished those who created trouble and handed over their customary payments This became a tradition and came to be known as the 'annual darbar'. The chiefs were given turbans, clothes and payments. Payments in turn were divided between chiefs and their bahubands (relatives).

The British needed high quality teak for building warships and signed leases with the chiefs of Gadhvi, Vasurna and Pimpri in 1842 for a pittance. The lease agreement was one-sided and the Bhils were put on the defensive, allowing the British to do what they liked in Dangs. The chiefs could not operationalise their earlier arrangements with timber merchants and the adverse implications of the lease dawned upon the chiefs much later. The improved leases allowed more money to the chiefs, and wood for personal use. However, the chiefs began to articulate their protests against the forest officials. The forest officials began to take an authoritarian view to conserve forests as the demand for teak increased with the coming of the railways. Teak was preferred for railway sleepers. In 1850s the forest officials put a ban on lopping of branches for cultivation purposes in the Dangs. The forest officials also tried to arrest shifting cultivation in Dangs to conserve forests. In 1893, 34 per cent of Dangs was demarcated as reserved forest. Only the Dangis were allowed to cut bamboo in reserved forests free of charge and hunt, fish, and collect forest products but not touch the wood or cultivate. Though the lease payments to the chief were increased, the protests by the people as well as the chiefs also increased. Gradually, the population of Dangs increased. To add more confusion, the Parsis struck a deal with the chiefs to begin liquor manufacture and sale in Dangs and eventually set themselves as an alternative centre of power.

The British did not take the protest of the Bhil chiefs seriously. The chiefs encouraged the peasants to cultivate reserved rather than unreserved areas. In 1910 the British constructed their headquarters in Ahwa. Forest rest houses were constructed at strategic points. Forests were reclassified Award were announced to smaller chiefs and headmen of villages who managed to prevent and put out forest fires. Tension mounted between the British and the chiefs, and outbreaks were recorded between 1907-1914. The British put one tribe against the other, viz, the Kokanas versus the Bhils. The last years of the British rule were very oppressive for the Dangis The forest officials forced people to accept wage labour as well as unpaid labour for touring officials. They meted out harsh punishments to those who infringed rules [Hardiman 1994: 89-147].

Though the princely states, and later, privy purses were abolished, the Dangi chiefs continued to get their annual payments which in 1954, were rechristened as 'political pensions'. Gandhian workers settled in the Dangs and carried out Hinduistic reform and educational activities and succeeded more with the Kokana tribe rather than with the Bhils.

Currently the tribal population of the district is above 90 per cent. The total population has drastically increased over the decades. But the life supporting system of the tribals, i.e. land, fuel, fodder and water has been increasingly slipping off their hands on account of the implementation of government's forest policies. As 95 per cent of Dangs comes under the forest department the revenue as well as the police department have only a nominal role and more often than not inter-departmental conflicts arise with the forest department which asserts its supremacy. For instance, most of the function was organised by this department. It is reported that the revenue department has a number of income generating schemes such as wood workshop, ambar charka, etc. But some cash is distributed to the tribals instead of operationalising these schemes. The forest department also builds some check dams as part of its appeasement policy to contain tribal discontent. But there is trouble brewing in Dangs especially as the policies of the forest department have become harsher than those during the British times. The atrocities of forest personnel are fairly well listed by people and activists.

On account of forests being classified as reserved and protected, the cultivable space has reduced and in reserved forests no cultivation can be undertaken. Tribals who have been practising shifting cultivation and had no concept of private property, have increasingly been subjected to regulations which have alienated them in their own land. Because of their increasing unrest, the government appointed a committee in 1992 to study the response of the state to similar conditions in the neighbouring Maharashtra and submit a report with its recommendations. After six months, the same year, the committee submitted its report with the following guidelines:

(1) Regularise land cultivated before 1980 under the following conditions: (a) even if a person has cultivated only once before this date and forest department has registered an offence against him; (b) the person should be a local; (c) a maximum of eight acres can be regularised per person; (d) half of the regularised land need to be used for agro-forestry.

(2) The period under consideration for regularising is between 1960-1980. It is valid for institutions as well as individuals. Once the list of those whose land is to be regularised is ready it has to be read in the village square. Anyone, having been missed out should apply to the department within a month. The finalised list will be sent to government of India and on its approval the surveying and regularising work will be undertaken. If trees have been planted before 1980 they shall belong to the government and only those planted after that date shall belong to the people. No cultivation after 1980 can be regularised under any condition.

So far promises in this GR have remained on paper. People are getting restless with the delay and the inaction of the government. The forest department deals with them with a heavy hand. Any protest is dubbed as naxalism. The forest department has dug holes in the land cultivated by the people

to plant trees in villages such as Khatol, Khandolpada, Patari, Khosimpatar and Dhundumya. A visit to Khatol village about 35 kms from Ahwa revealed that on February 25 the department came with labourers to dig holes in the land cultivated by people. It is reported that the department has gone ahead despite the stay order brought by the people. Earlier during the month the department had gone to Khosimpatar for the same purpose but had met with strong resistance put up especially by women. The women had thrown itching powder on the officials who then had no choice but to return. It is reported that action such as inflicting National Security Act, Chapter cases, etc, against the protesting people is contemplated by the officials.

Conclusion

The infrastructure set up by the colonial government with the aim of exploiting Dangs has got reinforced in independent India. Harshness in implementing forest policies has increased, and so have atrocities against the Dangi tribals. With increasing population the region has witnessed problems related to land, fodder and water. The institution of Dangi Darbar begun by the British continues today and has a definite purpose. The Bhils and their ex-rulers are symbolically honoured once a year with turban, cash, shawls, clothes, lunch, jeep ride and verbal flattery. This is to serve the purpose of appeasing, co-opting and containing the Bhil chiefs as well as the people. There appears to be two objectives for holding Dangi Darbar. The manifest function is to make a bravado of honouring the Bhil kings. But the ceremony is carried out in such a manner that kings are made to appear almost clown-like. The officials show little deference to the kings. The latent function of Darbar is to contain the assertion and protest of the tribals. The incident of the youngest king wearing pant and shirt jumping off the stage and walking away never to return points to the fact that the tribals have seen through the official game.

The speeches of officials shedding crocodile tears for land, water, fuel, fodder and illiteracy are not taken seriously by the people. Many tribals moved off to the fair and some remained there to have a free meal at the end. "The forests are yours and we are here to administer them on your behalf", sounded hollow.

The Bhils confronted the British with bows and arrows and lost. They were totally subjugated and hoodwinked into signing a lease. The rulers in the post-colonial era have continued the trend but with more vigour. Symbolic meals, cash gifts, darbars, and other gifts may not be enough in the coming years. The Dangis are gradually getting literate. The tribal elite is inhibiting this process so that they can continue to cash on the ignorance of ordinary tribals and corner the benefits of development such as income generating programmes, ashram schools, and poverty alleviation schemes. How long the itching powder can repel the forest department is anyone's guess. Because Dangs supplies not only a large part of the state's demand for timber, firewood and bamboos, but also crores of rupees of revenue.

Dangs illustrates the kind of development that has taken place in rural India especially pertaining to the tribals. Pockets of natural and forest resources are enclosed into reserved and protected plots in the guise of national interest. People who have lived for centuries in these habitats are made to feel alien in their own environs by state policies which impoverish and oppress them. Dangs has become a labour colony for the adjoining districts during the harvesting of sugarcane. The uneven development at regional and sub-regional levels, and keeping the weaker sections weak and further marginalised has become the hallmark of the current developmental model. Having deprived the locals of their own resources, some developmental crumbs are extended to them in a very paternalistic manner. The state-sponsored development schemes are not methodically implemented and most of these schemes generate only little or no income. Doling out cash to people further degrades the self-image of an already degraded people.

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UNITED STATES

Labour Day Blues

In the US the first Monday of September is Labour Day. While it is a national holiday, this year far from there being any celebration, there has been grave concern all round about organised labour facing a crisis of survival across the country.

THE first Monday of September every year is Labour Day in the US. This year was the 101st anniversary of the celebrations which began as an official national holiday in 1894. Peter J McGuire, a socialist who helped found the carpenters' union, had in 1882 proposed the idea of a labour day to honour working men and women in the US.

What must have struck any visitor this year is that, far from there being any celebration, there is grave concern all round about organised labour facing a crisis of survival across the country. On the eve of the Labour Day one of the regional newspapers, not known for radical views, gave front-page accounts of the helplessness of the working class – a lady praying and fasting as the day approached because now for more than two years she, her husband and 700 others had been out of work because of a labour dispute in a corn sweetener producing company; more than 2,400 workers who had struck work in a caterpillar plant in June 1994 are still idle; 1,200 workers who had walked out of a tyre plant in July 1994 called off their strike on May 21 this year, but only a few hundred have been taken back to work, and so on.

It has been repeatedly highlighted how the typical American family has been working more and earning less. Even as growing company profits have fuelled a stock market boom, corporations have destroyed jobs, slashed employee benefits and reduced real earnings. Estimates suggest that inflation-adjusted wages fell by 10.5 per cent between 1983 and 1993. Hourly earnings of temporary workers have been eroded in real terms by about one-fifth. Even women taking up jobs in increasing numbers and men picking up second jobs have not fully compensated for the general loss of earnings. Median family income sank by $ 1,300 between 1989 and 1993. But as middle-income wage earners took a beating, the average income of the richest 1 per cent of American families rose by a whopping 63 per cent in the 1980s. While corporate chiefs have slashed jobs and wages, their own average salary went through the roof from $ 1,54,000 a year in 1979 to $ 4,29,000 in 1989.

Trade unionists and neutral commentators point out that the radical redistribution of incomes and wealth began under president Ronald Reagan, who claimed that large tax breaks for the rich would eventually 'trickle down' to the rest. The Republican-controlled Congress now plans to continue with the biggest tax-breaks, an average of $ 20,000 a year, to the most well-off Americans. It has been recalled how corporations and the Republican party had teamed up in the 1920s to drive down wages, crushing a weak trade union movement. The result was the crash of 1929 and the great depression. Many see a parallel in the current situation.

Experts from the Rutgers University in New Jersey suggest that trade unions could become irrelevant in a few years. In the late 1800s, the condition of the American workplace was appalling: poor wages, long hours, hazardous work and poor benefits. Relentless struggle by the working class helped raise workers' standards of living and conditions of work – 8-hour day/40-hour week, pension and health facilities, unemployment insurance, promotion of technology by the public education system were all a direct result of the labour movement. The eventual merger of different unions into the American Federation of Labour and the Congress of Industrial Organisations (AFL-CIO) some four decades ago marked the height of working class power.

The glory has waned. The big corporations have acquired powerful socio-political clout and succeeded in dismantling many a state regulation favouring the labouring classes. The trade union leadership grew complacent after the heady days of the 1960s and 1970s, when the capitalist world experienced a long period of buoyancy. Membership of trade unions has declined rapidly. A new generation of corporate managers have been emboldened to intimidate workers, threaten closing of plants and send jobs out of the particular areas and states and even the country. The new generation of workers look upon the promises of union organisers sceptically and question the relevance of union bureaucracies "whose aging leaders sometimes seem as removed from their lives and concerns as corporate managers".

A research study under preparation on 'The Twilight of Unionism' at Rutgers University has apparently predicted that union membership in the private sector will dip to 7 per cent by the end of the century, the same as it was at the beginning of the century; it has already touched 10.8 per cent. Labour's clout is stronger in the public sector, where 38.7 per cent of the workforce belongs to unions representing teachers, postal workers and other government employees. But with federal and state governments facing budgetary cuts, members of public unions also face significant threats.

The new growth industries of communications and information technology firmly discourage trade unionism. In parts of southern and western America, where economic growth is the fastest, union members are hard to find. A study at the Florida State University has shown that in the ten states with the most employment growth, while nearly 11 million new jobs were created between 1983 and 1994, union membership actually declined by 1,66,000. Just 8.8 per cent of workers belong to unions in Texas. South Carolina has the lowest proportion of the workforce in unions, at 3.8 per cent. Even in the north-east and mid-west, centres of the country's older manufacturing industries, union membership has been receding. In Michigan, birthplace of the heavily unionised automobile industry with the United Auto Workers headquartered there, union membership dropped from 32.8 per cent in 1983 to 23.8 per cent in 1994. New York which continues to have the highest proportion of union membership, because of state, municipal and other public sector workers, nevertheless saw union membership fall from 32.5 per cent in 1983 to 28.9 per cent in 1993.

The changes in the political climate with 12 years of Republican presidents and a year of the Republican Congress have contributed a great deal to the decimation of the trade union movement. The once-powerful trade union spokespersons in the Congress have been all but rendered powerless. In the previous Democrat-led Congress, a Michigan representative, William Ford, was the chairman of what was then called the House Education and Labour Committee. In the new Republican Congress the word 'Labour' has been dropped and the committee is now called Economic and Educational Opportunities Committee and its chairman, William Goodling, is a pro-business Republican from Pennsylvania. The Michigan representative on the committee is a former furniture company executive from the state's conservative west-side – a sore point with trade unionists, but they have not been able to do anything about it. A Republican representative, who has been chairing this panel's subcommittee on oversight and investigations, has gone to court against president Clinton's order banning business with companies that replace striking workers. He has sponsored a bill to let non-unionised companies establish workplace teams without collective bargaining. More disturbing for union leaders has been his attempt to repeal the 64-year old law guaranteeing top wages to employees on federal contracts. He has even gone to the extent of suggesting that the

Occupational Safety and Health Administration, the federal agency that enforces workplace safety standards, be disbanded.

Apart from the political climate, disenchantment with the trade union movement amongst workers has come about because of the apathy of the leaders of the movement. The current debate about the presidentship of the AFL-CIO is significant. In August this year Lane Kirkland, 73, completing his 16th year as president of the AFL-CIO, the federation of 80 unions with over 13.3 million members, had to resign after 11 top trade union leaders charged him with failure to strengthen the movement. A serious leadership tussle has now begun for the October elections for presidentship of the federation, the two contestants being Thomas R Donahue, 67, who had been secretary-treasurer during Kirkland's presidency and John J Sweeny, 61, who has been the chief of the Service Employees International Union and an architect of doubling the membership of service employees when all other trade unions suffered an erosion in membership. Some younger activists crave for a new generation of leaders who may galvanise the movement. Many of them are attempting to regroup by merging. In July, the United Rubber Workers decided to merge with the Steelworkers. More significantly, the leaders of three large industrial unions – the United Auto Workers, the United Steelworkers and the International Association of Machinists – signed a unity agreement pledging to create a single two million strong union by the year 2000 AD.

UNITED KINGDOM

Destruction of Mining and Miners

Mukul

The destruction of mining in Britain has left a legacy of unemployment, depression and decline, with poverty, social deprivation and decay in housing and infrastructure being commonplace.

STEVEN HARTLEY and Neil Wordsworth were working in Thurcroft coal mine at Rotherham for more than 20 years, when it was finally closed in March 1992. There were around 700 miners at the time of closure who got a maximum of 4,000 pounds redundancy money per worker. Steven and Neil were also among the hundreds of redundant workers and they decided to attempt to reopen the mine as a mine workers' co-operative by keeping their money in a trust fund as a part of the cost. But when British Coal asked the miners to pay 20,000 pounds, a week for pumping the mine and keeping it safe during the long negotiation period, they had to withdraw from the buy-out.

Disillusioned and disheartened, both were wandering from one place to another to find a job until December 1993, when altogether five redundant workers got into a training scheme of British Coal Enterprises. Now in a month's time, they are about to complete their training. But they do not know when and where will they get employment afterwards. Steven who is 43 years old says, "I don't want to think about my past, the British Coal or the NUM, but I also have nothing to think about my future. No way to make a living. Most of my fellow redundant workers are also unemployed like me, but I cannot say anything about them. I don't meet them."

In Wakefield, Armthorpe, Sheffield, Barnsley, Doncaster and Rotherham where the British government and British Coal have closed pits in the recent past, the redundant miners and the previous mining areas present a curious mix of contradictions: the redundant miners are there in all these places in large numbers since several years, but their present position, level of unemployment, socio-economic conditions, etc, are not well known even today, concealed to a large extent in government or semi-government circles. The government, both central and local, and various establishments related to governmental programmes among redundant miners proudly proclaim that the economic regeneration and employ-ment programmes have proved successful. However, the ex-miners, organisations like Coalfield Community Campaign and activists counter their claims as 'false', 'partial' and 'pretentious'.

Of course, there is booming business and various economic activities in the ex-mining areas, where new investments are coming, specially in the service sector and land, labour, landscape, infrastructure, everything is on sale. But all these are surrounded by the overall dominating background of a disheartened, disturbed and depleting human resource. A supply side economy has arrived, flowing from top to bottom, and the redundant miners, workers and trade unions have very little say in deciding their future lives and livelihood. Society and polity desire to get rid of their mining image and their doings and undoings in the recent past; but the past still dominates the present and haunts the entire life. Governments want to build a new economic community, but only after destroying the community spirit of society.

"Everybody is stabbed in the back, and left to fend for themselves", says an ex-Frickley miner in Wakefield district. The colliery was closed in 1993 and altogether 722 miners were made redundant. Frickley is not the only one, and many other collieries like Sharlston, Royston Drift, South Kirkby, Ferrymoor Riddings, Woolley, Kinsley Drift, etc, were closed and more than 10,000 miners unemployed. The closure has also taken place in areas adjacent to Wakefield district. In the Denby Dale ward, the last two collieries at Kirklees, Emley Moor and Park Mill closed, with a loss of hundreds of jobs. Savile, Ledston Luck and Allerton Bywater collieries in the Leeds district were also closed with a loss of almost 3,000 jobs. With Kellingley workforce being reduced from around 2,500 in 1984 to 500 in 1994, there has been a total loss of more than 6,000 mining jobs in the immediate vicinity of Wakefield district.

The Economic Development Department Fact Sheet of City of Wakefield Metropolitan District Council admits that, "other industries, particularly engineering, power generation, construction, and road and rail transport have also been affected. The negative multiplier effect of colliery closures means that at least two jobs are lost for every one in mining. In the mining engineering industry alone at least 2,000 jobs have been lost since 1984 in the Wakefield district and one of the last remaining major companies estimates that for each employee they have lost, five jobs have gone from their suppliers.... These related effects have meant that new job opportunities for redundant miners in adjacent areas or in other sectors of the local economy are severely curtailed."

The Wakefield and Dewsbury travel-to-work area is located within the boundaries of both Wakefield and Kirklees Metropolitan districts, within both the Coalfield and Heavy Woolen areas of West Yorkshire. The economy of this area is also experiencing a sudden and significant break from its traditional coal, textile and engineering base towards service, distribution and construction industries. However, this break has been at the cost of creation of a substantial number of redundant, unemployed and an under-utilised workforce – skilled in previous works, but unable to secure alternative employment; retrained in new works, but finding it difficult to be absorbed in new industries.

And the 'real' rate of unemployment in Yorkshire's coal fields is almost double the officially recorded figure. According to S Fothergill and Christine Beatty of Sheffield Hallam University, the real rate of male unemployment is at 22.8 per cent in the Yorkshire region, which is almost 10 per

cent higher than the official figure of 12.9 per cent. The spokesperson of Wakefield District Council concedes that the unemployment figures for the two travel-to-work areas, i e Wakefield and Dewsbury and Castleford and Pontefract, actually mask concentrations of much higher levels of unemployment.

The fall in employment can be largely attributed to the coal and water supply. Over 50 per cent of the unemployed miners have been unemployed for more than one year in the Wakefield and Dewsbury TTWA – a massive increase over the previous years. Face or other underground workers have virtually no job. Research by the Yorkshire and Humberside Low Pay Unit shows that 95 per cent of workers from the Wakefield area and 77 per cent from Kirklees are earning below 3 pounds per hour. "Not only is the pay low, but the workers have to travel greater distances for work, between 20 to 50 miles", says Roger Cojan of Coal Task Force in Wakefield.

Grimethorpe is few miles south of Wakefield district boundary, in the Barnsley district, where five pits have been closed since October 1992. Peter, an ex-Grimthorpe miner, comments, "The training and employment schemes are well intentioned, but the fact is that there are hundreds chasing one job, and companies do not bother unless you are experienced." "Jobs – what jobs?", angrily asks another ex-miner. A survey of redundant miners from Grimethorpe by Coalfield Communities Campaign in 1994 paints a gloomy picture picture of their situation. According to this survey, more than a year after coaling ceased at the pit, almost half of them remain unemployed. The majority of those who are now working have experienced a drop in their earnings, often a very substantial one. A massive 85 per cent of the former miners are worse off, even when they are looking for a wide variety of employment – factory jobs as well as driving work, service sector employment as well as in the building trade.

In the face of this massive destruction of industry, employment and community, governments are taking a number of policy and developmental issues to denote something closer to the 'regeneration of the borough'. Re-industrialisation is one of their grand objective: A balanced, adaptable economy, stable, well paid jobs; environmentally friendly industries; training and education, etc. But the policies allow industry and jobs at any price. Thus Peter Moore, head of the department of economic development, Barnsley Metropolitan Borough Council, sounds like this, "We are going for re-industrialisation and a strong manufacturing base is a pre-requisite for this. In the past six years, 80 new companies invested in the area and their fixed asset investment is around 500 million dollar. They are from the US, France, Italy, Japan, Turkey, Scandinavia, etc... We are a cheap place to manufacture. In terms of being attractive investment, a German labourer rates $ 25 an hour. We are half of that. As long as we are cheap and competitive, we can go ahead... Now many companies here don't have unions. They do not need the unions. It's a dramatic change. Though overseas investment has long memories that the UK is a trade union, labour oriented country. Particularly Americans have this opinion that UK has a bad track in unions. But now we have the best industrial relations in western Europe and sometimes it is better than the US as well."

Rotherham has the highest unemployed in the Yorkshire region. There were 11 mining villages and more than 15,000 miners. The destruction of mining has left a legacy of unemployment, depression and decline, where poverty, social deprivation, substantial decay in housing and infrastructure are common-place. Dinnington village, in common with other coal mining villages, had developed strong, supportive, close knit communities. However, with the loss of the common bond of the pit and its supporting welfare structure, the village and the community are breaking down dangerously. And the process of development of new community and voluntary organisations, or the strengthening of existing groups, is really slow. Michel, an ex-miner in this village explains, "First the colliery was closed. Then the shops, services, etc, also started to down their shutters. There were auctions of large number of properties. Even our houses were auctioned. We campaigned and stopped that. I, as a younger miner, got retrenched, hoping that I would find alternative employment. But that has not materialised. Some time after the closure, the redundancy problem actually came out, when the redundancy money went out... There has been a gradual deterioration of the vitality of our villages. The problem is not just here and there, it is a problem of future generations."

Chris Mallander, regional secretary, Coalfield Communities Campaign, and a representative of Rotherham Training and Enterprise Council worries, "It is now very difficult to create new jobs. In spite of new enterprises and training, it is a difficult process, because we have no direct control on the recruitment part. At last, Symphony Furniture is coming here and they would employ 1,200 people in Rotherham. They have agreed that they would try to employ the unemployed ex-miners of Rotherham. The incentives are right, framework is right. We have to see how it works."

But the coal business in private sector is once again booming, at the cost of workers and their rights. RJB Mining, which bought British Coal's English deep mines and open cast sites, is now finding its way to earn record profits. RJB now employs 9,165 including 7,300 miners in its 22 deep mines and 18 open cast mines. Output is running at 36 million tonnes a year. In figures for the year 1994, released on March 30, 1995, RJB lifted pre-tax profits by 32 per cent, to 16.1 million pounds, beating its forecast.

Markham Main Colliery is also back in operation, now in the ownership of Coal Investments plc. For long, the mainstay of employment in the mining village of Armthorpe between Doncaster and the M 18, the mine employed 2,500 men at its peak, but when British Coal decided to put into 'care and maintenance' in April 1992, 700 men lost their jobs. Clive Belfield, underground manager, Coal Investments plc, Markham Main Colliery, says in an exclusive interview, "In April 1994 negotiations were finally concluded. Now there are a total of 152 employees who produce 9,000 tonnes of coal per month." He clearly maintains, "We are quite selective in terms of recruitment. There were thousands of applications for jobs, so we could afford it. We don't have any one man-one job thing. We don't accept union. You can be a member of a trade union, but we will not collectively negotiate with the trade union. We will only negotiate with our workforce."

This is a common trend in Yorkshire and Humberside, where all the six privatised large pits are not recognising union at all to negotiate pay, working conditions, collective rights. As Paul Jagger, TUC regional secretary, suggests in Leeds, "They impose themselves on workers. The workers are really frighthened. The union strongly fears that the employers will further curtail the wage level and workers' rights, and also compromise with safety rules."

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Sustainability of Big Dams in Himalayas

Jayanta Bandyopadhyay

The debate on Tehri has highlighted the issues of displacement, sedimentation and seismic safety. It has also brought to the fore the possibility of an upstream-downstream conflict of international dimension near the borders of India, Nepal and Bhutan.

THE monsoon climate in south Asia has always encouraged ideas of storage of the abundant monsoon run off in the Himalayan rivers. From a purely hydrological point of view, storage and wider distribution of the great amount of water that flows in the Himalayan rivers during the monsoon provide an excellent solution to the ever increasing water demands from the drier plains of the Ganges-Brahmaputra basin. In the case of Asia, the projections indicate that in the year 2000, the amount of water demand will touch 22 per cent of the available water resources. This is the highest among all the continents [Biswas 1995]. The situation in the GBB is surely one of the most acute within Asia. Large parts of the GBB, specially in India, are the location of highly productive irrigated agriculture and fast growing industrial economies. They have generated large demand for water and hydro-power. The Irrigation Commission (1972) of India has estimated that by the year 2000, the requirement of irrigation water in the Ganges basin would be about 200 BCM. The hydro-potential in the Indian parts of the Ganges and Brahmaputra basins is estimated at 45,635 MW at 60 per cent load factor [Narasimhan and Singh 1994]. In the case of Nepal, the economically exploitable potential at 50 per cent load factor has been estimated at 45,824 MW [WECS 1992]. The domestic supplies in the number of urban areas scattered throughout the Ganges basin is fast proving difficult to maintain. For downstream country Bangladesh, the construction of storage dams in the Himalayan catchments of the Ganges basin is recommended as an ideal mechanism for the storage of monsoon flows that can augment dry season flow at Farakka [Choudhury and Khan 1983].

These various diverse interests have generated a view of inevitability of big dams on the Himalayan rivers. A few smaller projects have been already completed and several larger ones planned in the Himalayan catchments of the northern tributaries to Ganges and Brahmaputra. These include rivers all along the southern slope of the Himalaya, like Subansiri, Teesta, Saptakosi, Saptagandaki, Karnali, Mahakali, Alaknanda, Bhagirathi, etc [CWC 1992; Joshi 1994]. There is no doubt that from a purely hypothetical and hydrological perspective, storage of even a fraction of the huge flow and generation of hydro-electricity at the scale mentioned earlier, would go a long way in advancing economic transformation and development within the GBB in the next century. In short, these dams have been described as panacea for the poverty in the Himalayan region. However, decisions for the construction cannot be guided by hydrology alone and other factors have started getting their overdue attention. According to Beard (1995), "earlier, building large dams and diversions was an acceptable approach [in the US] as long as there were ample water supplies, plentiful government funds and as long as environmentalists and indigenous peoples had limited influence... All of that have now changed."

This change in thinking in the US is important as a background information due to the liberal use by the engineers of the achievements of the Tennesey Valley Authority in mechanically steam-rolling decisions on the building of dams in general, without much concern about the local specifics. In order that water development projects in predominantly poor areas of the Himalaya can be ecologically and economically sustainable and socially equitable, several other important policy dimensions related to the construction of big dams need to be looked into. In the absence of due attention being given to these important non-hydrological issues, the pure hydrological exercises on planning of large dams may soon turn out to be only an unrealistic dream. Over the past few years, public debate over the desirability or otherwise of the proposed big dam at Tehri in the Indian Himalaya and the relatively smaller proposed Arun III project in eastern Nepal has generated a wealth of literature. In this context of sustainability of big dams in the Himalaya, the debate over the proposed Tehri dam on the river Bhagirathi presents an excellent case for study. Due to the tenacity of the activists of the Anti-Tehri Dam Committee, the debate on the Tehri dam, which started naturally on the question of displacement of and compensation for the local people, has grown beyond the narrow hydrological focus and attained an unusual level of sophistication in ecological and economic terms. The wide range of literature on the broad policy issues that the Tehri dam debate has generated [Anon 1990; Bandyopadhyay 1990; Valdiya 1992] provides a rich information base. In this way, it can serve as a vital information base and important background for the evolution of overall policy guidelines for decision-making on other big dams proposed in the Himalaya. From this viewpoint the questions that have been raised in the Tehri dam debate are of vital significance in finding right solutions to the question of optimal utilisation of the Himalayan water resources on a sustainable basis.

Debate over Tehri Dam

Tehri is a small town in the Himalayan district of Tehri Garhwal of the Indian state of Uttar Pradesh. During India's post-independence push towards rapid industrialisation, a point downstream of Tehri was identified as a promising site for a big dam for hydro-power generation and irrigation. Official approval to the proposal for a 260.5 m rock filled dam was given in 1972 and administrative clearence at the state level was given in 1976. The Anti-Tehri Dam Committee was formed by local opponents in 1976 mainly on the question of displacement, compensation and rehabilitation. The opposition turned to environmental factors in the monsoon period of 1978 when a massive landslide dam-burst occurred in the upper catchment of the river producing devastating floods up to quite a distance downstream of the dam site. This provided the push for the establishment of a governmental working group for the assessment of the environment impact of the proposed dam. It should go to the credit of the Anti-Tehri Dam Committee and the Gandhian social activist Sunderlal Bahuguna (1995), that the environmental impact assessment of the proposed dam was started in 1980, and subsequently improved over years. In contrast, the scientific community of India, except a few exceptions, had hardly shown any early or independent professional interest in the issue so significant for the growth of science and the society in India. It goes to the credit of many environmentalists of India that this debate has now reached most interesting and challenging professional heights.

The report of the governmental working group further stressed on the issue of seismicity in the Himalayan region as a major limiting factor to be considered for

dam safety. In 1990 a more detailed investigation was undertaken by the Environmental Appraisal Committee (EAC) of the ministry of environment of the federal government. From the report of the EAC [Anon 1990] three important environmental and socio-economic factors, among others, have emerged. On the basis of these, the EAC recommended against the environmental approval of the dam project as designed. The parameters on which this decision was based include, the question of adequate compensation and resettlement for the involuntarily displaced population, on the question of higher rates of siltation and lower economic life of the dam and on the seismic risk associated with large dams in the tectonically active Himalaya. These factors are not specific to Tehri dam alone and will equally apply in the case of any other big dam in the Himalaya. As will be seen later, the construction of large dams for water storage to augment lean-period flow is seen as a solution to water conflicts in the lower parts of the GBB. This is why the debate on Tehri can be considered as a forerunner to the general policy and decisions on the selection of dam sites and structural design of the dams all along the Himalayan foothills, including, Nepal and Bhutan. This makes the Tehri debate an issue of basinwide significance.

There is another dimension to such debates on the large dams in the Himalaya. That is the possible extension of it to the status of an upstream-downstream conflict of international dimension. In the case of the Tehri dam, what is a national debate between the upstream and downstream interest groups within India, in the case of other proposed big dams near the political borders of India and Nepal or India and Bhutan, may surely become more complex in nature with the risk of the conflict becoming international in nature. If the questions which have cropped up in the case of Tehri are ignored for the present, they are bound to emerge again and again at different locations. It will, thus, be very important to address the specific issues of Tehri dam as representative of the general question of big dams in the Himalaya.

Displacement and Rehabilitation

In the densely populated foothill areas of the Himalaya, any construction of big dams is sure to inundate human settlements and the most fertile agricultural land. In the case of the proposed Tehri dam, direct involuntary displacement will occur for about 80,000 people. Indirectly, another large number of villages would lose parts of land or access road to the nearest towns in the plains. The national policy in India stipulates that the "living standards of those displaced should be maintained at least at the same level, if not improved, to what they were prior to their involuntary displacement". The richer and more influential residents of the town of Tehri as well as the government offices have been rehabilitated in the newly constructed New Tehri township. There are many problems, however with the displaced people of rural origin. Satisfactory rehabilitation is a term which is difficult to evaluate, specially when it is enforced through laws of imperial origin, like the Land Acquisition Act introduced by the British rulers of India. In the case of another big dam, the Three Gorges Dam in China, with a much larger degree of human displacement, Heggelund (1994) has described in detail this complexity and problems associated with rehabilitation. With the present level of marginalisation of the upland people, whose habitat are threatened by submersion, adequate and satisfactory compensation and rehabilitation may remain difficult for some more time to come. There is a need to redefine the ethical and procedural dimensions of the process on the basis of which a new legislation could be built for the purpose. There is no doubt that in an era characterised by growth of free market and privatisation, compensation and rehabilitation, official policy for land aquisition should not be driven by colonial instrument like the Land Acquisition Act. Instead market value and individual agreements should be the basis of such processes. Such a step, however, is sure to push up the cost part of the projects and reduce the authority of the various lobbies that operate through the functioning of the state apparatus. Its acceptance would also provide the upstream people in the hills and mountains with a good bargaining power for agreeing to allow water projects for the benefit of downstream economies. The disregard for ensuring proper rehabilitation and lack of human concern towards displacement, as was found in the case of the Tehri dam, and as noted by the EAC, may not be possible under that changed situation. The EAC observed:

> initially the project authorities had proposed to acquire forest land for rehabilitation purposes. However, with the promulgation of the Forest (Conservation) Act, 1980, forest land earmarked for the project are no longer available. The oustees therefore, logically ask, 'Where is the land?'

Such situations indicate the continued marginalisation of the upstream people in the question of decision-making on the upstream waters. This sort of uncertainty in the process of rehabilitation is bound to generate serious opposition from upland communities to the construction of big dams in their own habitat. In view of the density of the present population in the lower parts of the Ganges basin and the scarcity of forest land that could be used for rehabilitation, this basin presents a specially difficult situation in terms of compensation to the involuntarily displaced people. This is going to be increasingly important with growing awareness of the upland people of their continued marginalisation. However, after a long period of advocacy on behalf of the upland communities, recognition of these problems in the global platforms and the hope of protecting the financial interests of the upstream people is slowly emerging. In the third session of the UN Commission for Sustainable Development, it was stressed that 'there is a need to take a new look at the overall flow and full-cost pricing of resources and services to and from mountain area, including water,...' [UNCSD 1995]. The spirit of this stand taken at a global platform will soon have to be internalised and operationalised in decision-making. The issue of displacement and compensation should be sorted out through satisfactory and negotiated agreements. If the Himalayan waters are economically essential for the plains, it should be adequately paid for by the consumers. Any effort at making the upstream people sacrifice their economic interests will only enhance the delay in sorting out the displacement question and lead to far more economic losses. The delay in the case of the Tehri dam has already shown how costly it can be. All this makes it clear that if the hydrological advantages of the Himalayan rivers have to be economically utilised, development of effective economic instruments to compensate and rehabilitate the displaced people satisfactorily should be the starting point.

Sedimentation and Economic Life of Reservoir

A major factor in the assessment of the economic performance and efficiency of dams is the rate of sedimentation, both suspended material and bedload. Due to the geological and climatic peculiarities, the Himalayan rivers carry some of the highest sediment loads in the world [Bandyopadhyay and Gyawali 1994]. Hence, special attention needs to be given to this factor in the design and estimation of the economic performance of the dams. Neither the processes of sediment generation, nor the nature of its transportation in the Himalayan context have been studied and understood systematically. In the case of the Jamrani dam in the adjoining district of Nainital, the observations of Chandra et al (1981) is contradicted by Anbalagan (1990) and Anbalagan et al (1993). This divergence in the calculation of the sediment load and the lack of the knowledge of a convincing mechanism for calculating the impact of single large flood events on the nature of sediment transportation, makes the estimation of the life of dams in the Himalaya little different from an informed guess.

As a result, total chaos has reigned over sediment load calculation for the Tehri dam site. Long-term observations are missing

Whatever data has been gathered, the concerned process has not been sensitive to the basic dynamics and processes of sediment generation and deposition in the upper catchment areas of the river Bhagirathi. Singh and Raj (1992), on behalf of the Tehri dam project, has tried to relate the life of the reservoir with catchment area treatment alone, ignoring the fact that in the conditions of Himalayan watersheds, natural geological processes contribute overwhelmingly to the generation of the sediment load. This cannot be reduced by any kind of catchment area treatment. The EAC pointed out that 'the project authorities have taken the stand that the 1978 (the year of the major landslide dam burst in the upper catchment) siltation was unusual'. This was the basis for this high sediment load data to be excluded from the calculations of average rate of siltation. This runs contrary to the fact that in the Himalayan context, sediment generation is much more dependent on large events like the landslides than uniform soil erosion related processes. The sudden and uneven nature of sediment generation, as was observed in 1978, is the usual process and in no way it can be ignored. Exclusion of large events like the 1978 landslide undermines the very scientific basis of sediment load calculations. Such practices will invariably lead to an equally incorrect and high economic life of the reservoir. It is not an unexpected result that major Himalayan dams like the Pong in Himachal Pradesh or Ramganga in Uttar Pradesh have been silted up at rates four or five times higher than the assumed ones. The specific ecological conditions prevailing in the Himalaya demands a more complete information base on the totality of the sediment movement in the rivers to assist correct economic investment decisions being taken. This issue is equally applicable in all the dams proposed in the southern aspect of the Himalaya. Since a high sediment load will mean a lower economic life, this factor has a strong influence in altering the economics of the dam. When designed on the basis of more dependable and complete sediment data, the economic life of dams may turn out lower, as a result of which the price of the product, either water or power, would have to be much higher. Accordingly, the construction of dams may not be profitable without enhanced price of water or power – a situation under which the demand of these products may shrink substantially. If proper market survey is undertaken for the products of the proposed Tehri dam at free market prices, the economics of the dam may become very different.

Seismicity and Dam Safety as Limiting Factors

The most intense public debate on the Tehri dam has centred around the issue of seismicity and dam safety. The focusing of public attention to the high degree of uncertainty in knowledge and divergence in scientific opinions on the seismicity issue, is the most significant contribution of the public campaign against the Tehri dam. For many urban environmentalists in India, notwithstanding their own water and power-intensive lifestyle, building up on the scenario of a possible post-dam-burst holocaust has become another topic for sensationalising the anti-dam campaign. This does not, however make the issue less important. The credit of so eloquently articulating the need for an interdisciplinary evaluation of the Tehri dam, specially on the seismic risk issue, goes to Gandhian social activist Sunderlal Bahuguna who went on an indefinite 49-day prayerful fast in 1995 demanding this wider review of the human, environmental and safety aspects of the dam. In the history of environmental movements, the anti-Tehri dam campaign will remain as one of the most important professional contributions of social activists to the advancement of the methodology of environmental impact assessment of big dams in the Himalaya.

The potential of earthquake disasters all along the Himalayan plate boundary has been well known and widely accepted [Khattri 1987]. On the basis of the risk associated with possible damage from earthquakes, the wisdom behind the decision for the construction of big dams in the Himalaya has been questioned [Valdiya 1992, 1993]. 'Concern about seismic safety of dams has been growing in recent years as it has become evident that the earlier pseudo-static design concept is inadequate' [Malla and Weiland 1993]. A debate has been going on for years on the adequacy of the present design of the Tehri dam to sustain the dam against the maximum credible earthquake expected in the area. Commenting on the possibility of a dam of similar design being approved in a similar geophysical setting in the US, Brune, director of the Seismological Laboratory of the University of Nevada, US, commented that "there is no chance that a dam of similar circumstances as Tehri dam could be licensed ...in the US." The occurrence of a major earthquake in 1991 in the upper catchment areas of the dam has further strengthened the environmental opposition. Commenting on the seismic risk associated with the Himalayan dams, Khattri (1992) wrote:

> A number of dams have been constructed in the Himalaya during the past 50 years. Since the historical data on great earthquakes is very meagre and their return periods are not well constrained, the hazard to these structures from such earthquakes is uncertain.

Questions about the inadequacy of this knowledge base had been raised by Gupta (1984). Gaur (1993) presents an adequate articulation of the nature of this uncertain knowledge base and lack of systematic data on which structural design of dams could be based with reasonable certainty. Similar uncertainty is expressed by Normile (1995) in the case of building construction. The nature of the diversity of opinion between the engineers and the seismologists is apparent from the two following quotes. Srivastava (1992), professor of earthquake engineering at Roorkee University claims that 'even though various approaches and methodologies for determination of earthquake hazards at a particular dam site have built-in uncertainties, a conservative assessment of seismic evaluation parameters can be made to ensure overall stability and performance of high dams with adequate safety margins'. On the other hand, analysis of the seismic hazard in the Tehri region by Khattri (1995) indicates that the design figure of the peak ground acceleration should be about 0.9g, which is much more than the one used in the present design of the dam. In the same way several other professionals show a lack of confidence in the existing design practices. Comeiro, professor of architecture at the University of California, Berkeley and an expert on the evolution of seismic provisions of building codes confessed that 'the history of the seismic (design) codes is a history of disasters' [Normile 1995]. In the same manner, referring to the damage caused to the buildings by the Northridge and Kobe earthquakes, Mahin, professor of earthquake engineering at the same university commented that 'a class of buildings we had a lot of faith in has been proven pretty dangerous. . .I am very worried about it' [Normile 1995].

The makers of public policy as well as those who would invest in the big dams in the Himalaya need to tread a cautionary approach till more unified scientific view is available. The gathering of more systematic knowledge and data-base for this will need systematic studies spread over a long time-span. Construction of dams, when undertaken in the mean time, will have to ensure increased insurance and a high factor of safety against seismic risks. This will entail higher investment on the projects and may alter the economics of the dams altogether. It is here that the two environmental peculiarities in the Himalaya, of high sediment load and high seismic risks, limit the possibility of taking advantage of hydrological peculiarity of large monsoonic flow in the same region. Under these conditions, decision-making has to be based on a complex inter-disciplinary optimisation and cannot be guided exclusively by hydrological objectives.

The progress of the debate on the Tehri dam will definitely act as a guideline for future decision-making in the case of many

other big dams proposed in the Himalaya. For countries like Nepal and Bhutan, water resource is the most important natural resource from the viewpoint of economics. The focusing of the debate on the seismic risks may extend the debate to a new dimension of upstream-downstream conflict in the region. When both the upstream and downstream areas of the dam fall within one nation-state, as in the case of Tehri, the decision-making process is often influenced more by the economic growth factors at the cost of social and environmental damage factors. However, when the upstream and the downstream areas fall in two different countries, as will be the case for dams all along the southern border of Nepal and Bhutan, this will not be the case. Under this situation, the question of dam safety will then be addressed singularly by the downstream country and governed by international law. This will create an additional factor for the downstream country to influence decisions in the upstream country. Since all the future water management projects will have to depend on te question of storage, the present uncertainties related to the seismic risk from large dams in the Himalaya need to be addressed at the earliest. Otherwise there is a strong possibility that dam issues may become subject of international litigation, the way the Tehri dam issue had been taken up to the Supreme Court of India (TBVSS and Ors vs The State of UP and Ors 1985). Article 27 of the draft article on the Law of the Non-navigational Uses of International Watercourses [Anon 1994] deals with 'prevention and mitigation of harmful conditions'. Floods caused by earthquake damage to a dam is identified as one of the conditions to be dealt with in the article. Unless the uncertain knowledge base on the seismic risk associated with the Himalayan dams is sorted out, the uncertainty may become another major stumbling block for the construction of big dams near international borders. It may be the case that the feasibility of realising the hydrological dream of storage in the Himalayan rivers will be cut short by the seismological realities.

Examples of such limitations imposed on the proposed storage dams in the Brahmaputra basin has been cited by Khan and Miah (1983). Referring to the hydrological possibilities of storing 400 MAF of water in the Brahmaputra basin, they quote from the recommendations of the Geological Survey of India, that 'the Technical Committee on construction of high dams in seismic zones found that only 30 MAF out of a total of 400 MAF – barely 7 per cent – would be available as potential storage in the Brahmaputra Basin'. This is an important instance of geological factors limiting the availability of optimal storage volume, independent of the availability of hydrologically feasible storage sites. When all the factors are adequately considered and a more comprehensive costing undertaken, sustainability of large and safe dams for storing of Himalayan waters will surely demand a much higher investment in the construction, which in turn will enhance the price for water and power. It is clear that liberal international funding for the construction of large dams, that was available in the earlier years, is drying up. The economic feasibility of future large dams in the Himalaya will finally depend on whether the politically powerful downstream economies will be ready to pay adequately higher price for water or power. Himalayan water need not for ever be considered by the downstream plains as a free gift brought in from the upstream areas by colonial laws used by the state.

[Excerpts from paper presented by the author on August 16, 1995 at the 5th Stockholm Water Symposium.]

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Family Planning and Fertility

N Krishnaji

Regulating Reproduction in India's Population: Efforts, Results and Recommendations by K Srinivasan; Sage Publishers, 1995; pp 329, Rs 350.

THE Indian population is likely to cross the billion mark by the end of the century. Although the population growth rate has at last begun to show signs of deceleration, it may remain high for many more decades: high enough, according to some plausible projections, to make us the most populous country in the world by the middle of the next century or a little later. That dubious distinction we will attain because in China the deceleration in population growth started much earlier than in India. In this context it is necessary to remember that India was probably the first country to have started a family planning programme. Our experience in the last four decades or so with the population control programmes therefore requires study, especially to understand why they have not been very successful.

Even without much analysis one can say that family planning programmes fail largely because of the complexity of the processes of fertility decline. In particular, a rapid reduction in fertility cannot be engineered through a simple mix of incentive and disincentive policies designed from above. This we know now from recent experiences in several poor countries. Therefore, to understand and assess the prospects of fertility decline, it is not enough to 'evaluate' the design and effectiveness of specific family planning policies; it is necessary also to study the social and economic conditions – at the macro and the family levels – that promote the general acceptance of a small family norm.

In the book under review K Srinivasan attempts to "understand the nature of efforts that have been put into the Indian family planning program[me], the results achieved at state and national levels, and the implications of successful experiences within the country that may help to make the program[me] more effective". This means that the author is looking at the problem from above, from the policy-maker's perspective to find out why specific policies have worked or failed to work and so on. The successful experiences that the author refers to are those of Kerala, Tamil Nadu and Goa, states in which a noticeable demographic transition has taken place and is progressing.

Indeed, the ongoing transition to low levels of fertility has begun at different points of time in the three states and, moreover, available knowledge suggests that the underlying factors were also different. So, a comparative study of the experience the three states will certainly be useful. However, Srinivasan uses an over-simplified and one-sided approach for the purpose. He neatly summarises his study through a picture (p 263) which portray's the differential contributions of the 'top-down' and 'bottom-up' forces to the fertility transition. The top-down forces are: political will, bureaucratic efficiency and IEC services; and the bottom-up forces are: exposure to the west, status of women, high female literacy and low infant mortality. The picture shows that in Tamil Nadu the top-down forces contribute 75 per cent and the bottom up 25 per cent to the transition; the shares are reversed in the case of Goa; and in Kerala the distribution is 50-50. Of course, the author presents this picture for illustrative purposes, but the text which precedes the picture (chapter 7) is no more revealing than the picture.

That is because this all-important comparative analysis is squeezed into one chapter which barely accommodates the facts relating to the transition in the three states. For example, the Kerala case alone has been extensively studied and the debate or 'how it has happened' there is a continuing one. In particular, while female education and empowerment on the one hand and radical and egalitarian politics on the other have been cited as crucial factors, the literature does not suggest autonomous roles to either set of factors; nor does it suggest a neat division of any set of factors into top-down and bottom-up ones. Most importantly, public action in the spheres relevant to demographic transition (for example, disease prevention and control, to mention only one) has had a long history – a history that is not readily translatable into a package of policies for fertility reduction in other states.

In the case of Tamil Nadu, Srinivasan begins with a brief reference to E V Ramaswamy Naicker's 'self-respect movement' of the 1920s and says: "The political advantage emanating from self-respect marriages seems to be the perpetration of the small family norm in Tamil society even before independence". To say the least, there is no evidence to support the statement. Anyway, the author has no time to study 'movements'. He quickly passes on to political will and bureaucratic efficiency, the major factors in his analysis responsible for the recent reduction in fertility. He mentions in this context the noon meals and other nutrition support schemes and refers to the effective communication strategies adopted for the implementation of various government-sponsored schemes including the family planning programme. An example: "... the family planning message now displayed on all public vehicles in Tamil Nadu has come about because of a directive from Tamil Nadu's chief secretary to transport authorities that a message be painted on the rear of every vehicle as a part of the 'fitness certificate clearance procedure' ". Mild coercion for effective communication.

The fact of the matter is that the Tamil Nadu experience (as well as that of Goa) has not been adequately analysed so far to allow for theorising as in the case of Kerala. Superficially it would seem that in Tamil Nadu the Kerala model is repeating itself with a time lag of about two decades. But the differences are quite transparent (for example, the absence of significant land reform in Tamil Nadu). It is of course legitimate to ask how much the so-called populist policies of recent times in Tamil Nadu have actually contributed to the welfare of the common people in a lasting sense and to what extent bureaucratic efficiency has contributed to the success of family planning programmes. However if one wants to chart the course of fertility decline, it cannot be done in terms of the doings of the government alone.

The book under review is however, as said before, exclusively concerned with the actions of governments. Thus, apart from chapter 7 covering the case studies discussed above, the whole book is about policies and programmes pursued by governments, their effectiveness, and so on. The coverage in this respect is quite exhaustive; indeed the author begins the story of family planning perspectives from the pre-independence times and ends it with a reprint of the Draft National Population Policy (1994) of the government of India.

Those concerned with policies and programmes will therefore find the book very useful, but the social scientist interested in the dynamics of fertility decline as a complex social process will gain little.



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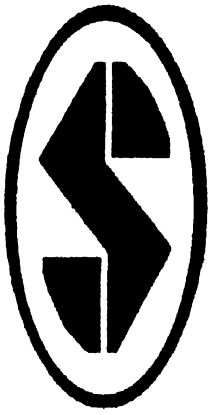
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Conflict and Co-operation in Sou

V S Sheth

External Compulsions of South Asian Politics edited by Shelton U Kodikara; Sage Publications, New Delhi, 1993; p 352, Rs 325.

THE end of the cold war has in a significant way affected international relations. The withdrawal of competing ideological interests of superpowers have been conducive to the resolution of several regional conflicts all over the globe. However, some conflicts have persisted and new ones have come up in the face of growing interdependence of humanity.

The volume under review deals with politics among south Asian countries which have sustained conflicts within and between nation states of the Indian subcontinent despite a transformation in global relations between major powers and their allies during the last few years. The edited work of Shelton Kodikara, former visiting SAARC professor in Delhi University, 1992-93, is rich in overall information and analysis. It contains 16 articles written mainly by scholars from south Asian countries and various documents and agreements concluded between India and its neighbours Sri Lanka and Nepal. The writings are comprehensive and deal with the subjects such as the major external powers' interests, the south Asian reactions to the crisis in the Gulf and internal problems faced by south Asian countries.

Reviewing the writings of various scholars one finds that authors differ in their understanding and approach to the problems of the region. The basic premise of Rasul Rais' article is valid. He states that the south Asian sub-system is Indo-centric in character; states of the south Asian region have not achieved optimal levels of political integration and the state interactions in the region are a mix of co-operation and conflict. Pervaiz Cheema substantiates the point of India's dominance when he states (p 49) that all south Asian states except Pakistan have informal region security systems with India. Rais (pp 24 and 27) says: "In Pakistan's case the basic drive to search for alliances came from the regional threat milieu" and "motivation for a middle power status would continue to guide and inspire Pakistan's regional and international agenda". While one cannot dispute the ambitions of Pakistani elites to gain the status of a middle power, the desire to integrate itself in military alliance with the west originated after the Pakistani ruling elites in the early days of independence were thwarted by Indians in annexing the weak, defenceless autonomous territory of Maharaja of Jammu and Kashmir. Muni in his article states that the rhetoric of containing communism in the post-world war period provided a basis for US policy-makers to set up structures of military alliances in Asia, and that India was not persuaded to join the western alliance system in the 1940s and 50s as it was considered weak, unstable and on the verge of disorder, and therefore, incapable of providing leadership to the south-east Asian countries in the struggle against communism.

Rais (p 25) professes that the instability in the south Asian sub-system and the resultant amenability and vulnerability to the intrusiveness of the global system has been due to India's struggle for a role as a regional power and the efforts by Pakistan and other smaller powers to maintain autonomous and sovereign existence. These assertions, like the earlier ones, do not square up with the facts of history. The bureaucratic-military leadership in Pakistan had during 50s and 60s ruled the country with the western support and it was their contempt for domestic legitimacy which resulted in the gross abuse of power. India and Pakistan engaged in three armed conflicts which led to the independence of east Pakistan in 1971. As a consequence of this the global security system intruded the region insofar as India had to safeguard its security and political interest in a conflict with the west-supported Pakistan. Indeed, India would not have suffered at the hands of Chinese in the early 1960s, if it had taken its regional hegemonic role seriously after independence.

S D Muni in his paper explains the relationship between the competitive globalism of the US and its fluctuating interest in the south Asian region. He maintains that the shift in the US-south Asian relations is likely to be maintained and enhanced in the post-cold war and post-Gulf war situation. He is further of the opinion that US policy-makers in their anxiety to safeguard US strategic gains underestimated the complexity of the Kashmir dispute which is deeply embedded in the subcontinental history and psyche.

Pervaiz Cheema outlines four major issues, namely, Kashmir, nuclear weapons, periodic domestic upheavals and the presence of external influences as responsible for generating ill-will, between India and Pakistan. As regards the Kashmir dispute, Cheema's solution to Kashmir problem (p 51) may appear unacceptable to the objective observer of the scene. The writings of Kodikara, K R Singh, Bikram Shah, Leo Rose, Amol Jayawardene effectively portray internal and external pressures under which south Asian states conduct their bilateral and multilateral relations.

It cannot be gainsaid that the high degree of political tension in the region has made the process of community formation and the promotion of a common regional identity difficult and complex. Institutionalisation of SAARC would definitely strengthen the regional identity of south Asia and promote the process of interconnectedness among member states. With the transformation of dynamics and structures of major power rivalries, the global system has changed. However, the impact of global change on regional goals and rivalry between India and Pakistan has been marginal. As there is no attitudinal and institutional change in Pakistani political set up, the rise of fundamentalist and terrorist forces in the vacuum created by the disappearance of competitive globalism of superpowers has been taken full advantage of by Pakistani ruling elites to create disturbances and chaos in the neighbouring Indian border states. The evidence of lack of change in perception of Pakistani elites is provided by Cheema (pp 46 and 47), when he states that India has not accepted the birth of Pakistan and resolved issues arising out of the partition process peacefully. Forgetting the chain of events in the early days of partition, he asserts that the Kashmir dispute is a constant reminder of Indian highhandedness, and also an evidence of broken pledges and Indian duplicity. With the help of post-independence history of relations between India and Pakistan, it can be however asserted that the successive ruling Pakistani elites, inheriting the pre-colonial and colonial legacy of communal cleavages in the Indian subcontinent have been unable to replace the imperialist or expansionist urges with that of peace and co-operation.

It is to the credit of Shelton Kodikara that while editing the volume he is careful not to put the writings of various scholars into a value-based single theoretical framework and this in turn has made it an useful reference material and subject of lively debate. Students of south Asian politics in particular and international relations in general may be advised to be careful in identifying national prejudices of the scholars from objective facts and analyses reflected in the writings of various south Asian scholars.

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Water, Sanitation and People's Response

Rajesh Kumar

Studying Hygiene Behaviour: Methods, Issues and Experiences, edited by Sandy Cairncross and Vijay Kochar; Sage Publications, New Delhi, 1994; Rs 325 (cloth).

THE book is a comprehensive work on the dynamics of human behaviour, based on experiences of researchers from different countries Sandy Cairncross, in the opening chapter very rightly proposed that the change in behaviour is more beneficial than providing say 'only improved quality of water'. The review of experiences leads to the conclusion that it is very difficult to measure the simple behavioural patterns which affect factors such as household water consumption. There is a need to develop a set of tools for the operational evaluation of water and sanitation projects.

The literature presented in Section I are based on concept formation, theoretical framework and methodological issues. The importance of qualitative, open-ended and informal introduction with the setting in which behaviour patterns of people takes place has been emphasised. Cultural perceptions or meanings associated with the behaviour also needs to be studied. Stress has been put on the familiarity of the researcher with the cultural setting. Behaviours originate in the varied cultural settings and can interrupt disease transmission. Bateman provides the reader with a framework for defining hygiene behaviour by examining transmission of water and sanitation-related infectious diseases by developing an index of transmission pattern Behavioural intervention is needed at two levels, primary and secondary. Primary barriers prevent infectious organism from entering the environment and secondary barriers are to avoid and removed infectious organisms.

Kochar, Seitlyn, Palto and Pederson suggest ways by which behavioural research should be conducted to act in the right direction. Pederson emphasises the need of 'militant' research leading to a revalidation of local knowledge, demystification of research methods, empowerment and genuine participation of people in the research processes. These are the keys to success for fundamental social change. Kendall discussed practical problems related to reliability of the measures of behaviour.

The second section of the book is rather more useful for health educationists and interventionists, i e, people involved in the 'action programmes'. Issues of evaluation of the impact of efforts made by interventionists through education and communication have been discussed. Hubley suggests some measures for evaluation and Herbert suggests ways by which indicators of hygiene improvement can be developed. Quarry has rightly pointed out the role of health educationists in water and sanitation community programmes while both MacCornack and Haggerty suggest that the involvement of people is the first step for any health education programme.

The third section, deals with empirical testing in which qualitative and quantitative techniques have been used. It is based on the field reports and notes from countries of Africa, South-East Asia and Latin America. The experience presented are useful not only for researchers but also for engineers and doctors working in Public Health Departments. The book is useful to health planners as well since it provides information on hygiene behaviour which affects the health of the people to a large extent in this country.

In the concluding chapter Kochar has discussed the problems of organising the work of researchers from different fields in the form of a book. He justified the way it has been done, yet, it would have been better if problems related to the selection of the universe and sample were discussed after the identification of issues and conceptualisation. The techniques of data collection have been emphasised rather than the parameters needed for the evaluation of change in the behaviour. To develop appropriate interventions in a heterogeneous society it is necessary to identify the reasons for behaviour among different sections of the community. Kochar's message is straightforward and clear – that there is a big gap between water supply and water use. People with safe water supply may not use the same for various cultural and social reasons. These reasons must be studied before implementing any water supply programme. To get more meaningful results on the studies of human behaviour a combination of qualitative and quantitative methods is required in different proportions according to the cultural variations of the communities. Participatory approach, i e, participant observation whether extended or short is more appropriate than the interview methods.

There are no two opinions about the effects of hygiene behaviour on health. Researchers who have to cope with the practical difficulties of assessing the hygiene behaviour will find the book enriching.

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Structure of Employment as Seen from 1981 and 1991 Censuses

A Preliminary Look

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B P Vani
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Data on the occupational structure of the population, on the single digit category, have just been released from the 1991 Census. In this paper, an attempt is made to examine the changes in employment at the single digit level between 1981 and 1991 Censuses, for all India and for Karnataka and West Bengal.

They roused him with muffins, they roused him with ice.
They roused him with mustard and cress-
They roused him with jam and judicious advice-
They set him conundrums to guess.
- Lewis Carroll

IN an industrialising economy, going by the vast empirical work of Kuznets (1966, 1974), we may expect the following types of structural change:

(a) The percentage of the population dependent on agriculture should decline over time – the long run. The obverse is an increase in non-agricultural employment over the same period.
(b) The percentage of the population dependent on industry – manufacturing – should increase over this period.
(c) The increase in manufacturing employment should absorb at least a major part of the population released from agriculture.
(d) Within manufacturing, we may expect a shift from household activities to non-household activities, as the latter may be expected to be larger, and to use better technology.
(e) There may be an increase in the percentage of population dependent on services. But, for a country in the early stages of industrialisation, this increase should be less than the increase in manufacturing. At a later stage of development, faster increase in the services sector may be expected.

The 10-year period covered by the 1981 and 1991 Censuses is not long enough for these structural patterns to manifest themselves very clearly. That is accepted. Yet, one may expect to discern some shifts along the directions indicated above. This we seek to do in this paper. For this purpose, we first look into the shift in employment at the all India level. The other detailed elaborations at the desegregated level will be confined to only two states – Karnataka and West Bengal. Here the analysis will be disaggregated up to the district level with the same one digit level of classification.

I
Shift from Agriculture to Non-Agricultural Sector: All India

It is a well established fact that, the sectoral contribution to the total National Product has witnessed considerable shift over time. Accordingly, the structure of employment in the Indian economy has also shifted, but at a rather slow pace.[1] The primary sector is still the major contributor to employment. First of all, we will try to see the shift taking place from the agricultural sector to the secondary and the tertiary sectors of the economy. For this, the sectoral composition of workers has been worked out both for urban and rural areas.

The total rural workforce in the primary sector over the period 1981 to 1991 has come down from 83.35 per cent to 82.26 per cent. At the same time, the rural female population depending on this sector has increased. The percentage increase in rural employment in the primary sector is 18.73 per cent for males and 42.09 per cent for females (Table 1). The picture becomes more clearer if one looks into the compound growth rates in these sectors. Though the total growth in the primary sector is equal to the growth rate of population, the female workers in the agricultural sector increased substantially, while male workforce witnessed a decline compared to the rate of growth of rural population.

Coming to the secondary sector, the total rural workforce employed in this sector has come down from 7.99 per cent to 7.23 per

TABLE 1. SECTORAL COMPOSITION OF WORKFORCE–ALL INDIA RURAL

Sector	1981			1991			Proportionate Change in Employment 1981-1991			Compound Growth Rates of the Workforce 1981-1991		
	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total
Primary	81.69	89.11	83.35	79.80	89.53	82.26	18.79	42.09	24.33	1.79	3.58	2.20
Secondary	8.35	6.78	7.99	7.73	5.76	7.29	12.50	20.13	13.95	1.18	1.85	1.31
Tertiary	9.97	4.11	8.65	12.47	4.69	10.51	52.10	61.41	53.10	4.28	4.90	4.35
Total	100.00	100.00	100.00	100.00	100.00	100.00						

TABLE 2: SECTORAL COMPOSITION OF WORKFORCE–ALL INDIA URBAN

Seector	1981			1991			Proportionate Change in Employment 1981-1991			Compound Growth Rates of Urban Workforce 1981-1991		
	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total
Primary	11.66	23.00	12.03	12.03	22.16	13.34	40.21	48.51	41.92	3.44	4.03	3.56
Secondary	35.60	28.83	32.12	32.12	25.53	31.26	22.68	36.54	24.02	2.06	3.16	2.18
Tertiary	52.73	48.17	55.86	55.86	52.30	55.40	44.04	67.37	46.55	3.72	5.29	3.90
Total	100.00	100.00	100.00	100.00	100.00	100.00						

cent. The percentage change in rural employment was 12.50 per cent for males and 20.13 per cent for females. This shift is low compared to the increase in the rural primary sector employment. In terms of the sectoral composition also, instead of increasing, the secondary sector has witnessed a decline in the rural areas. This is evident from the very low compound growth rates. The secondary sectorgrowth rate is much lower compared to the primary sector and the growth rate in the tertiary sector.

The sector which should have absorbed the rural labour force must then be the tertiary sector. The percentage increase in the employment in the tertiary sector is quite high compared to the primary and the secondary sectors. The increase in the case of rural male workforce was 52.10 per cent and in the case of females the increase was 61.41 per cent, the increase in the total workforce being 53.10 per cent (Table 1). The sectoral composition of the rural workforce in the tertiary sector has increased from 8.65 to 10.51 per cent over this ten-year period. This is evident from the compound growth rate also. The growth rate is very high compared to the population growth rate. Thus, in terms of the proportions the picture is not in accordance with expectations based on the patterns found by Kuznets.

The sectoral composition of urban employment is shown in Table 2. The table shows that the diversification in total urban employment is less significant than the rural employment. Here again, the percentage of workers in manufacturing has shown a decline. Accordingly, the percentage of the workers in the tertiary sector has increased. In terms of the percentage changes the increase in the urban primary sector was 40.21 per cent for males, whereas for females the percentage change was 48.51 per cent. The largest increase may be observed in the tertiary sector. Unlike the rural sector, the compound growth rates of the secondary sector workforce are almost equivalent to the population growth rates. In the secondary sector, the compound growth rates of the female urban workforce has increased by 3.16 per cent compared to the total secondary growth rates of 2.18 per cent. Similarly, the urban tertiary female workforce also witnessed a high compound growth rate. To bring out some of these factors in detail, the available one digit categorywise growth performance is examined (Tables 3A and 3B).

The proportion of cultivators has come down from 55.16 per cent to 51.58 per cent in the case of males and the values in the case of total cultivators are 51.11 and 48.39 per cent respectively. On the other hand, the proportion of total agricultural labourers

TABLE 3A: PROPORTION OF RURAL WORKFORCE

Industrial Category	1981			1991		
	Males	Females	Total	Males	Females	Total
I Agriculture	81.69	89.11	83.35	79.80	89.55	82.26
II Total non-agriculture	18.91	10.89	16.65	20.20	10.45	17.74
1 Cultivators	55.16	37.07	51.10	51.58	38.93	48.39
2 Agricultural labourers	24.00	50.19	29.88	25.97	48.49	31.64
3 Livestock, forestry and fishing	2.53	1.85	2.38	2.25	2.14	2.22
4 Mining and quarrying	0.49	0.30	0.45	0.53	0.28	0.47
5 Manufacturing	6.69	5.91	6.51	5.89	5.21	5.72
(a) Household industry	2.87	3.79	3.08	1.91	2.91	2.16
(b) Other than household industry	3.82	2.12	3.43	3.98	2.30	3.56
6 Construction	1.17	0.56	1.03	1.30	0.27	1.04
7 Trade and Commerce	3.27	1.11	2.79	4.03	1.08	3.28
8 Transport, storage and communication	1.39	0.11	1.10	1.62	0.08	1.24
9 Other services	5.30	2.89	4.76	6.82	3.53	5.99

TABLE 3B. PERCENTAGE CHANGE IN EMPLOYMENT–ALL INDIA RURAL

Industrial Category	Rural		
	Males	Females	Total
I Agriculture	-2.31	0.49	-1.32
II Total non-agriculture	10.30	-4.01	6.59
1 Cultivators	-6.49	5.00	-5.30
2 Agricultural labourers	8.23	-3.40	5.91
3 Livestock, forestry and fishing	-11.02	15.65	-6.50
4 Mining and quarrying	7.68	-6.67	4.00
5 Manufacturing	-11.92	-11.85	-12.19
(a) Household industry	-33.39	-23.34	-29.73
(b) Other than household industry	4.25	8.69	3.53
6 Construction	11.90	-52.87	1.18
7 Trade and Commerce	22.96	-2.53	17.78
8 Transport, storage and communication	16.86	-27.43	12.00
9 Other services	28.69	22.23	25.91

TABLE 4A: PROPORTIONS OF THE URBAN WORKFORCE–ALL INDIA

Industrial Category	1981			1991		
	Males	Females	Total	Males	Females	Total
I Agriculture	11.66	23.00	12.99	12.03	22.16	13.34
II Total non-agriculture	88.34	77.00	87.01	87.97	77.84	86.66
1 Cultivators	5.20	4.66	5.13	4.89	5.13	4.92
2 Agricultural labourers	4.66	16.57	6.05	5.38	15.49	6.69
3 Livestock, forestry and fishing	1.81	1.77	1.81	1.75	1.55	1.73
4 Mining and quarrying	1.10	0.69	1.05	1.18	0.68	1.12
5 Manufacturing	30.24	25.04	29.63	25.60	21.57	25.07
(a) Household industry	4.21	10.48	4.94	2.48	7.51	3.13
(b) Other than household industry	26.02	14.57	24.69	23.12	14.06	21.94
6 Construction	4.26	3.10	4.13	5.33	3.29	5.07
7 Trade and Commerce	21.32	8.89	19.87	23.78	9.99	21.99
8 Transport, storage and communication	9.98	2.24	9.07	9.23	1.95	8.28
9 Other services	21.44	37.04	23.26	22.84	40.37	25.12

TABLE 4B. PERCENTAGE CHANGE IN EMPLOYMENT–ALL INDIA URBAN

Industrial Category	Urban		
	Males	Females	Total
I Agriculture	3.10	-3.66	2.76
II Total non-agriculture	-0.41	1.09	-0.41
1 Cultivators	-5.79	9.88	-4.07
2 Agricultural labourers	15.41	-6.51	-10.67
3 Livestock, forestry and fishing	-3.06	-12.64	-4.31
4 Mining and quarrying	7.66	-1.17	6.34
5 Manufacturing	-15.34	-13.88	-15.38
(a) Household industry	-41.18	-28.32	-36.63
(b) Other than household industry	-11.16	-3.49	-11.13
6 Construction	25.10	6.15	22.77
7 Trade and Commerce	11.58	12.36	10.68
8 Transport, storage and communication	-7.49	-12.83	-8.73
9 Other services	6.54	8.97	8.01

has increased from 29.88 per cent to 31.64 per cent (Table 3A). In the non-agricultural sector, the proportion of the total manufacturing has declined.

The percentage change of the proportions given in Table 3A have been worked out; and this has been shown in Table 3B. The total rural agricultural employment has declined by 1.32 per cent. This is mainly due to the decline in the rural male cultivators and the rural workforce in forestry and fishing. The total rural non-agricultural sector witnessed an increase of 6.59 per cent. Among the rural non-agricultural sector, workforce in Trade and Commerce, witnessed an increase of 17.78 per cent, and the percentage increase in other services was 25.91 per cent. The rural manufacturing employment suffered a setback during the last 10 years. The percentage decline in the rural manufacturing is 12.19 per cent. The decline is almost similar for males and females.

Within manufacturing, the observed decline was mainly due to the decline in the household manufacturing sector, the percentage of decline being 29.73 per cent. The increase in workforce in the other than household industry category was only 3.53 per cent indicating, that, only a small share of the workforce going out of rural household industry employment is getting absorbed into the rural non-household sector. This indicates that on the one hand, a decline in the household manufacturing in general is taking place, and on the other, there is a low growth in the non-household manufacturing employment. Thus the diversification is very slow. The very high percentage increase in the tertiary sector, especially other services, indicates that the considerable proportion of the rural workers are shifting to this sector.

The proportions of the urban workforce at the two census points are given in Table 4A.

The proportion of the total urban agricultural workforce increased, while that of the non-agricultural sector decreased during the two census points. In the agricultural sector, the total agricultural labourers showed a higher proportion, while the proportion of the cultivators have declined, that is, 6.05 to 6.69 per cent. Within the non-

TABLE 5 STATEWISE SECTORAL COMPOSITION OF WORKFORCE – RURAL

	1981			1991			Percentage Change		
	PRI	SEC	TER	PRI	SEC	TER	PRI	SEC	TER
All India	83.35	7.99	8.65	79.80	7.73	12.47	-1.32	86.90	284.02
Andhra Pradesh	83.14	8.41	8.45	79.07	8.56	12.36	-0.34	172.53	135.97
Assam	-	-	-	78.91	4.66	16.43	-	-	-
Bihar	87.40	5.87	6.72	87.09	4.01	8.90	1.05	36.73	190.00
Gujarat	82.57	8.65	8.78	76.71	11.90	11.38	-2.68	148.50	261.36
Haryana	76.39	9.94	13.67	72.25	8.64	19.11	-3.43	68.24	461.59
Jammu and Kashmir	76.36	10.31	13.33						
Karnataka	84.64	8.39	6.98	81.66	7.38	10.97	-0.87	99.21	250.25
Kerala	58.06	17.71	24.24	56.00	14.93	29.08	-3.41	510.13	272.93
Madhya Pradesh	89.20	6.12	4.68	86.73	5.71	7.56	0.09	34.62	350.15
Maharashtra	85.21	7.46	7.33	77.89	9.34	12.77	-0.80	95.13	225.53
Orissa	84.18	6.78	9.04	81.61	6.21	12.18	2.02	93.48	288.80
Punjab	77.20	8.91	13.89	74.82	8.44	16.74	-3.85	123.21	304.06
Rajasthan	84.77	7.33	7.90	81.39	7.28	11.33	-0.38	19.99	921.03
Tamil Nadu	80.99	9.98	9.03	75.45	10.87	13.69	-2.02	198.06	169.80
Uttar Pradesh	86.76	6.04	7.21	84.05	5.59	10.35	-1.97	42.69	515.26
West Bengal	77.76	10.71	11.53	73.63	10.99	15.38	-5.45	198.03	286.39

TABLE 6 STATEWISE SECTORAL COMPOSITION OF WORKFORCE – URBAN

	1981			1991			Percentage Change		
	PRI	SEC	TER	PRI	SEC	TER	PRI	SEC	TER
All India	12.99	34.81	52.20	13.34	31.26	55.40	2.76	-10.20	6.12
Andhra Pradesh	16.86	29.48	53.66	17.34	27.03	55.62	2.86	-8.31	3.67
Assam			-	8.72	20.47	70.81	-	-	-
Bihar	18.05	32.91	49.05	22.12	22.72	55.16	22.57	-30.95	12.46
Gujarat	10.25	39.53	50.22	9.94	37.95	52.10	-2.94	-4.00	3.75
Haryana	10.51	34.94	54.54	11.45	29.05	59.50	8.85	-16.86	9.09
Jammu and Kashmir	14.09	29.98	55.93	-	-	-	-	-	-
Karnataka	17.48	35.16	47.36	15.83	33.17	51.00	-9.42	-5.66	7.68
Kerala	16.81	28.92	54.26	20.71	27.50	51.79	23.20	-4.94	-4.55
Madhya Pradesh	16.08	33.77	50.15	17.80	28.96	53.24	10.67	-14.25	6.17
Maharashtra	9.52	38.81	51.67	9.19	37.12	53.68	-3.45	-4.34	3.90
Orissa	18.81	26.06	55.14	17.92	23.44	58.64	-4.71	-10.04	6.35
Punjab	11.90	31.61	56.49	12.55	30.03	57.41	5.47	-4.98	1.64
Rajasthan	14.07	31.80	54.12	14.05	29.91	56.03	-0.16	-5.94	3.53
Tamil Nadu	14.89	37.74	47.37	13.94	34.41	51.65	-6.37	-8.81	9.02
Uttar Pradesh	16.11	30.55	53.34	16.63	25.97	57.41	3.19	-15.00	7.63
West Bengal	5.34	41.31	53.35	6.47	36.51	57.02	21.21	-11.62	6.88

Note: Census has not been conducted in Assam in the year 1981 and in Jammu and Kashmir in the year 1991.

TABLE 7: PERCENTAGE CHANGE BETWEEN 1981 AND 1991 – RURAL

States	Manufacturing	Household Manufacturing	Non Household Manufacturing
Males			
Andhra Pradesh	-16.82	-38.11	11.30
Assam	na	na	na
Bihar	-39.42	-32.30	-46.11
Gujarat	23.27	-38.81	48.44
Haryana	-20.64	-49.77	-6.89
Jammu and Kashmir	na	na	na
Karnataka	-18.95	-40.34	-1.71
Kerala	-21.72	-37.58	-17.78
Madhya Pradesh	-14.60	-34.10	18.16
Maharashtra	-1.73	-31.72	12.97
Orissa	-1.57	-2.56	-0.28
Punjab	-8.70	-49.99	9.33
Rajasthan	-19.30	-38.63	0.51
Tamil Nadu	-6.10	-28.24	6.88
Uttar Pradesh	-14.28	-37.45	9.11
West Bengal	7.52	-0.78	12.13
Females			
Andhra Pradesh	-7.24	-11.99	5.86
Assam	na	na	na
Bihar	-36.21	-27.46	-52.27
Gujarat	-18.85	-33.14	-4.11
Haryana	-16.11	-52.16	6.85
Jammu and Kashmir	na	na	na
Karnataka	-20.18	-72.57	79.07
Kerala	-2.70	-30.72	16.32
Madhya Pradesh	-16.63	-26.95	32.84
Maharashtra	-16.06	-35.51	17.41
Orissa	-12.28	-6.94	-28.32
Punjab	-31.46	-40.01	-25.83
Rajasthan	45.37	-41.64	-51.06
Tamil Nadu	2.34	-8.53	20.16
Uttar Pradesh	-23.21	-35.13	7.12
West Bengal	31.40	49.95	8.40
Total			
Andhra Pradesh	-14.61	-28.19	7.20
Assam	na	na	na
Bihar	-39.01	-31.19	-47.07
Gujarat	15.24	-38.41	39.24
Haryana	-20.96	-50.20	-6.91
Jammu and Kashmir	na	na	na
Karnataka	-18.44	-54.18	19.52
Kerala	-16.18	-35.77	-8.88
Madhya Pradesh	-15.43	-31.61	18.95
Maharashtra	-7.51	-33.69	8.82
Orissa	-3.31	-1.99	-5.34
Punjab	-9.65	-48.65	7.79
Rajasthan	-25.09	-40.28	-8.88
Tamil Nadu	-4.54	-19.76	7.16
Uttar Pradesh	-15.50	-36.28	7.16
West Bengal	14.83	19.08	12.11

agricultural sector, the total urban manufacturing sector witnessed a decline from 29.63 per cent to 25.07 per cent. While the percentage of the share of trade and commerce has increased from 19.87 per cent to 21.99 per cent, that of transport, storage and communication has witnessed a decline from 9.07 to 8.28 per cent.

Coming into the percentage changes (Table 4B), agricultural sector increased by 2.76 per cent. The urban workforce scenario shows an increase over the reference period for the agricultural sector. Since the percentage of people depending on the urban primary sector may be expected to be small, and since this share should be low from an overall development perspective, it need not necessarily be a matter of serious concern All the more so as this share is not a significant amount in urban areas.

On the other hand the point which is important is that the urban non-agricultural sector witnessed a decline of 0.41 per cent. The main reasons are the decline in manufacturing employment and the decline in the workforce in Transport, Storage and Communication. The decline in the manufacturing employment was 15.38 per cent; within this, workforce in household industry witnessed a decline of 36 per cent, whereas the percentage decline of the workforce in other than household industry was 11.13 per cent. When the genderwise distribution is examined, female employment in household industry was found to have declined by 28 per cent, whereas the decline in male employment was 41 per cent. The decline in non-household manufacturing was 3.49 and 11.16 per cent respectively for males and females. This shift is a matter of serious concern because, this indcate that, the diversification to the non-household segement is one of the healthy direction in the upcoming industrial sturcture.

The construction workforce in the urban area has witnessed an increase of 22 per cent and the increase was mainly from the male workforce.

The statewise percentage changes in the sectoral composition of the total rural workforce between the two census points is shown in Table 1.5. Madhya Pradesh, Bihar and Uttar Pradesh have the highest proportion of the rural agricultural employment of the order of 89.20 per cent, 87.40 per cent and 86.76 per cent respectively in the 1981 Census. The order has been shifted to Bihar, Madhya Pradesh and Uttar Pradesh in the 1991 Census. Kerala state has the lowest proportion of the agricultural workforce in both the censuses. The table also shows the percentage change in employment.

The states of West Bengal and Maharashtra have the lowest proportion of agricultural workers in the urban areas according to the 1981 Census (Table 1.6). Andhra Pradesh, Bihar, Haryana, Kerala, Madhya Pradesh, Punjab, Uttar Pradesh and West Bengal recorded an increase in the primary sector. Most of the states experienced a negative percentage of growth in the secondary sector, this is again true in the case of the tertiary sector, with the exception of Kerala.

Shift in Manufacturing Employment: States

This analysis brings out that, the proportion of people in the manufacturing sector has come down at the all India level in the last 10 years. Now we will look into the manufacturing employment by using the same one digit category classification at the state level. The details are available both for the rural and urban India. Table 7 shows a decline in the percentage of the proportion of the rural manufacturing between the two census points. The two states which experienced an increase in manufacturing employment are Gujarat and West Bengal. At the same time, a major part of the decline in manufacturing is from the household industries in all the states. The rural non-household manufacturing witnessed an increase only in Bihar, Kerala, Orissa and Rajasthan. In the case of Gujarat one can say that the increase in manufacturing that has taken place is mainly from the non-household sector of the rural total employment. Thus,broadly, Gujarat is in the expected path of transition within the manufacturing sector.

Coming to urban manufacturing, all the states showed a negative pattern with respect to manufacturing in general and household industry in particular (Table 8). The percentage of the total urban workforce reveals that the decline is more severe for household manufacturing. Even within this, it is serious among females. We have already mentioned that female urban manufacturing employment has witnessed a negative pattern of growth over the 10-year census period.

In the case of males all the states registered a negative percentage for manufacturing, but in the case of females, Bihar, Kerala, and West Bengal performed better. The respective increase were 11, 33.7 and 55 per cent respectively. In the case of Kerala, though the percentage of urban female manufacturing employment has increased considerably, it was not able to compensate for the general decline in the manufacturing employment. In the case of non-household manufacturing, all the states showed a decline both for male and total manufacturing employment. At the same time, the female non-household manufacturing employment recorded an improvement in the states of Gujarat, Karnataka, Kerala, Tamil Nadu and Uttar Pradesh.

Table 8: Percentage Change between 1981 and 1991 – Urban

States	Manufacturing	Household Manufacturing	Non Household Manufacturing
Males			
All India	-15.34	-41.18	-11.16
Andhra Pradesh	-16.65	-45.23	-10.07
Assam	na	na	na
Bihar	-35.01	-4.95	-39.86
Gujarat	-7.96	-57.76	-4.55
Haryana	-19.16	-36.12	-16.95
Jammu and Kashmir	na	na	na
Karnataka	-12.14	-56.95	-3.70
Kerala	-19.50	-24.16	-19.02
Madhya Pradesh	-22.17	-43.03	-17.38
Maharashtra	-10.54	-48.38	-7.22
Orissa	-10.98	-29.90	-7.43
Punjab	-7.83	-51.22	-2.20
Rajasthan	-12.24	-39.35	-5.16
Tamil Nadu	-13.34	-37.08	-8.70
Uttar Pradesh	-17.66	-38.48	-9.64
West Bengal	-16.05	-26.10	-15.11
Females			
All India	-13.88	-28.32	-3.49
Andhra Pradesh	-16.93	-11.94	-21.85
Assam	na	na	na
Bihar	-13.36	11.41	-30.36
Gujarat	-10.12	-31.85	0.53
Haryana	-25.55	-37.29	-21.08
Jammu and Kashmir	na	na	na
Karnataka	-12.82	-58.02	16.70
Kerala	16.34	33.73	10.67
Madhya Pradesh	-17.91	-22.95	-11.67
Maharashtra	-14.88	-36.27	-7.00
Orissa	-22.47	-22.08	-22.79
Punjab	-18.02	-24.32	-15.18
Rajasthan	-22.26	-30.73	-16.00
Tamil Nadu	-9.68	-32.05	10.15
Uttar Pradesh	-10.67	-26.79	25.82
West Bengal	2.12	55.09	-17.17
Total			
All India	-15.38	-36.63	-11.13
Andhra Pradesh	-16.66	-31.69	-11.90
Assam	na	na	na
Bihar	-34.20	-2.50	-39.82
Gujarat	-8.38	-51.76	-4.78
Haryana	-20.01	-36.15	-17.80
Jammu and Kashmir	na	na	na
Karnataka	-12.11	-56.53	-0.80
Kerala	-12.78	-0.97	-14.41
Madhya Pradesh	-21.70	-36.06	-17.37
Maharashtra	-11.64	-43.81	-8.14
Orissa	-11.85	-28.58	-8.08
Punjab	-8.60	-49.15	-3.07
Rajasthan	-13.18	-37.11	-6.29
Tamil Nadu	-12.64	-34.58	-6.52
Uttar Pradesh	-17.20	-35.47	-9.41
West Bengal	-15.74	-12.25	-16.10

II
Structure of Employment in Karnataka

Some of the observations made in the earlier section will be examined here at the state level. For this purpose, we have purposively chosen two states, namely, Karnataka and West Bengal. First we will look into the employment structure in Karnataka, then West Bengal.

The sectoral composition of employment for rural workforce is shown in Table 9. In terms of sectoral composition the Karnataka situation shows a somewhat disturbing picture. In terms of the total rural workforce, the worker share in the primary sector has declined (84.64 per cent to 83.90 per cent); and, instead of recording at least a minor improvement, the secondary sector employment has declined (8.39 per cent to 7.32 per cent). The increase was captured in the service sector. This is similar to the pattern visible at the all India level.

To get a clearer picture, we have worked out the percentage change in the workers in the respective sectors (Table 9) In rural areas, the increase in male employment is 13.04 per cent and the increase in the female employment is 46.55 per cent. In the case of Secondary sector, the increase is 5.17 per cent and 14.36 per cent in the case of males and females, respectively. The proportion of the increase in the tertiary sector is one of the highest, that is, 55.77 per cent of the total. The respective figures for males and females were 52.7 and 74.5 per cent. Thus, in absolute terms, the increase in the workforce is much more in services, than in agriculture. In comparison with the population growth, the percentage change is high in the services, almost equal in the case of agriculture (except females) and much lower in the case of secondary sector.

In the primary sector, the compound growth rate was one of the highest in the case of females and, in the secondary sector, the growth was much lower compared to the rate of growth of population in Karnataka, that is, 1.93 per cent. The service sector captured most of the increase in population. The compound growth rate of the female workforce in tertiary sector was 6.27 per cent.

The proportion of the rural workforce was worked out and is shown in Table 10A. Similar to the all India proportions, the share of non-agricultural sector is showing an increase over time in Karnataka. Though the proportion of manufacturing has declined, the share of non-household industry has increased from 3.32 per cent to 3.97 per cent.

The percentage change in the rural workforce is shown in Table 10B. The agricultural labourers in the rural areas showed an increase of 11 per cent, whereas the rest of the activities in this sector showed a negative trend. In the non-agricultural sector, which has shown positive change in the case of the total, the percentage of female employment is coming down. Within manufacturing, the household industry showed a decline, whereas the non-household industry employment recorded a positive trend in the case of females and the total workforce. Construction has shown a negative growth similar to the total manufacturing. The tertiary sector in general fared better (Table 10B)

The percentage of the rural manufacturing employment as such experienced a decline. The decline is observed mainly in all sections of the workers in the household industry. In terms of the percentages the decline was 40.34 per cent, 72.57 per cent and 54.18 per cent respectively for males, females and total workers. Such a decline, whether it is due to the poor performance of the traditional household industries or not is still a trend which has to be understood. The data for such disaggregated information at the two digit level are not available so far. Therefore, such an exercise has not been attempted. However, we feel that, such a huge decline may be the result of the decline in the traditional industries, which may be due to its inability to compete with the modern sector. This aspect needs further research as a similar decline was observed in most of the states.

The other segment of manufacturing, that is, activities other than household industry,

TABLE 10A: PROPORTION OF RURAL WORKFORCE

Industrial Category	1981			1991		
	Males	Females	Total	Males	Females	Total
I Agriculture	83.57	87.39	84.64	81.66	88.56	83.90
1 Cultivators	55.32	28.36	47.81	50.62	29.62	43.79
2 Agricultural labourers	23.62	55.04	32.37	26.44	53.62	33.94
3 Livestock, forestry and fishing	4.64	3.99	4.46	4.60	3.32	4.18
II Total non-agriculture	16.43	12.61	15.36	18.34	11.44	16.10
4 Mining and quarrying	0.42	0.39	0.41	0.71	0.44	0.62
5 Manufacturing	6.35	8.12	6.85	5.15	6.48	5.58
(a) Household industry	2.84	5.32	3.53	1.69	1.46	1.62
(b) Other than household industry	3.52	2.81	3.32	3.46	5.02	3.97
6 Construction	1.34	0.57	1.13	1.52	0.26	1.11
7 Trade and Commerce	3.22	1.46	2.79	4.27	1.47	3.36
8 Transport, storage and communication	1.13	0.18	0.87	1.37	0.06	0.95
9 Other services	3.95	1.89	3.38	5.32	2.72	4.47

TABLE 10B: PERCENTAGE CHANGE IN EMPLOYMENT–KARNATAKA RURAL

Industrial Category	Rural		
	Males	Females	Total
I Agriculture	-2.30	1.34	-0.87
1 Cultivators	-8.50	4.45	-8.42
2 Agricultural labourers	11.94	1.06	11.02
3 Livestock, forestry and fishing	-0.84	-16.93	-6.20
II Total non-agriculture	11.68	-9.29	4.78
4 Mining and quarrying	69.71	10.93	50.92
5 Manufacturing	-18.95	-20.18	-18.44
(a) Household industry	-40.34	-72.57	-54.18
(b) Other than household industry	-1.71	79.07	19.52
6 Construction	12.93	-53.70	-1.63
7 Trade and Commerce	32.56	0.49	22.96
8 Transport, storage and communication	21.08	-65.00	9.09
9 Other services	34.63	44.39	32.54

TABLE 9: SECTORAL COMPOSITION OF EMPLOYMENT–KARNATAKA RURAL

Sector	1981			1991			Percentage Change in Employment 1981-1991			Compound Growth Rates (1981-1991)		
	Males	Females	Total	Males	Females	Total	Males	Females	Total	Male	Female	Total
Primary	83.57	87.39	84.64	81.66	88.56	83.90	13.04	46.55	22.68	1.23	3.90	2.07
Secondary	8.12	9.08	8.39	7.38	7.18	7.32	5.17	14.36	7.95	0.51	1.35	0.77
Tertiary	8.31	3.53	6.98	10.97	4.26	8.78	52.70	74.51	55.77	5.87	6.27	5.93
Total	100.00	100.00	100.00	100.00	100.00	100.00						

showed a percentage increase of 79.07 per cent for females and 19.52 per cent for the total rural workforce as a whole, whereas the male workforce has declined by 1.71 per cent. This brings out the tremendous increase in the rural female manufacturing employment. The construction sector employment as such declined by 1.63 per cent and the decline was mainly due to the fall in the female employment (53.70 per cent). At the same time, the rural male workforce in the construction sector has increased by 12.93 per cent. The other activities which experienced a substantial increase in the percentage of the proportion are trade and commerce and other services.

The sectoral composition of the urban workforce is given in Table 11. Unlike the all India pattern, the workforce in the urban primary sector has witnessed a decline. The decline was compensated by the increase in the urban service sector. In terms of the percentages, the share of the urban primary sector was 15.35 per cent for males and 27.94 per cent for females in the 1981 Census and this declined to 13.77 per cent and 25.03 per cent respectively in the 1991 Census. The tertiary sector recorded an increase from 49.74 per cent for males and 35.68 per cent for females to 52.93 per cent and 42.37 per cent respectively. Accordingly the urban secondary sector declined from 34.91 per cent in the case of males and 36.38 per cent for females to 33.30 per cent and 32.60 per cent respectively. The decline in the proportion of the urban female secondary workforce is very sharp. The compound growth rates reveal that, the change in the primary sector population is just equivalent to that of the population growth in Karnataka. Thus, it is of relief to observe that, at least, a small segment of the increased population has begun to depend on the secondary sector.

The percentage change in the urban workforce is higher for the service sector, especially for female workers. If we compare the rate of growth of population, except agriculture, the rest of the sectors absorbed more workers. Thus, there is a clear diversification from agricultural to the non-agricultural sectors of the state economy at a broad level. Needless to say, this shift is very slow. The proportion as well as the percentages of the urban workforce is given in Tables 12A and B.

In the urban non-agricultural sector, the male workforce and the total workforce as such experienced negative growth in employment. At the same time, livestock and forestry witnessed an improvement in general. Most of the increase in the rural non-agricultural sector was due to the increase in the construction and increase in the tertiary sector, especially trade and commerce and other services.

Districtwise Employment Structure

The proportion of the rural workers at the district level is given in Table 13. Here, the analysis is restricted to the total workers only. The percentage change in the proportions is given in Table 14.

In the case of primary sector, Kolar and Chikmagalur have the highest proportion in the 1981 Census, whereas in the 1991 to Raichur and Hassan districts. The single-digit wise disaggregation is also shown in the table. In the rural non-agricultural sector, as per the 1981 Census, the percentage of manufacturing was higher in Dakshina Kannada, and Bangalore districts, whereas it was less in districts like Chikmagalur, Hassan and Kolar. As per the 1991 Census, the order of the districts with higher proportion remained the same, but among the lower proportion districts, the order has been shifted to Bellary, Hassan and Raichur districts.

The districts which witnessed highest growth in non-agricultural sector are Chikmagalur, Kolar and Bangalore (see Table 14). Within the non-agricultural sector Bangalore is the only district which witnessed an increase in the male manufacturing workforce. The unusual spurt in the percentage of workers in mining and

Table 12A: Proportion of Workers - Karnataka Urban

	1981			1991		
	Males	Females	Total	Males	Females	Total
I Agriculture	15.35	27.94	17.48	13.77	25.03	15.83
1 Cultivators	7.45	5.43	7.18	6.07	5.23	5.91
2 Agricultural labourers	6.02	21.25	8.60	5.84	18.54	8.17
3 Livestock, forestry and fishing	1.79	1.26	1.70	1.86	1.27	1.75
II Total non-agriculture	84.65	72.06	82.52	86.23	74.97	84.17
4 Mining and quarrying	0.97	0.60	0.91	0.86	0.65	0.82
5 Manufacturing	28.73	32.69	29.40	25.24	28.50	25.84
(a) Household industry	4.55	12.91	5.97	1.96	5.42	2.59
(b) Other than household industry	24.18	19.78	23.43	23.28	23.08	23.25
6 Construction	5.22	3.08	4.86	7.20	3.44	6.51
7 Trade and Commerce	21.07	8.58	18.96	24.09	10.66	21.63
8 Transport, storage and communication	9.62	2.08	8.34	8.90	1.85	7.61
9 Other services	19.05	25.02	20.06	19.94	29.87	21.76

Table 12B Percentage Change in Employment - Karnataka Urban

Industrial Category	Urban		
	Males	Females	Total
I Agriculture	-10.28	-10.43	-9.42
1 Cultivators	-19.50	-3.81	-17.66
2 Agricultural labourers	-2.97	-12.76	-5.00
3 Livestock, forestry and fishing	3.98	0.17	3.01
II Total non-agriculture	1.86	4.05	2.00
4 Mining and quarrying	-11.09	8.66	-9.19
5 Manufacturing	-12.14	-12.82	-12.11
(a) Household industry	-56.95	-58.02	-56.53
(b) Other than household industry	-3.70	16.70	-0.80
6 Construction	38.00	11.63	34.08
7 Trade and Commerce	14.35	24.22	14.12
8 Transport, storage and communication	-7.44	-11.14	-8.78
9 Other services	4.62	19.38	8.43

Table 11. Sectoral Composition of Employment - Karnataka Urban

Sector	1981			1991			Percentage Change in Employment 1981-1991			Compound Growth Rates (1981-1991)		
	Males	Females	Total	Males	Females	Total	Males	Females	Total	Males	Females	Total
Primary	15.35	27.94	17.48	13.77	25.03	15.83	20.12	32.07	23.36	1.85	2.82	2.12
Secondary	34.91	36.38	35.16	33.30	32.60	33.17	27.71	32.14	28.48	2.47	2.82	2.53
Tertiary	49.74	35.68	47.36	52.93	42.37	51.00	42.47	75.13	46.64	3.60	5.76	3.90
Total	100.00	100.00	100.00	100.00	100.00	100.00						

quarrying need not necessarily be a matter of great attention, as the number of persons depending on this sector as such is negligible. The high coefficient of variation indicates the variation in the percentage of growth across the districts.

Within urban area, Bangalore has the highest proportion of the rural non-agricultural activities in both the censuses. Within urban manufacturing, both Dakshina Kannada and Bangalore have the highest share (41.14 per cent and 37.98 per cent in 1981 Census to 34.62 per cent and 34.49 per cent in the 1991 Census, respectively). Within manufacturing, the proportion of the non-household manufacturing sector is higher in Bangalore according to the two census points

The percentage change in urban total workforce is given in Table 16. The agricultural sector experienced a steep decline in the proportions in Bangalore, whereas the increase was highest in Shimoga. In the urban non-agricultural sector, the percentage change was highest in Darward and Raichur, say, 3.36 per cent and 3.32 per cent, respectively. Chikmagalur and Shimoga witnessed the sharpest decline (Table 16).

Shift in Manufacturing Employment

The figures in Table 17 are the percentages of the proportions to the total rural manufacturing employment. The male household manufacturing workforce showed a decline in all the districts except Gulbarga. In the case of female workforce Belgaum, Bidar, Gulbarga, Mysore, Raichur, Shimoga and Uttar Kannada recorded a positive percentage change. The total household employment is showing a decline in all the districts except Gulbarga and Raichur. Thus, a kind of shift is taking place within the manufacturing employment towards non-

TABLE 13: DISTRICTWISE PERCENTAGE DISTRIBUTION OF TOTAL RURAL WORKFORCE – KARNATAKA

	AGL	CUL	AGL LAB	LIV F	NON AGL	M and Q	MAN	CONS	T and C	TAN and Co	SERV
1981											
State	84.64	47.81	32.37	4.46	15.36	0.41	6.85	1.13	2.73	0.87	3.38
Bangalore	80.52	56.08	21.40	3.04	19.48	0.18	8.95	1.47	2.82	1.33	4.72
Belgaum	84.15	52.25	29.68	2.22	15.85	0.08	7.52	1.42	2.79	0.82	3.22
Bellary	87.01	42.72	43.04	1.25	12.99	2.44	4.02	0.65	2.53	0.64	2.72
Bidar	85.61	36.31	46.39	2.92	14.39	0.10	5.31	0.92	3.06	1.18	3.81
Bijapur	86.94	40.46	43.70	2.77	13.06	0.06	5.64	1.22	2.36	0.58	3.20
Chickmagalor	89.28	43.77	21.85	23.66	10.72	0.09	3.07	0.83	2.56	0.77	3.39
Chitradurga	87.80	48.32	36.00	3.48	12.20	0.35	5.15	0.68	2.48	0.48	3.05
Dakshin Kannada	59.23	30.63	23.52	5.08	40.77	0.15	28.26	1.06	4.98	2.30	4.02
Dharwad	87.37	39.20	46.49	1.67	12.63	0.22	5.43	0.69	2.69	0.68	2.93
Gulbarga	85.07	36.78	43.95	4.33	14.93	1.34	5.02	2.19	2.75	0.55	3.08
Hassan	88.57	67.13	13.91	7.52	11.43	0.38	3.27	1.22	1.95	1.15	3.46
Kodagu	83.67	25.92	17.64	40.11	16.33	0.04	3.75	1.77	3.54	1.34	5.89
Kolar	89.85	60.10	26.48	3.27	10.15	0.31	3.36	0.57	2.20	0.68	3.03
Mandya	89.61	65.67	22.80	1.14	10.39	0.00	4.14	0.63	2.04	0.36	3.23
Mysore	87.53	57.66	27.14	2.74	12.47	0.10	5.10	1.40	2.27	0.52	3.06
Raichur	88.62	39.96	47.02	1.64	11.38	0.36	4.47	1.16	2.39	0.38	2.62
Shimoga	88.13	47.45	38.44	2.24	11.87	0.47	4.31	0.83	2.59	0.57	3.10
Tumkur	88.75	64.53	22.43	1.79	11.25	0.15	4.57	0.68	2.06	0.51	3.27
Uttar Kannada	76.45	44.82	18.23	13.40	23.55	1.77	7.00	2.29	4.53	2.81	5.15
1991											
State	83.90	43.79	35.94	4.18	16.10	0.62	5.58	1.11	3.36	0.95	4.47
Bangalore*	76.44	49.37	23.98	3.09	23.56	1.61	9.32	1.59	3.68	1.66	5.70
Belgaum	83.16	47.74	33.81	1.61	16.84	0.12	6.07	1.66	2.98	0.98	5.04
Bellary	87.88	39.71	46.95	1.21	12.12	1.68	2.48	0.70	3.03	0.79	3.45
Bidar	84.87	33.02	50.70	1.16	15.13	0.43	3.17	1.08	3.68	1.50	5.27
Bijapur	86.82	35.86	49.29	1.67	13.18	0.28	4.61	1.00	2.61	0.70	3.97
Chikmagalor	86.05	39.91	26.43	19.70	13.95	0.37	2.84	1.20	3.43	0.77	5.35
Chitradurga	86.55	45.29	38.62	2.64	13.45	0.45	4.09	0.89	3.29	0.60	4.14
Dakshin Kannada	53.09	25.05	20.29	7.75	46.91	0.45	27.27	2.15	7.23	2.56	7.25
Dharwad	86.57	37.57	47.65	1.35	13.43	0.21	4.34	0.77	3.35	0.89	3.87
Gulbarga	87.60	34.94	50.46	2.20	12.40	1.32	2.73	0.90	2.84	0.66	3.95
Hassan	88.75	64.73	15.77	8.25	11.25	0.51	2.43	0.96	2.43	0.92	4.01
Kodagu	82.19	22.34	16.76	43.08	17.81	0.44	3.05	1.52	3.83	1.30	7.67
Kolar	87.71	54.50	29.47	3.74	12.29	0.70	3.26	0.86	2.97	0.84	3.67
Mandya	88.55	59.54	26.37	2.64	11.45	0.59	2.96	0.91	2.74	0.54	3.70
Mysore	86.96	48.08	35.48	3.41	13.04	0.60	4.26	1.21	3.14	0.56	3.27
Raichur	89.76	36.99	51.66	1.11	10.24	0.34	2.60	0.42	2.49	0.36	4.03
Shimoga	88.48	45.61	40.89	1.99	11.52	0.36	3.16	0.61	3.05	0.62	3.72
Tumkur	87.19	61.61	23.33	2.25	12.81	0.41	4.17	0.79	2.76	0.65	4.01
Uttar Kannada	77.07	39.45	22.76	14.86	22.93	1.38	4.71	2.52	5.77	1.80	6.75

* According to the 1991 Census, the Bangalore district was divided into Bangalore rural and Bangalore urban. To compare this with the 1981 Census, we have clubbed these two districts together.

AGL	-	Agriculture	MAN	-	Manufacturing
CUL	-	Cultivators	CONS	-	Construction
AGL LAB	-	Agricultural Labourers	T and C	-	Trade and Commerce
LIVF	-	Livestock, and fishing, etc	TAN and Co	-	Transport, Storage and Communication
NON AGL	-	Non agriculture	SERV	-	Other Services
M and Q	-	Mining and Quarrying			

TABLE 14: PERCENTAGE CHANGE IN THE PROPORTION BETWEEN 1981 AND 1991 – KARNATAKA RURAL

	AGL	CUL	AGL LAB	LIV F	NON AGL	M and Q	MAN	CONS	T and C	TAN and Co	SERV
State	-0 87	-8.42	11.02	-6 20	4 78	50.92	-18.44	-1.63	22.96	9.09	32.54
Bangalore	-5 07	-11 97	12 09	1.46	20 95	787.73	4 14	8.15	30.41	24.39	20.78
Belgaum	-1.18	-8 64	13 90	-27 36	6 29	64 39	-19.26	17.00	6.52	18.75	56.49
Bellary	1 00	-7 05	9 10	-2 76	-6.71	-31 25	-38.31	7.88	19.78	24.13	26.62
Bidar	-0.87	-9 06	9.28	-60 37	5.18	331.48	-40.31	18.08	20.02	26 88	38.41
Bijapur	-0.13	-11 39	12 79	-39.56	0 86	344.18	-18.23	-17.92	10.74	19.56	24.13
Chikmangalor	-3.62	-8 82	20 99	-16 75	30.20	294.29	-7.56	44.55	33.79	0.64	57.64
Chitradurga	-1.42	-6 28	7 27	-24 02	10.24	29.08	-20.58	29.74	32.53	24.47	35.36
Dakshin Kannada	-10.37	-18.22	-13 73	52.50	15.06	193.99	-3 49	101.92	45.13	11.52	80.54
Dharward	-0.91	-4 17	2 49	-19 10	6 28	-4.08	-20 12	11.56	24 66	31.22	32.14
Gulbarga	2 98	-5 00	14 81	-49.25	-16.97	-1.84	-45.64	-59 03	3.29	20.18	28.26
Hassan	0.20	-3 58	13 34	9.64	-1 57	34.05	-25 76	-21.90	25.04	-20.22	15.73
Kodagu	-1.77	-13 78	-4 99	7 41	9 06	914.78	-18 49	-14 23	8.08	-2.92	30.19
Kolar	-2 38	-9 32	11.30	14 34	21 09	122 91	-2.86	51.33	34.99	23.19	20.93
Mandya	-1 18	-9 33	15 62	132.59	10 15	41146.75	-28 33	45.30	34.09	49.88	14.78
Mysore	-0 65	-16.62	30 73	24.59	4 58	486 27	-16.56	-13 31	38 12	6 11	6.82
Raichur	1 29	-7 44	9.88	-32.39	10 03	-6 49	-41 83	-63.94	4.43	-5.22	53.74
Shimoga	0 40	-3 87	6 35	-11 14	-2 98	-24 19	-26.71	-26.52	17.71	8.25	20.18
Tumkur	-1.75	-4 53	4.04	25 92	13 79	168 11	-8.68	16.31	33 68	27 67	22 65
Uttar Kannada	0 80	-11.99	24 84	10.90	-2.60	-22 39	-32.66	10.06	27.35	-35 88	31.22

TABLE 15: DISTRICTWISE PERCENTAGE DISTRIBUTION OF URBAN WORKFORCE – KARNATAKA

	AGL	CUL	AGL LAB	LIV F	NON AGL	M and Q	MAN	HH IND	NON HH	CONS	T and C	TAN and CO	SERV
1981													
State	17 48	7 18	8 60	1 70	82 52	0 91	29 40	5 97	23 43	4 86	18.96	8 34	20 06
Bangalore	3 97	1 63	1 49	0 86	96 03	0.11	37 98	3 56	34.42	5 74	18.42	9 10	24 68
Belgaum	24 72	13 50	9 92	1 30	75 28	0 15	27 27	7 86	19 41	4 39	19 81	7.17	16 48
Bellary	36 07	11 51	23 56	1 00	63 93	3 00	19 15	5 64	13.52	3 87	13 66	7.49	16 76
Bidar	22 53	8 32	12.47	1 73	77 47	0.07	17 61	6 69	10 92	4.34	23 67	8 63	23.16
Bijapur	26 90	11 20	14 33	1 36	73 10	0 05	32 36	14 89	17 47	3 63	17.41	5.68	13.97
Chikmagalor	23 45	10 73	8 47	4 25	76.55	3.41	15 43	3 89	11 54	5 90	21 63	7 22	22.97
Chitradurga	14 86	5 68	8 05	1 12	85 14	0 09	30 97	5 74	25 23	6.00	22.98	7 96	17.15
D Kannada	14 98	5 40	5 20	4 37	85 02	0 10	41 14	13 43	27 70	3 34	16 14	8 58	15 73
Dharward	30 79	11 05	18 26	1 49	69 21	0 35	22 18	6.21	15 97	3 22	18 37	9 60	15 49
Gulbarga	21 41	7 44	12 17	1 80	78 59	2 69	24 98	6 53	18.46	4 66	18.32	8 63	19 31
Hassan	17 51	11 91	3 91	1 68	82 49	0 06	18 40	4 19	14 21	5 50	27 42	9 04	22 08
Kodagu	16 40	4 74	2 89	8 77	83 60	0 06	16 89	1 74	15.15	7.69	22 95	11 05	24.95
Kolar	17 47	8 93	7 08	1 46	82 53	11 25	24 35	4.92	19 43	3.51	19 17	7 13	17.13
Mandya	29 83	14 78	13 53	1 52	70 17	0 04	17 93	4 04	13 89	4 47	20.77	5.51	21 44
Mysore	13 99	7 13	4 92	1 94	86 01	0.07	25 98	3.61	22 36	5 34	20.22	9.78	24.61
Raichur	34 29	11 60	20 89	1 80	65 71	3.07	16 14	4 23	11 92	4 68	18.58	7.48	15 76
Shimoga	20 59	7 91	10 89	1 79	79 41	0 14	28 55	4 17	24 38	8.23	19.66	6 26	16 58
Tumkur	18 38	9 86	6 62	1 90	81 62	0 04	25 37	8.87	16 50	3 72	22.11	7 84	22 53
U Kannada	18 32	8 16	5 14	5 02	81 69	0 25	24 22	4.67	19 55	4 66	21 72	8.15	22.69
1991													
State	15 83	5 91	8 17	1 75	84 17	0 82	25 84	2.59	23 25	6.51	21.63	7.61	21.76
Bangalore	3 37	1 28	1 35	0 74	96 63	0 30	34 49	1 87	32 62	8.68	22.13	8.18	22 84
Belgaum	24 35	11 28	11 49	1 58	75 65	0 23	24.56	4 33	20 23	4.34	20.70	6.68	19.15
Bellary	34 80	10 01	23 46	1 33	65 20	3 25	15 65	2.14	13 51	4 98	17 77	7.59	15.95
Bidar	20 14	6 91	12 52	0 71	79 86	0 77	12 39	2 19	10 20	3 94	22 21	10 48	30.08
Bijapur	26 31	10 77	13 71	1 83	73 69	0 45	23 25	5 73	17 52	4.53	20.78	6.34	18.34
Chikmagalur	26.79	10 14	13 66	2 98	73 21	3 81	11 12	1 75	9.37	4 74	22.43	5.97	25.14
Chitradurga	14 87	5 73	7 62	1 52	85.13	0 31	24 06	3 20	20 86	7.22	26.23	6.81	20.50
D Kannada	13 39	5 00	4 46	3 93	86 61	0 33	34 62	0 69	33.92	5.89	19 29	7.55	18.94
Dharward	28 50	10 32	16 78	1 40	71 50	0 15	20 81	3.37	17.43	5.11	21.30	8.06	16.07
Gulbarga	20 93	6 35	11 59	2 99	79 07	1 76	16.08	2 05	14 02	6.00	20 52	8 14	26.57
Hassan	17 40	8 97	6 17	2 26	82 60	0 37	12.93	1 94	10.99	5.50	26.49	9.28	28.04
Kodagu	16 54	3 19	3 44	9 91	83 46	0 19	10.12	0 66	9.46	6.34	25.91	7.28	33.62
Kolar	17.48	7 32	8 56	1 60	82 52	6 43	24.43	3.28	21.15	4.23	21.37	6.64	19.42
Mandya	31.48	12 81	15 98	2 68	68.52	0 22	14.21	3 26	10 95	5.90	21.33	5.27	21.59
Mysore	13 90	5 93	5 60	2 37	86 10	0 20	24.16	2.57	21 59	6.73	22.93	8.35	23.72
Raichur	32.15	9 29	21 26	1 60	67 85	3 05	8 70	2.16	6.54	3 21	18.04	5.32	29.53
Shimoga	23.12	7 12	14 21	1 79	76 88	0 41	20.53	2.48	18.05	6.37	22.31	6.66	20.59
Tuklur	17 80	8.92	6 92	1 96	82 20	0.36	24.25	6.04	18.21	5.61	22.25	7.12	22.62
U Kannada	17.17	6 07	4.39	6 71	82 83	0.51	20.24	3.13	17.11	6.15	21.98	7.54	26.42

household employment in most of the districts. This is a welcome trend.

Corresponding to the decline in the household manufacturing employment, the manufacturing employment in other than household industry showed a positive change in most of the districts. In the case of males, the percentage change is highest in Dharward and Dakshina Kannada. The only two districts which recorded a negative percentage change are Gulbarga and Raichur. In the case of female employment Belgaum. Bidar, Gulbarga, Mysore, Raichur, Shimoga and Uttar Kannada witnessed negative percentage change of proportions.

The percentage change in the urban manufacturing employment is given in Table 18. All the districts showed negative per cent of change with respect to the male household manufacturing. In the case of females, Chikmagalur, Mandya, Kodagu, Mysore, Raichur, Shimoga and Uttar Kannada showed an increase. The picture is entirely different in the case of non-household manufacturing. The per cent change in terms of male workforce in the urban non-household manufacturing sector showed substantial increase The female workforce also recorded an increase except the districts like Chikmagalur, Hassan, Kodagu, Mandya, Mysore, Raichur, Shimoga and Uttar Kannada.

III
Structure of Employment in West Bengal

Table 19 reveals that the structure of employment in the rural sector has undergone some changes. The proportion of total workers depending on the agriculture sector declined from 77 per cent to 73 per cent. Accordingly, both the secondary and tertiary sector employment has increased,

TABLE 17: PERCENTAGE CHANGE IN RURAL MANUFACTURING

	Household Manufacturing			Non Household Manufacturing		
	Males	Females	Total	Males	Females	Total
State	-26.39	-65.63	-43.82	21.27	124.35	46.55
Bangalore	-33.68	-21.41	-28 74	9.05	10.34	8.57
Belgaum	-13.30	0.84	-10 24	11.74	-1.80	10.45
Bellary	-18.75	-12.42	-17.45	22.23	25.22	24.18
Bidar	-7.82	17.69	-4.07	5.08	-19.95	2.93
Bijapur	-16.80	-18.57	-16.57	33.52	74.33	37.10
Chikmagalur	-42.86	-35.76	-38.94	42.05	101.07	44.71
Chitradurga	-18.36	-9.54	-15.43	19.48	26.10	20.68
Dakshin Kannada	-71.76	-97.19	-92 43	51.36	225.75	137.86
Dharward	-32.61	-28.02	-31 58	52.07	90.43	57.50
Gulbarga	5.14	14 30	6 96	-5.05	-24.74	-7 85
Hassan	-36 91	-6.52	-29 70	27.51	6.27	23.19
Kodagu	-23 21	-29.73	-22.79	6.57	14 08	7.07
Kolar	-29.67	-4 49	-23.79	15 89	2.52	12.85
Mandya	-38 38	-5.34	-31.66	22.00	6.20	20.14
Mysore	-20 07	6.76	-10.99	10 40	-4.42	5.99
Raichur	14.41	20.34	16.27	-15 93	-36.18	-20.13
Shimoga	-7.85	23 15	-1.22	5.63	-21.48	0.92
Tumkur	-22.37	-14 87	-18.31	29.60	40.21	28.32
Uttar Kannada	-9.26	51.57	-1.05	5 35	-21 60	0.57

TABLE 18: PERCENTAGE CHANGE IN URBAN MANUFACTURING

	Household Manufacturing			Non-Household Manufacturing		
	Males	Females	Total	Males	Females	Total
State	-51 01	-51 85	-50 54	9 60	33.86	12.87
Bangalore	-51.97	-29.93	-42 12	4.49	7 70	4.35
Belgaum	-39.08	-32.96	-38 84	13.45	26.89	15.74
Bellary	-62 00	-41 16	-53.47	20.42	38.91	22.30
Bidar	-61.52	-43.39	-53 45	24.08	226.52	32.73
Bijapur	-46 23	-42.32	-46.40	33.63	61.03	39.55
Chikmagalur	-44.44	4.73	-37.42	13.87	-2.31	12.60
Chitradurga	-27.04	-35.90	-28 22	4.37	25.05	6.42
D Kannada	-79.73	-97.45	-93.86	14 66	84 14	45.51
Dharward	-50 21	-18.57	-42 14	15 89	14.36	16.40
Gulbarga	-45 49	-51 97	-51 13	9 75	73 87	18.08
Hassan	-62.71	29 09	-34.13	15.25	-20.27	10.07
Kodagu	-43 11	26.81	-36.20	4 70	-4.19	4.15
Kolar	-46 34	-2 26	-33 56	10.15	1 18	8.49
Mandya	-46 90	47.69	1.87	11.02	-37 40	-0.54
Mysore	-47.50	15 23	-23.65	6.12	-4.79	3.82
Raichur	-12.83	23.62	-5.07	4.11	-12 79	1.80
Shimoga	-22 45	16.13	-17 25	3.28	-8.31	2.95
Tumkur	-45.39	-13.97	-28.78	17.98	18.74	15.47
U Kannada	-23.47	18.57	-19 87	5 49	-5 40	4.75

TABLE 16: PERCENTAGE CHANGE IN THE PROPORTION BETWEEN 1981-1991 – URBAN KARNATAKA

	AGL	CUL	AGL LAB	LIV F	NON AGL	M and Q	MAN	HH IND	NON HH	CONS	T and C	TAN and CO	SERV
State	-9.42	-17.66	-5.00	3.01	2 00	-9.19	-12.11	-56 53	-0.80	34 08	14.12	-8.78	8.43
Bangalore	-15 06	-21.36	-8.99	-13.66	0.62	161 73	-9.18	-47.43	-5.23	51.35	20.15	-10.11	-7.45
Belgaum	-1.51	-16.45	15.79	21.57	0.50	54.51	-9.94	-44 92	4.23	-1.25	4.49	-6.84	16.15
Bellary	-3.52	-13.01	-0.45	33 23	1 99	8 47	-18.27	-61 97	-0.04	28.76	30.09	1.34	-4.83
Bidar	-10.62	-16.93	0.35	-59 31	3 09	1068.49	-29.63	-67.24	-6.61	-9.22	-6.15	21.34	29.87
Bijapur	-2.17	-3.84	-4.34	34 33	0.80	791.08	-28.16	-61.49	0.26	24 63	19.38	11 52	31.33
Chikmagalor	14.22	-5.48	61.34	-29.94	-4.36	11.69	-27.89	-54.88	-18.80	-19.59	3.70	-17.32	9.46
Chitradurga	0.10	0.82	-5.35	35 62	-0.02	240 33	-22.31	-44.23	-17.32	20 22	14.14	-14.43	19.58
D Kannada	-10.59	-7.44	-14.34	-10.04	1.87	229.38	-15.85	-94.84	22.45	76.29	19.53	-12 00	20.38
Dharward	-7.46	-6.66	-8.10	-5 51	3.32	-56.19	-6.19	-45.72	9.20	58.75	15.94	-15 99	3.74
Gulbarga	-2.22	-14.71	-4.72	66.33	0.61	-34.55	-35.66	-68.56	-24.02	28.82	12.01	-5.70	37.60
Hassan	-0.61	-24.70	57.68	34.46	0.13	539.50	-29.71	-53.70	-22.63	0.00	-3.41	2.68	26.97
Kodagu	0.84	-32.68	19.02	12.97	-0.16	198.67	-40.06	-61.76	-37.57	-17.54	12 88	-34.11	34.74
Kolar	0.08	-17.95	20.89	9.47	-0.02	-42.81	0.35	-33.33	8.87	20.76	11.44	-6.96	13.37
Mandya	5.51	-13.29	18.12	75.93	-2 34	460.71	-20.75	-19.27	-21.18	31.99	2.71	-4.48	0.70
Mysore	-0.69	-16.89	13.83	21.95	0.11	182.93	-7.00	-28.99	-3.44	26.09	13 42	-14.60	-3.63
Raichur	-6.23	-19.88	1.74	-10.79	3.26	-0.70	-46.12	-48.85	-45.15	-31.25	-2.90	-28.88	87.40
Shimoga	12.31	-9.97	30.47	0.29	-3.19	201.82	-28.07	-40.48	-25.95	-22.56	13.45	6.32	24.24
Tumkur	-3.19	-9.54	4.56	2.72	0.72	858.15	-4.42	-31.92	10.36	50.64	0.60	-9.26	0.40
U Kannada	-6.32	-25.66	-14.66	33.68	1.40	106.36	-16.42	-33.03	-12.45	31.95	1.17	-7.48	16.44

the percentage change in the latter is more than that of the former. The percentage increase in the total rural workforce was 26.98 per cent, while the secondary and tertiary sector recorded a growth rate of 51.79 per cent and 67.28 per cent, respectively. Thus, the growth in the secondary and tertiary sectors are much higher than that of the percentage increase in the primary sector employment in absolute terms.

The compound growth rates of the sectorwise population reveal that the growth rates are high compared to the population growth of 2.23per cent in all the segments of the rural workforce except primary sector males. The growth rates of female employment are higher in all the sectors. From the table, one can presume that, the proportion of the increase in the agricultural sector is lower and at the same time, at least some proportion of the employment is absorbed into the secondary sector, though tertiary sector is still the major absorber of employment. The absorption of female workforce in secondary sector is one of the highest compared to the rest of the segments. Thus, rural West Bengal is in the expected path of the transition.

The proportions and the percentage changes within the rural workforce are shown in Tables 20A and 20B respectively. The proportion of the workers in the rural non-agricultural sector increased from 22.24 per cent to 26.48 per cent. Manufacturing experienced an increase of 10.44 per cent in the total workforce. Within this, household industry has the highest share, say 6.22 per cent.

The total rural agricultural sector employment has declined by 5.35 per cent in the case of males, 6.06 per cent in the case of females and 5.45 per cent for total workforce. Cultivators showed an increase only in the case of females and the rest declined. A similar decline was noted in activities like livestock and fishing.

Coming to the percentage changes in the rural non-agricultural sector, the increase was of the tune of 18.73 per cent, 20.90 per cent and 19.07 per cent, respectively. The growth in this sector is shared mainly by all the sub-sectors except mining and quarrying, where the percentage of the proportions showed a decline. Within the manufacturing employment, household industry employment recorded a negative growth in the case of males, whereas female workforce and the total workforce as such experienced an increase 49.95 per cent and 19.08 per cent, respectively. On the other hand, rural manufacturing employment in other than household industry witnessed an increase in all segments of the workers. In construction, female employment has recorded a decline: the case of sectors like transport, storage and communications is

TABLE 19: SECTORAL COMPOSITION OF EMPLOYMENT – WEST BENGAL RURAL

	1981			1991		
	Males	Females	Total	Males	Females	Total
Primary	77.79	77.54	77.76	73.63	72.84	73.52
Secondary	10.18	15.12	10.71	10.99	19.16	12.12
Tertiary	12.03	7.34	11.53	15.38	8.00	14.36
Total	100.00	100.00	100.00	100.00	100.00	100.00

	Percentage Change in Employment (1981-91)			Compound Growth Rates (1981-91)		
	Males	Females	Total	Males	Females	Total
Primary	22.71	62.54	26.98	2.07	4.98	2.42
Secondary	39.97	119.25	51.79	3.42	8.17	4.28
Tertiary	65.73	88.44	67.28	5.18	6.54	5.28

TABLE 20A PROPORTION OF EMPLOYMENT – WEST BENGAL RURAL

Industrial Category	1981			1991		
	Males	Females	Total	Males	Females	Total
I Agriculture	77.79	77.54	77.76	73.63	72.84	73.52
1 Cultivators	42.87	18.09	40.20	40.88	19.86	37.97
2 Agricultural labourers	31.79	48.44	33.58	30.04	45.89	32.24
3 Livestock, and fishing, etc	3.14	11.00	3.98	2.71	7.09	3.32
II Non-Agriculture	22.21	22.46	22.24	26.37	27.16	26.48
4 Mining and quarrying	0.82	0.59	0.79	0.47	0.21	0.43
5 Manufacturing	8.47	14.27	9.09	9.11	18.75	10.44
(a) Household industry	3.02	7.90	3.55	3.00	11.84	4.22
(b) Non-Household industry	5.45	6.37	5.55	6.11	6.91	6.22
6 Construction	0.89	0.26	0.82	1.41	0.91	1.24
7 Trade and commerce	4.62	1.58	4.29	6.63	1.92	5.98
8 Transport, storage and communication	1.84	0.17	1.66	2.48	0.12	2.15
9 Other services	5.57	5.59	5.58	6.27	5.96	6.23

TABLE 20B PERCENTAGE CHANGE IN EMPLOYMENT – WEST BENGAL RURAL

Industrial Category	Rural		
	Males	Females	Total
I Agriculture	-5.35	-6.06	-5.45
1 Cultivators	-4.63	9.79	-5.55
2 Agricultural labourers	-5.50	-5.27	-4.00
3 Livestock, and fishing, etc	-13.62	-35.58	-16.74
II Non-Agriculture	18.73	20.90	19.07
4 Mining and quarrying	-42.71	-63.52	-45.36
5 Manufacturing	7.52	31.40	14.83
(a) Household industry	-0.78	49.95	19.08
(b) Non-Household industry	12.13	8.40	12.11
6 Construction	58.72	-25.50	51.27
7 Trade and commerce	43.50	21.14	39.22
8 Transport, storage and communication	35.04	-28.55	29.94
9 Other services	12.47	6.59	11.66

TABLE 21: SECTORAL COMPOSITION OF EMPLOYMENT – WEST BENGAL URBAN

Sectors	1981 Males	1991 Females	Total	Males	Females	Total
Primary	5.36	5.05	5.34	6.50	6.19	6.47
Secondary	42.64	24.32	41.31	37.69	24.85	36.51
Tertiary	51.99	70.62	53.35	55.81	68.96	57.02
Total	100.00	100.00	100.00	100.00	100.00	100.00

	Percentage Change in Employment (1981-91)			Compound Growth Rates (1981-91)		
	Males	Females	Total	Males	Females	Total
Primary	55.66	102.57	58.88	4.52	7.31	4.74
Secondary	13.48	68.89	15.85	1.27	5.38	1.48
Tertiary	37.83	61.43	40.09	3.26	4.91	3.43

TABLE 22A: PROPORTION OF EMPLOYMENT – WEST BENGAL URBAN

Industrial Category	1981			1991		
	Males	Females	Total	Males	Females	Total
I Agriculture	5.36	5.05	5 34	6.50	6.19	6.47
1 Cultivators	1.65	1.01	1.60	2.03	1.02	1.94
2 Agricultural labourers	2 65	3.45	2.71	3.25	4.39	3.36
3 Livestock, forestry and fishing	1 07	0.60	1 03	1.22	0.78	1.18
II Non-agriculture	94.64	94 95	94 66	93.50	93 81	96.53
4 Mining and quarrying	1 43	0.90	1 39	1 83	0.89	1.74
5 Manufacturing	38.23	22.19	37.07	32.10	22.66	31.23
(a) Household industry	3.26	5.92	3 45	2 41	9.19	3.03
(b) Other than household industry	34.97	16 27	33.62	29.69	13.47	28.21
6 Construction	2.98	1.24	2 85	3.76	1 30	3.54
7 Trade and Commerce	21.94	6 79	20 84	25.44	7.95	23.84
8 Transport, storage and communication	11.09	2 96	10.50	10 67	2.46	9.92
9 Other services	18 96	60 87	22 00	19 70	58 55	23.25

TABLE 22B PERCENTAGE CHANGE IN EMPLOYMENT – WEST BENGAL URBAN

Industrial Category	Urban		
	Males	Females	Total
I Agriculture	21.23	22 53	21 21
1 Cultivators	23.54	1.62	21 34
2 Agricultural labourers	22 85	27 25	24 05
3 Livestock, forestry and fishing	13.67	30.48	13 57
II Total non-agriculture	-1 20	-1 20	-1 20
4 Mining and quarrying	27 58	-0 44	25 00
5 Manufacturing	16 05	2 12	-15 74
(a) Household industry	26 10	55 09	-12 25
(b) Other than household industry	15 11	-17.17	-16 10
6 Construction	26 32	4 73	24 00
7 Trade and Commerce	15 98	16 95	14 41
8 Transport storage and communication	-3 81	-16 83	-5.56
9 Other services	3.88	-3 81	5 68

Unlike the rural workforce, the structure is entirely different in the urban workforce (Table 21). The percentage change in the urban workforce was 58.88 per cent in the primary sector compared to the 15.85 per cent and 40.09 per cent in the secondary and tertiary sectors. In terms of the composition of the workforce, both the primary and tertiary sectors witnessed an increase. The primary sector urban employment share has increased from 5.36 per cent in the case of males in 1981 Census to 6.50 per cent in 1991.

Similarly, the percentage of female workers and total workers increased from 5.05 per cent and 5.34 per cent in 1981 Census to 6.19 and 6.47 per cent, respectively. The percentage share in the tertiary sector was 51.99, 70.62 per cent and 53. 35 per cent in the case ofmales, females and total workforce. It changed to 55.81, 68.96 per cent and 57.02 per cent, respectively. The change in the secondary sector for the same groups was from 42.64 per cent, 24.32 per cent and 41.31 per cent to 37.69 per cent, 24.85 per cent and 36.51 per cent, respectively (Table 21). The compound growth rates of urban West Bengal brings out a very disturbing picture in the sense that, the secondary sector was able to absorb just half of the population

TABLE 23 PROPORTION OF RURAL WORKFORCE – DISTRICTWISE

	AGL	Non-AGL	CUL	AGL LAB	LIV F	M and Q	MAN	HH	Non-HH	CONS	T and C	TAN and Co	SERV
1981													
State	77 76	22.24	40 20	33 58	3 98	0 79	0 09	3.55	5 55	0.82	4 29	1 66	5.58
Koch Bihar	85 40	14 60	55.32	28 91	1 17	0 00	5 13	1 95	3.17	0 27	3.62	1.44	4.15
Jalpaiguri	84 94	15.06	36 94	17.77	30.23	0 09	4 02	1 05	2.97	0 80	4.51	1.58	4.06
Darjeeling	81.73	18 27	34 23	11 47	36.04	0 01	4 42	0 93	3.49	2 09	3.22	1 57	6.97
West Dinajpur	89.66	10 34	51 17	37.44	1 05	0 00	3.90	1.82	2 08	0 18	2 66	0 49	3.11
Maldah	80.47	19.53	41 65	35 79	3 02	0 01	9.39	4.29	5.11	0 42	3 90	1 24	4.57
Murshidabad	77 23	22.77	38 56	36 26	2 41	0 04	12.31	5.52	6 79	1 67	3 61	1.10	4.04
Nadia	76.82	23.18	38.97	34 81	3.04	0 00	9.98	4 10	5 88	0 69	5.21	1.67	5.63
24 Parganas	72.14	27 86	35.57	35.12	1.45	0.02	11.05	2 83	8 22	0 74	6.63	2 60	6.83
Howrah	48.96	51.04	20.18	27.52	1.26	0 02	30 29	6.76	23 53	2 34	8.28	2.80	7.31
Hooghly	72 31	27 69	33 21	38 02	1 08	0.04	12.56	4 04	8 52	0.93	6.06	1.93	6.18
Medinipur	80.32	19.68	46.43	32 78	1 11	0.05	7.60	4.48	3.13	0 86	3 15	1 61	6.41
Bankura	82.15	17.85	43 76	36 80	1 60	0.47	7.51	4 15	3.36	0 50	2.59	0.90	5.88
Puruliya	81.78	18 22	54 06	26.31	1 41	1.61	6.61	3.14	3.47	0.80	2.47	2 17	4.56
Bardhaman	73.04	26.96	31.15	40 56	1.33	7.30	7.57	3.03	4.54	0.58	3 93	1.75	5.84
Birbhum	82.67	17.33	40.66	40.83	1.18	0.53	6 21	3.57	2 63	0.37	3.18	1 01	6.02
1991													
State	73.52	26.48	37.97	32.24	3.32	0.43	10.44	4 22	6.22	1.24	5 98	2.15	6.23
Koch Bihar	80.66	19.34	51.64	27.80	1.22	0.02	6 44	2.29	4 15	0.60	4 79	2 46	5.03
Jalpaiguri	78.61	21.39	33.69	18 96	25.95	0.05	5.61	0.97	4.64	1.15	5 74	2.70	6.15
Darjeeling	76.63	23.37	33 35	15.59	27.69	0 01	5.59	0 50	5.10	1.46	4 31	1.69	10.31
West Dinajpur	86.65	13.35	46.94	38.69	1.02	0.01	4.92	1 89	3 03	0.41	3.14	1.06	3.80
Maldah	76.42	23.58	36.64	36.71	3.06	0.03	11.89	3 59	8.30	0.72	4.69	1 44	4.82
Murshidabad	68.72	31 28	34.81	32.10	1.80	0.04	15 60	12 11	3 48	3 22	6.28	1.52	4.62
Nadia	71.40	28.60	36.56	33.32	1.52	0 06	11.79	5.40	6 40	0 99	7 15	2.07	6.54
24 Parganas*	67.78	32.22	32.71	33 04	2.04	0 06	11 64	3 46	8 18	1.36	8.53	3.61	7.02
Howrah	49.65	50 35	21.06	27.18	1.40	0.03	28 27	4.03	24.24	2.48	8.78	2 87	7.94
Hooghly	66.82	33.18	29.39	36.54	0.89	0.10	14 32	3 58	10.74	1.18	7.54	2.60	7.44
Medinipur	74.20	25.80	45.50	26 91	1.79	0.05	9.61	5 16	4.45	1.36	5 61	2.16	7.01
Bankura	80.64	19.36	43.65	35.73	1.26	0.32	7.24	3.15	4.08	0.75	4.21	1 14	5.70
Puruliya	80.80	19.20	52.87	27 03	0.90	1.07	7.13	2.80	4.33	0.62	3.65	1.67	5.05
Bardhaman	73.34	26.66	30.37	42.11	0.86	3.41	8.48	3.46	5.02	0.75	5.69	1.81	6.53
Birbhum	78.35	21.65	37.13	39.92	1.30	0.99	7.38	3.69	3.69	0.75	5 01	1.50	6.02

According to the 1991 Census, the 24 Parganas district was divided into 24 Parganas North and South. To compare this with the 1981 Census, we have clubbed these two districts together.

growth in the urban area in this sector. The primary sector experienced a higher growth compared to the rest of the sectors. The compound growth rates show a very high value in the case of female workers in the primary and secondary sectors.

The single-digit wise information on the proportion of the urban workforce is shown in Table 22A. The proportion as such declined in the urban non-agricultural sector. The decline was mainly in the manufacturing sector and in the transport, storage and communication sectors.

Unlike the rural areas, urban primary sector employment witnessed a positive rate of growth in all categories of the workforce. This is shown in Table 22B. The male cultivators witnessed a percentage change of 29.54, while the percentage change in the proportion of the urban females has remained at -1.62, while their share in the livestock and fishing increased by 30.48 per cent.

The most surprising fact is the negative percentage change in the urban non-agricultural workforce. The decline was basically due to the decline in the share of mining and quarrying, manufacturing and transport and communication. The decline

TABLE 24 PERCENTAGE CHANGE IN PROPORTION OF RURAL WORKFORCE – DISTRICTWISE

Total	AGL	NON-AGL	CUL	AGL LAB	LIV F	M and Q	MAN	CONS	T and C	TAN and Co	SERV
State	-5.45	19.07	-5.55	-4 00	-16.74	-45.36	14.83	51.27	39.22	29.94	6.66
Koch Bihar	-5 55	32.45	-6 64	-3 84	3.91	1962.53	25.61	123.02	32.55	70.54	1.23
Jalpaiguri	-7.46	42 06	-8 80	6.69	-14.14	-44 88	39.38	44.29	27.06	70.90	1.63
Darjeeling	-6 24	27 90	-2.56	36 01	-23.17	-51.39	26.61	-29.99	34.18	7.52	7.91
West Dinajpur	-3 36	29.11	-8.26	3.31	-2.44	228 45	26.17	125 79	18 30	118.51	2.26
Maldah	-5 03	20.72	-12 03	2 57	1 50	409 64	26 54	70 96	20 13	15.98	5.48
Murshidabad	-11.03	37 41	-9 72	-11 45	-25 50	9 96	26.77	93 54	73.71	37.28	4.52
Nadia	-7.05	23 38	-6.18	-4.28	-50 10	1281 66	18 17	44.64	37.21	23.94	6.16
24 Parganas	-6 04	15 64	-8 04	-5.95	40 85	269 04	5.39	82 83	28.69	38.78	2.79
Howrah	1.39	-1.33	4 38	-1 23	10 93	20.27	-6 67	6 01	6.08	2.25	8.61
Hooghly	-7 60	19 85	-11 52	-3.90	-17 24	179 24	14 02	26.68	24.50	34.77	0.53
Medinipur	-7 62	31 09	-2 00	-17 91	61 02	17 50	26 32	58 29	77.96	34.16	9.39
Bankura	-1 84	8 49	-0 25	-2 90	-21 29	-30 86	-3 70	50.77	62 40	27 32	3 03
Purulıya	-1.19	5 34	-2 19	2 75	-36 41	-33 46	7 88	-22 61	47 74	-23.09	0.84
Bardhaman	0.40	-1.09	-2.50	3.82	-35 71	-53 24	11 96	30.43	44.90	-3 38	1.75
Birbhum	-3.23	-4 96	-8.70	-2 23	10.33	86 03	18.87	105 45	57.33	48 17	0.04

TABLE 25: PROPORTION OF URBAN WORKFORCE – WEST BENGAL

	AGL	CUL	AG LAB	LIV F	NON-AG	M Q	MAN	HH MAN	NON-HH	CONST	Tand C	TAN and Co	SERV
1981													
State	5 34	1 6	2 71	1 03	94 66	1 39	37 07	3 45	33.62	2.85	20 84	10.5	22 00
Koch Bihar	6 74	2 9	2 47	1.37	93 26	0.02	17 79	2 93	14.85	2 27	25 57	9 7	37.91
Jalpaiguri	14.31	7 15	5 57	1 59	85 7	0 03	16 84	2 38	14 46	2 74	25.46	18 04	22.59
Darjeeling	4 03	0 67	0 69	2 67	95 97	0 01	16 71	2 61	14 1	4 83	27.19	16.44	30 8
West Dinajpur	15 64	7 17	6.11	2 36	84 36	0 01	15 14	2.96	12 18	2 36	30.61	9.67	26.57
Maldah	7.46	2 84	2 06	2 56	92 55	0	15 84	3.26	12.58	5 17	25 02	10.43	36.1
Murshidabad	15 80	4 23	6.72	4 85	84 2	0.04	32 68	8.14	24.54	6.1	19.06	4.96	21.37
Nadia	11.61	3.36	6 20	2 04	88 39	0 05	37 57	11.94	25 63	2.57	19.74	6.86	21.61
24 Parganas	4 43	1 02	2 53	0.88	95 57	0 07	45.51	3.19	42 32	2.99	17.27	8.15	21.58
Calcutta	0.92	0 24	0.21	0.46	99.08	0.03	29.92	1.73	28.19	2 69	28.17	12.99	25.29
Howrah	3.37	0 73	1.93	0 71	96 63	0 06	51.31	4.45	46.86	1.95	17.81	10.52	14.98
Hooghly	5 46	1 21	2.79	1.46	94 54	0 05	51.44	2.41	49.02	2.76	16.72	6.78	16.79
Medinipur	17 74	6.44	10.04	1.26	82.27	0.08	20.89	3.4	17.49	4.08	15.38	17.42	24.42
Bankura	11 35	3 71	5.95	1 70	88 64	0.04	28.33	12.05	16.28	3.73	20.42	10.64	25.48
Purulıya	11 35	3 78	4 96	2 62	88.64	0.24	18 5	3.67	14.83	2.54	19.31	25.25	22.81
Bardhaman	7 01	2 32	4.02	0 67	92.99	15.04	36.04	3.66	32.38	2.4	13.64	8.55	17.33
Birbhum	15 56	4.77	9 72	1 07	84.44	0.14	18.44	4.21	14.24	2.26	21.59	12.01	29.99
1991													
State	6 47	1 94	3.36	1 18	93.53	1.74	31.23	3.03	28.21	3.54	23.84	9.92	23.25
Koch Bihar	7 94	3 18	3.23	1 53	92.06	0 01	15.85	2.6	13.25	2.56	28.54	10.3	34.8
Jalpaiguri	13 13	5 02	5 62	2 49	86.87	0 08	15.41	2.02	13.39	5.31	26.32	13.21	26.53
Darjeeling	5.22	1.1	1.44	2.69	94 78	0 04	11.65	0.97	10 68	4.98	30.7	12.76	34.65
West Dinajpur	18 79	9.38	6.97	2.44	81.21	0.04	14.53	2.36	12.17	3.02	28.96	9.01	25.66
Maldah	9 00	2.52	2.38	4.1	91	0.08	18.05	3	15.05	4.71	24.58	12.99	30.6
Murshidabad	12 8	3 86	6.04	2.9	87.2	0.04	37.68	26.24	11.44	6.1	19.62	5.44	18.3
Nadia	13 08	3.96	6.95	2.17	86.92	0.1	35.99	14.2	21.79	2.65	20.66	6.46	21.06
24 Parganas	5.48	1.22	3.22	1.03	94.52	0 15	38 36	2.33	36.02	3.86	21.94	9.03	21.19
Calcutta	0.87	0 15	0.21	0.51	99.13	0.19	26.5	0.49	26.02	3.39	29.68	11.39	27.97
Howrah	5.17	1 15	3.25	0.78	94.83	0.06	44.65	3.26	41.39	2.5	21.26	9.53	16.83
Hooghly	5.14	1 22	2.76	1.16	94.86	0.12	42.31	1.39	40.92	4.11	21.22	8.18	18.91
Medinipur	18.81	7 36	9.81	1.64	81.19	0.05	14.62	1.62	13.01	3.52	20.19	14.27	28.55
Bankura	12.58	3.35	6 57	2.66	87 42	0.21	23.08	7.23	15.84	4.36	24.53	10.18	25.06
Purulıya	10 52	4.1	4.35	2.07	89.48	2.27	19 82	2.35	17.46	1.92	24.24	14.94	26.31
Bardhaman	9 66	3.02	5 64	1 01	90.34	15.53	26.54	1.79	24.76	2.95	17.71	8.63	18.97
Birbhum	14 87	4 81	8.3	1.76	85.13	0.54	17.66	2.58	15.08	3.42	24.84	10.47	28.2

in manufacturing was the result of the d in the male employment at the household level. On the other hand, employment in the non-household industry declined for all the groups.

Districtwise Change in Employment Structure

The districtwise proportions as well as the percentage change in the total rural employment is shown in Tables 23 and 24.

Within the agricultural sector, W Dinajpur and Koch Bihar have the highest proportion of the rural agricultural employment according to the 1981 Census. In the 1991 Census though, W Dinajpur experienced higher percentage within the districts. Puruliya stood second and the third district in terms of the proportions was Koch Bihar. In the rural non-agricultural sector, the proportion is higher in Howrah according to both the censuses.

To bring out the changes clearly, we have worked out the percentage changes between the two census points (Table 24). In the total agricultural employment, all the districts witnessed a decline, where as in the non-agricultural sector, Howrah and Bardhaman witnessed a decline. Within manufacturing, Howrah and Bankura showed a decline in the total rural employment.

Similar to the above exercise, the proportion of the urban workforce for the two census points is presented in Table 25. In the agricultural sector, Medinipur, Murshidabad, and W Dinajpur districts recorded high preentages in the 1981 Census. This order remained the same in the 1991 Census also. According to the 1981 Census and 1991 Census, the role of manufacturing is higher in Hugli, Howrah and 24 Parganas.

Coming to the percentage change in the urban employment (see Table 26), Agricultural sector as such declined only in a few districts, whereas the urban non-agricultural sector witnessed a decline in the percentage change in all the districts except Murshidabad and Puruliya. This trend is disturbing.

Table 27: Percentage Change in Rural Manufacturing Employment – West Bengal

	Percentage of Household Workers in Total Manufacturing			Percentage of Non-Household Workers in Total Manufacturing		
	Males	Females	Total	Males	Females	Total
State	-7.72	14 12	3.70	4.28	-17.50	-2.37
Koch Bihar	-6 36	-7 67	-6 88	3.37	7.00	4.24
Jalpaiguri	-37.45	-37.20	-34.24	11 55	35.36	12.16
Darjeeling	-57 33	-60 53	-57.81	14.91	17.95	15.38
West Dinajpur	-15 56	- 24 88	-17 88	9 83	48.69	15.71
Maldah	- 15 20	-49.94	-33.92	13.08	40.11	28 49
Murshidabad	38.35	98 01	73.28	-30.14	-83.70	-59.52
Nadia	9 02	13.55	11.41	-6.01	-12.38	-7.96
24 Parganas	9 72	25.38	15.96	-3.09	-16.84	-5.49
Howrah	-43 19	-1 50	-36 05	11.38	1.86	10.35
Hooghly	-25.77	-16.45	-22 31	10.90	25.27	10.59
Medinipur	-18 13	-0 04	-8 78	21 25	0.19	12.58
Bankura	-27.09	-13 00	-21 18	27 44	45 19	26 15
Puruliya	-19.14	- 21 50	-17.43	15 46	32 18	15 79
Barddhaman	0 24	4.55	1 80	-0 14	6.66	-1.21
Birbhum	-16 02	- 10 98	13 20	19 09	30 53	17.91

Table 28 Percentage Change in the Urban Manufacturing - West Bengal

	Household Manufacturing			Non-Household Manufacturing		
	Males	Females	Total	Males	Females	Total
State	11 97	51 87	4 14	1 11	18 89	-0.42
Koch Bihar	3 69	-21 73	0 41	-0 61	10 01	0 08
Jalpaiguri	-19 95	49 95	-6 98	2 98	-20 93	1 15
Darjeeling	48 25	-24 32	47 02	7 75	11 84	8 72
West Dinajpur	-32 21	42 19	16 88	7 07	-20 72	4 11
Maldah	-30 94	29 91	-19 30	7 66	-13 91	5.00
Murshidabad	131 94	221 45	179 56	-41 01	-83 29	-59 56
Nadia	22 31	24 65	24 18	-9 75	16 78	-11.26
24 Parganas	-20 96	23 53	-13 30	1 50	-4 95	1.00
Calcutta	-68 55	74 03	68 31	8 91	18 60	4.19
Howrah	-19 15	29 32	15 95	1 78	-5 19	1.52
Hooghly	-33 83	-1 36	29 77	1 58	0 19	1.47
Medinipur	-44 38	32 52	-32 19	8 12	-16 51	6 26
Bankura	-29 96	17 89	-26 33	19 39	34 20	19 49
Puruliya	-46 25	71 55	-40 12	11 33	-20 47	9.93
Bardhaman	35 98	-34 05	-33 82	3.44	25 85	3 83
Birbhum	42 20	-31 89	-36 00	11.56	26 13	10 64

Table 26 Percentage Change Proportion – West Bengal Urban

	AGL	CUL	AG LAB	LIV F	NON-AG	M Q	MAN	HH MAN	NON-HH	CONST	Tand C	TAN and Co	SERV
State	21.21	21.34	24.05	13.57	-1 2	25 00	-15 74	-12.25	-16.1	24	14.41	-5 56	5.68
Koch Bihar	17.93	9 83	30.72	11.98	-1 3	-18.19	-10 9	-11.26	-10 83	12 76	11 58	6.15	-8.22
Jalpaiguri	-8.2	-29 73	0 95	56 56	1 35	171 57	-8 49	-14 87	-7 44	93.67	3 38	-26.78	17 44
Darjeeling	29 64	63.89	109.52	0 56	-1 25	399 34	-30.3	-63.07	-24.23	3.14	12 94	-22.38	12.49
West Dinajpur	20.20	30.83	14.14	3.56	-3 74	380.93	-4.03	-20 23	-0.09	27 67	-5 41	-6 91	-3 41
Maldah	20.64	-11.08	15.41	60 02	-1 67	13.96	-	-8 03	19 66	-8 93	-1.75	24 61	-15 23
Murshidabad	-18.95	-8.67	-10.03	-40.27	3 55	17.53	15.3	222 33	53 37	0 01	2.98	9.77	-14 35
Nadia	12 71	17.88	11.98	6 39	-1 67	105 93	-4.2	18 96	14.98	3 13	4 7	-5 92	2 55
24 Parganas	23.76	20.16	27.18	18 02	-1 1	110.22	-15 72	-26 93	-14 88	29 16	27.02	10 83	-1 82
Calcutta	-5 26	-39.52	-1.62	10.92	0 05	491 42	-11 43	-71.94	-7 71	26 25	5.39	-12 3	10 61
Howrah	53.20	57.79	67.81	8.9	-1.86	13 19	-12.98	-26.86	-11 66	28 07	19 39	-9 48	12.4
Hooghly	-5.74	0.52	-0.91	-20.17	0 33	154 66	-17 74	-42 23	-16.54	48 86	26.92	20 61	12.61
Medinipur	6.05	14.36	-2.28	29.96	-1 31	-41 64	-30	-52.53	-25.61	-13 81	31 27	-18 09	16 92
Bankura	10.77	-9.73	10.37	56.97	-1 38	388.56	-18.54	-39 98	-2.66	16 89	20.12	-4.31	-1.63
Puruliya	-7.38	8.38	-12.23	-20.96	0.95	844 71	7.11	-35 87	17 74	-24 27	25 54	-40 85	15 34
Bardhaman	37.89	30.02	40.19	51.33	-2.85	3.24	-26.35	-51.25	-23 53	22.98	29.85	1 04	9 49
Birbhum	-4.46	0.98	-14.64	63.66	0.82	295.53	-4.24	-38.72	5.95	51.02	15 09	-12 86	-5.99

Except Murshidabad, Nadia, 24 Parganas (south and north) and Bardhaman all districts witnessed an increase in the household male workforce. The same is the case with female employment also. The only exception is in the districts of Murshidabad, Nadia and 24 Parganas (north and south). Coming to the non-household manufacturing, the districts mentioned above witnessed a decline in male manufacturing workforce and in the case of female employment, Murshidabad, Nadia and 24 Parganas mentioned above showed a decline. Thus, exactly opposite growth patterns are visible between these districts and the rest of the districts in the manufacturing employment at this level of disaggregation.

Coming to the urban manufacturing employment, though the total workforce recorded an increase in the household manufacturing at the state level, this was mainly due to the high percentage change in the Murshidabad district, the percentage increase was 179 56. All other states experienced a negative growth in the share of household manufacturing employment. In the case of the share of the non-household manufacturing, all the districts, except Murshidabad and Nadia witnessed a positive growth. Thus, the increase in the non-household manufacturing is a healthy trend in West Bengal. Within the manufacturing sector, the shift is a healthy one.

IV
Conclusion

The present analysis of the two states at the one-digit level gives different types of pictures compared to the all India level. Therefore, state-specific studies in this direction are needed. Most of the observations made in this analysis, since they are restricted to the one-digit category, may not give as clear a picture if one looks at a more disaggregated level. At the same time some interesting observations at the broader level are visible from this analysis.

At the all India level, the secondary sector absorbed less workers compared to the primary and tertiary sectors, where as in the urban areas, this absorption is equal to that of population growth. At the one-digit all India category, the agricultural sector did show a decline in the rural areas, where as the change was positive in the urban areas. The Karnataka picture is very much similar to the all India situation at the broader level, whereas the West Bengal situation is entirely different. This is true in the case of urban areas also.

Notes

1 The factors which led to such a shift is a matter of debate. For details see Krishnamurthy (1984), and Deshpande and Deshpande (1985).

2 The migration (for rural and urban) aspect is not taken into account.

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IITs Yesterday and Tomorrow

Amrik Singh

That the IITs have a unique place in the Indian higher education system does not have to be enlarged upon. What needs to be done, however, is to encourage and enable them to break their isolation from the rest of the university system and become active partners in the whole educational endeavour. This does not mean that they have to be like the other universities, but surely there has to be greater interaction between the technical sector and the mainstream sector. Being the strongest unit in the technical sector, the IITs have a special obligation in this respect and it is time they started thinking about it.

I

IT was the N R Sarkar Committee report in 1946 on the post-war prospects for technical education that led to the founding of an innovative technological institute at Kharagpur. Some years later, it was raised to the level of an institute of technology (IIT). Within a few years, four others were established on the same pattern.

This coincided with Nehru's vision of a future India in which science and technology would play a considerable role in development. From the day they were established, it was visualised that these institutes would compare with the best of their kind in the world. That the model taken was MIT at Boston did not inhibit other leading countries of the world from getting involved in their planning and establishment. These included the US, the USSR, West Germany and Britain. Each one contributed a great deal to their establishment and provided technical equipment and faculty in the initial stages. In course of time, each IIT established an independent personality of its own

Though the US helped directly only with the IIT at Kanpur the American influence became all-pervasive for one obvious reason. Most of the Indian faculty – and after a decade or so all were Indian – had been educated mainly at American universities. Even when the Russian or the German influence was strong as it was in Bombay and Madras, respectively, a considerable proportion of the faculty had been educated at American universities. No less relevant was the fact that they were model led on MIT. In consequence, what was happening at American universities strongly influenced what was done at the IITs.

In course of time, more and more IIT students began to go to the US for further study; more important than that, a substantial number of them stayed on. Various surveys have been carried out, and over the years, the general trend was that about 30 per cent of them settled down in other countries. This was the average – for certain IITs (for instance, Kanpur and Bombay) the percentage was somewhat higher. That apart, in certain areas – computers, electronics, for example – the proportion was much higher whereas in areas such as civil engineering it was much lower. This factor further streng-thened the American influence on the IIT system.

How did the IITs perform over the years? This question was gone into by a review committee which reported in 1986. As is usually the case, not much was done in pursuance of what this committee recommended. What the committee recommended was bland enough – indeed, no full-throated attempt had been made to grapple with the basic situation.

The structure of Indian industry had evolved in a particular way over the decades. Without a change of otlook and priorities there, it was not possible either to initiate or to sustain the change of emphasis. Two examples given below illustrate this. For instance, the review committee made the following nine pertinent observations in regard to the working of the IITs:

(1) The undergraduate programmes have tended to become stereotyped although when the IITs were started, the programmes were very flexible. The way practicals are condu-cted is another source of dis-appointment.

(2) The total research output of IITs and the quality of research carried out have not reached the levels expected of them.

(3) Over the last few years the emphasis on experimental research has dwindled. There is a tendency to avoid experimental work.

(4) Though these are institutes of techno-logy, there are relatively few doctorates in technology. PhDs are awarded equally in science-based and engineering-based subjects but few have earned doctorates in technology.

(5) Their contacts with industry are few and far between. There is no substantial technological fallout from the projects undertaken by the IITs or from the results of their research.

(6) The IIT faculty have an ambivalent attitude towards the application of science and technology in rural areas.

(7) The cream of IIT graduates are not available for service in the country.

(8) Not many IITians have become entrepreneurs and job generators.

(9) The IIT values system does not motivate the students to be committed to work in the country which has invested so much in their training.

Not much has been done to correct these problems. This was partly due to the priorities of Indian industry as stated above, and partly to the leadership role that the educational bureaucracy was expected to play. The bureaucracy is hardly the appropriate instrument for change, and yet in the prevalent system it is about the only instrument that the country has. Nothing could illustrate this more than the following observation in the programme of action which was adopted by the central advisory board of education in early 1992:

> In the present situation of global inter-dependence, interaction of institutions in one country with institutions and academics in another country has become inevitable and in most cases desirable. One should not get alarmed with the fear of the so-called brain-drain... (those who go abroad) could, in a way, be treated as a brain bank.

This was stated with reference to the menace of brain drain which had showed no signs of abatement. The 1986 review committee chose to play down the loss of talent to India when some of the best brains in the country decided to settle down abroad, the *'real* brain drain', as put by S P Sukhatme in a book with that title. This concept of a brain bank (a piece of empty rhetoric), which was popularised by Rajiv Gandhi during his regime, found its echo in this 1991 document.

Even though the economic policy was changed in the middle of 1991, its impact on the thinking of policy-makers was minimal, so much so that even when they worked out the draft of the revised policy in the later part of that year, their idiom was in no way different from what it was in earlier years.

Subsequent to changes in the economic sphere, the impact of the market has begun to influence certain trends. Brain drain, for instance, is still a problem, but it is not as acute as it used to be. For one thing, the US during recent years became less receptive to those coming from outside. For another, with the liberalisation of the economy, there is much greater awareness of the fact that, sooner or later, Indian industry would have to stand on its own feet and learn to compete in the international market.

In this connection, one important fact needs to be noted. While there are no firm data in regard to the pattern of employment from those who pass out from the IITs, the general trend may be described as follows. Something like 30 per cent of students migrated to other countries, another 15 per cent went into industry on their own, a somewhat larger proportion was employed by industry, a small proportion (not even 5 per cent in each case) opted to go into teaching, the civil services, etc, and a substantial number, something like 25 to 30 per cent, opted for a career in business management. In fact, an IIT degree became the passport for entry into a business career. Over the years, this trend has become pronounced.

There are numerous stories of how some enterprising IIT graduates chose to go into industry on their own. Most of them have done well for themselves. In early 1995,

some of them got together and organised an exhibition at IIT Delhi to demonstrate what they had achieved. Similar exhibitions are likely to be organised at the other IITs. The more telling part of their contribution is, however, another dimension of their activity. In their outlook and activity, they wish to struggle on their own rather than collaborate with those who come from outside. In plain words, they go in for collaboration only as the last way out. Their first preference is to innovate and to experiment. What proportion of Indian industry is controlled by IIT graduates is anyone's guess. The best informed estimate is that it is in the neighbourhood of 15 to 20 per cent.

Going further, one can say that in a decade from today, it is their contribution which is going to be far more decisive than the contribution of established industrialists who, following the post-1947 tradition, believe in wholesale import of foreign technology. They still wish to continue with the earlier mode of working. The IIT graduates think differently. They feel that they have the capacity and the initiative to be able to venture out on their own. Quite a few of them have succeeded to a remarkable extent, and this is what is providing an incentive to others. One can look forward to a much greater contribution by this section of IIT graduates to India's industry in the years to come, for in terms of initiative and enterprise it is the IIT-trained graduates who could make the most meaningful contribution.

In addition to IIT graduates, this sector contains a certain proportion of graduates from the regional engineering colleges and even some of the other engineering colleges. So much depends upon the quality of enterprise that they bring to bear on what they undertake to do. In a sense, therefore, the future lies with them and not with those who have been importing foreign technology more or less uncritically and who are even now accustomed to that mode of working. If some of these industrialists also begin to show a spirit of adventure and enterprise, within the first decade of the 21st century Indian industry could be more than half independent of foreign technology. Should that come to pass, it would be a considerable achievement.

II

It was against this background that in September 1991 a research project was sanctioned by the department of science and technology to the deapartment of electrical engineering, IIT, Kanpur. The review committee of 1986 had said that if the recommendations made by it are acted upon, "changes will be clear and visible in five years' time". Since most of the recommendations were supposed to have been accepted by the government, it was argued that it was time to review the outcome.

In pursuance of this, a project entitled 'The Role and Impact of Teaching Curricula in Meeting National Needs. A Case Study of the IITs' was launched. The principal investigator was N C Mathur who completed the report about the time he joined the UGC as its vice-chairman. The report has been submitted to the department of science and technology and is in circulation. Though not printed yet, it is important enough to be taken note of, for two reasons: first, the IITs are important in any case, and second, this exercise throws a certain amount of light on the way policy reviews are done and implemented. As already hinted, if there has been a slight change in the situation, this is largely because the industrial climate has undergone a change and not because the bureaucratic apparatus – the policy-makers, the IIT directors, and so on – have given it the requisite push. Even in the years to come, the impetus will come largely from outside. At the same time it must be said to the credit of the Mathur report that it has put a certain amount of responsibility upon academics even within the IITs. This is generally not done; the entire responsibility is put upon the government which, in turn, is a recipe for not doing anything.

How did the principal investigator go about the job? Even though the IITs account for less than 2 per cent of the total number of engineering graduates at the degree level produced in the country, they occupy a unique position insofar as the IITs exert tremendous influence on the whole spectrum of technical education as also the entire range of the industrial sector. In terms of methodology, it was decided to obtain the views and opinions of (a) the alumni of the IITs, (b) the employers of IIT graduates (both in government and industry), and (c) the IIT faculty. Each of the three categories was approached through a questionnaire. The response was not particularly encouraging from the alumni – only 2 per cent of all the IIT B Tech graduates responded. Of the government organisations, 43.7 per cent responded. CSIR laboratories and DRDO laboratories also responded at the rate of 25 and 11.1 per cent, respectively. Private industry responded only to the extent of 14.8 per cent. The most disappointing, however, was the response of the IIT faculty. In Kharagpur, only 14.4 per cent responded whereas in Madras, Delhi and Kanpur the rate of response was 20.2, 2.9 and 2.2 per cent, respectively. In addition, a few interviews with some of the leading players in the field of technical education were conducted.

What emerges from these surveys is interesting. One question asked if the respondent would subscribe to the view that the job of the IITs was to produce students comparable to the best institutes in the world. 16.9 per cent of the alumni agreed with that and so did 13.7 per cent of the faculty; 30.8 per cent of the faculty disagreed and indeed 26.8 per cent strongly disagreed. When it came to the faculty, 41.1 per cent strongly and 25.9 per cent strongly disagreed. This is instructive. There is considerable dissatisfaction with what the IITs are doing but there is no comprehensive perception of what needs to be done. Without going into the details of some of the other subsidiary questions, the basic issues facing the IITs need to be brought into the open.

During their establishment, the one thing emphasised repeatedly was that the IITs should be comparable to the best in the world. That was a laudable objective and every effort was made to live up to this ideal. In terms of resources, equipment, faculty and so on, there was nothing lacking. Each one of the IITs was built according to a specific design and given the very best that the country could afford. In fact, cost was no consideration. Even the choice of the first director in each IIT was almost impeccable. One or two of them did have some idiosyncracies, but for the most part they provided strong and innovative leadership. Not only that, admission to the IITs was such that only the best talent in the country could get entry into them. Within a few years of their establishment, it became the ambition of almost every bright student who opted for engineering to join one of the IITs. All other institutes were below them in terms of facilities and prestige.

Within a decade of their establishment they came to be seen as more or less comparable to the best engineering institutes in the world. This was recognised not only within India but almost everywhere. When the first graduates came out, quite a few of them went across the Atlantic and sought admission to various American institutes. Because of their basic equipment and the kind of training that they had had, they were lapped up by American universities. As soon as they passed out they were offered jobs in universities and industry. Consequently, most of them started staying on.

Those who came back found that they were, relatively speaking, unsuitable for Indian industry for the simple reason that it was running with more or less obsolete equipment and at a level of technical competence which existed before second world war or hardly later than that. Even in cases where up-to-date equipment had been procured, the only job for an engineer was to keep it running. It was a maintenance job that they had to perform whereas they had been trained for more advanced work including design. Design work was being done in other countries; even the machinery was being fabricated not in India but elsewhere. It was imported into India and installed and that also not in many places. Altogether it was a bleak and dispiriting situation.

Still, quite a few came back and struggled on their own. Those who were self-willed or did not bother much about family ties and such other considerations stayed on, mainly in the US. In any case, everything was favourable there and only a few things were favourable here.

What was at the root of this? In order to remain abreast of the latest in the field of technology, the IITs devised their syllabi at such a level of sophistication that they should not lag behind leading American institutes like MIT. In plain words, what it meant was that the kind of technology with which they were acquainted was of the American brand and level of sophistication rather than what was obtainable in India. Most Indian industry

operated, as already stated, on the plane of pre-second world war technology whereas, at least in the US, things had gone much beyond that. Thus the gap between American technology and Indian technology became wider with every day that passed.

If the IITs had kept in mind the requirements of Indian industry, they would have been more relevant to the Indian situation. But then their training would not have been comparable with the best in the world. That ideal became the overriding objective and the IITs did not hesitate at any stage in regard to the choices that they were making. They wanted to operate at the cutting edge of technology and that meant American technology. A large number of teachers had been trained there. They went there every year or two and renewed their contacts and caught up with the latest in their fields of specialisation. The sum total of it, however, was that IIT-trained engineers became immensely employable in the US whereas they became more and more unemployable in India.

The example of a colleague of mine illustrates this point. Having done his MSc in chemistry, he went to the US under the post-war scholarship scheme in 1946. He received training in distilling for 20 months. When he came back after the partition, he found that except for one factory, all others were operating on the kind of technology that had been developed between the two world wars. After a few months of incessant efforts he got a job in a beer plant which operated on the kind of technology with which he was familiar. Owing to various reasons, typical of our style of working, he could not survive beyond a few weeks and ended up coming back to teaching. What his experience showed was that he was trained for a kind of technology which was not being put to use in India. What was in use was something that he had not learned or mastered. In other words, he was unemployable in India and, not finding a future for himself in the distilling industry, he elected to teach.

This process was repeated over and over again hundreds and thousands of times and in a variety of ways and situations. Meanwhile immigration laws had been liberalised in the US and more and more IIT graduates began to prefer to settle down there. There were others who did not go abroad or chose to come back. Meanwhile a large number of IIT graduates discovered that to do a degree in business management after a degree from IIT was a good combination. Therefore more and more opted for that career.

Beginning with the 1980s, some of them started going into civil services – that also became an attractive proposition. But one thing that not many of them did was to go into industry, because industry was working in such a manner that quite a few of them found themselves misfits. If they were prepared to adjust, they could adapt themselves to the requirements of that level of technology with which they were not acquainted. Given the situation with which they faced, they came to terms with whatever was available.

This was the broad situation when the IIT review committee reported in 1986. Nothing much was done even after the report was submitted though, in principle, a large number of recommendations were accepted. It is only with the economic changes initiated in the middle of 1991 that things began to change. This has not had as much impact on the IITs as it ought to have had. The Mathur committee, nhowever, is a contribution towards such a possible change and it needs to be looked at somewhat more carefully from that point of view.

IV

Even though the objective situation has changed somewhat, what happens within the IITs is a matter of considerable significance. As already stated, even if the IITs wanted to re-orient their curricula they were caught in a bind. They could not be like the other engineering colleges for that would have meant a marked deviation from the MIT model that they had adopted for themselves. And if they followed that model, what they succeeded in doing was to prepare professionals for the American market and not for the Indian market.

Fortunately, now the character of the Indian market is changing. There is not only the desire but also the compulsion to compete in the international market. This in turn would mean that Indian industry has to be up-to-date as far as technology is concerned. In order to be up-to-date there are two choices. One is to enter into collaboration with foreign industry and import their technology. This is the pattern that was followed during the last five decades. The snag in this mode of functioning is that it is not the latest technology which is made available. Instead, it is the technology which has been discarded that is exported. In other words, the latest technology is treated as the preserve of those who invented it. This is what gives them an edge over other competitors even within their own country.

This is the pattern of development in those countries. In the international context, this process is to be seen in the competition that is so very evident in countries such as Germany and Japan *vis-a-vis* the US. These two countries did not depend upon what was being done in the US. Rather they developed their own R and D and made every possible attempt to steal an advantage over the others. This explains, for example, how Japan was able to overtake the US in the manufacture of cars, electronic goods and other innovations such as artificial intelligence, robots, etc.

This brings us to the second alternative which is available to us in India. Unless we can adopt this alternative, what we have will always be second-hand and derivative. By the time we catch up with an advanced country it would have gone ahead. In other words, we would be always one step behind – if not more. Properly speaking, no country has ever been able to progress unless it has become self-reliant in R and D.

It should not be necessary to quote data in regard to how scientific research has been promoted and nurtured in India during the last couple of decades and with what results. The plain fact is that the initiative in scientific research was taken mainly by the science laboratories with funding provided by the government. Before long, the whole thing got bureaucratised and the result is that not much has been accomplished on that plane. A number of people have argued over the years that government control of scientific research is not going to give us that edge over others which we aspire to achieve. Scientific research has to be de-bureaucratised and R and D placed by and large in the hands of private industry, which is motivated by the desire to overtake others.

When we come to think of it, the government got into the business of scientific research because at one stage there was no industry worth the name which could have sponsored research. Now that industry is likely to grow in size and range and resources, the changeover should take place. Some evidence of it is already to be seen.

What we have to do is to give further impetus to this process and make it pick up momentum so that it can compete with others for better resources, both human and financial. This will take time. The next couple of decades are crucial from that point of view. The decisions that are being taken today would shape the way things will happen after some decades. Unfortunately, there is not adequate awareness of the issues or the stakes involved. That is why it is all the more necessary that awareness should be spread not only amongst those concerned but also among the general public.

Whoever else is aware, the degree of awareness that obtains in the university world, including the IITs, is not extensive enough. That is a cause for anxiety. Quite appropriately, this is one area to which the Mathur committee has given some attention.

V

When science laboratories were established, they drew upon the universities for their manpower. There was nothing unusual about this; this is how it happens in every case. But two things happened simultaneously to deplete the human resources of universities. One was the migration of talent to these laboratories, and the other was the migration of talent to other countries, notably the US. This double depletion of talent impoverished the universities to such an extent that for the past few years, universities have not been able to produce men and women of the right calibre in adequate numbers. Even the needs of the research laboratories are not being met as they deserve to be. Simultaneously, with the growth in the number of colleges and universities, resources for the latter in particular became more and more difficult to come by. This process has been at work for several decades and the results are there for everyone to see.

Around one-third of the resources that the UGC gets, for example, are given to colleges for their development. Strictly speaking, even these are inadequate. But as long as the centre has an obligation towards the colleges,

this is not only necessary but also imperative. Another factor also started working and a reference must be made to that also. Owing to the greater visibility and mobilising capacity of those engaged in scientific research, funding for that area of activity went up markedly. In the 1980s, for example, while the UGC outlay went up by around 50 per cent the outlay on scientific research went up by 500 per cent. These details are very well known and do not have to be enlarged upon.

Where do the IITs fit into this pattern? Properly speaking, the IITs should have played a pioneering role as far as new technology is concerned. They failed to do so for reasons that do not have to be repeated. In the bargain, however, they damaged themselves a good deal. The Mathur committee has the following things to say in this regard:

(1) The components of the undergraduate programme which contribute to the student's awareness of the Indian industrial scene, namely, summer training and industrial tours, should be organised with much greater care and effort. Persons from industry should be invited to give lectures in the courses as well as extra-mural lectures.

(2) The IIT faculty should consciously improve their involvement in the industrial scene. This can be done at several levels. There is need to modify some of the reward and incentive systems so that faculty will feel better rewarded for industrial interaction. Recruitment should also take this into account.

(3) There is a need to develop contact with the alumni on a much larger scale than what exists at present. This will contribute to the financial resource position and also lead to greater industrial interaction.

(4) There is a need to increase the availability of Indian authored text and reference books for every subject, this should be taken up as a mission with proper planning, incentives and financial gains. This will go a long way in generating confidence in the students in the calibre of the faculty and also provide an 'Indian perspective' to the teaching of engineering.

(5) Student evaluation of courses and teachers is a well-recognised procedure which all well known universities in the world use for improving their education standards as well for reward/punishment of the faculty. This system has not evolved properly in the IITs although some form of student evaluation is done in some of the IITs in many departments. There is need to develop a well thoughtout system in this regard.

As should be clear, the Mathur committee is seriously concerned about the lack of performance of the IITs. Among other things, it has quoted one disturbing fact from the 1986 review committee report. Most of the PhDs awarded by the IITs are not in the area of technology but in the basic sciences and related areas. The IITs were established mainly to promote the application of science to technology. If that aspect is overlooked, the IIT mandate cannot be said to have been fulfilled.

In this connection, one specific point needs to be underlined. The ideal before the IITs was to produce what was called an engineer-scientist as against an engineer-manager which most other engineering colleges did. In more specific terms, what it means is that IIT graduates have to have considerable grounding in the basic sciences. The traditional pattern in most other engineering colleges is to prepare engineer-managers. They are trained as engineers but they also work as managers. This is not so in every case but that is what generally happens. As against that, the IIT graduates are so well trained in the basic sciences that they form an important component of their training. In IIT Bombay, for example, basic sciences receive 30 per cent of the attention and engineering science 25 per cent; 30 per cent attention is given to professional courses. Altogether, therefore, it comes to 85 per cent, the balance being given to the humanities and the social sciences.

Clearly, those trained by the IITs were not meant to be narrow specialists but men and women who were trained in a wide range of knowledge and who possessed considerable depth in the basic sciences and engineering science. These proportions are not observed in all IITs and there are considerable variations, but the broad pattern is about the same. In Kharagpur, for example, professional courses receive 50 per cent of the attention and humanities and social sciences, only 8.1 per cent. It is for the specialists to opine whether in this case there has not been a serious deviation from the basic norm. On the face of it, it appears that that is so.

It may not be out of place to mention the proportions at MIT: 21 per cent for humanities and social sciences, 25.4 per cent for basic sciences, 20.5 per cent for engineering sciences and 32.1 per cent for professional courses. The AICTE/UGC have also said something in this regard but without being very specific. They have allocated 20-23 per cent to basic sciences whereas engineering sciences and professional courses have been clubbed together within a range of 67 to 72 per cent. Whatever be the details, the fact remains that the IITs were innovative and blazed a new trail in technical education.

VI

Without going into any further details, what needs to be discussed is what the Mathur committee has to say in regard to some of these issues. Regarding one of them, the Mathur committee is strongly critical. What is called summer training and industrial tours are not given the kind of attention that they ought to be given. There is no uniform or satisfactory method for placing students for summer training, nor is there any system of monitoring the training of students. Quite a number of students take summer training in the IIT itself, when they choose to get attached to various sponsored projects. There is little co-ordination between various departments and the student placement office which, formally speaking, has to be in the picture.

While this is disquieting enough, the following set of figures has something to say and needs to be gone into more intensively.

TABLE: ENROLMENT IN SUMMER TRAINING, INDUSTRIAL TOURS, B TECH PROJECT

(percentage)

Institute	Summer Training	Industrial Tour	B Tech Project
IITBombay	98.3	53.8	43.8
IITDelhi	94.2	69.1	50.8
IIT Kanpur	59.4	76.8	45.4
IIT Kharagpur	98.5	63.6	45.4
IIT Madras	25.2	51.2	40.0
Overall	76.7	70.5	46.1

Why is there so much variation in this mode of training? While it is correct that every IIT is free to frame its own syllabus, there has to be a set of certain minimum norms which can be ignored only at the cost of quality. That the IIT Madras should diverge from the others so radically in this regard is a matter of concern. Now that this issue has come into the open, hopefully the proportions would be set right.

There is a more basic question which needs to be raised and answered. Who is responsible for co-ordination? Is it only the IIT council or can some other agency be thought of? The IIT council consists of the directors of the five IITs, and their meeting is presided over by the union education minister. Till recently the AICTE did not have a statutory status and its role was hardly significant. Now that it is a statutory body it has to be given a certain role. What that would be is perhaps yet to be worked out and need not pose such a problem. The real problem is in regard to academic co-ordination. That every IIT should have the independence to decide its own curriculum is correct in principle, but surely there has to be some mechanism whereby two things can be ensured. One relates to compliance with a certain set of minimum norms, and the second relates to how the IITs co-ordinate with one another on the academic plane.

In order to fulfil both these objectives, it is important that, in addition to the job of co-ordination done by the various directors, there should be a parallel mechanism whereby academic co-ordination can take place. Strictly speaking, each director represents his own IIT in respect both of administrative and academic matters. In practice, however, it is only the administrative matters which come up for consideration and the academic matters do not receive adequate attention. This lacuna needs to be taken care of.

What if each IIT senate were to nominate four or five members to this body which would do academic co-ordination? The directors may nominate one out of themselves to preside over such meetings for a period of, say, two years. The secretarial work should be done by the office of the chairman though there could also be a vice-chairman elected from amongst the members. Perhaps a tenure of two years for this body would be in order. This body should do two things. One is to lay down the norms below which no IIT should fall. There should be a range within which they can operate. They need not adopt a bureaucratic approach; instead some kind

of flexibility should be built into the system. Second, it is important that such norms be evolved and adhered to and monitored by and large.

The job of this extended senate co-ordination committee, if one may use this nomenclature, should be to take note of what is being done, consider some of the innovations being introduced and make relevant recommendations. These recommendations do not have to be binding on others, but a certain amount of airing of views, exchange of information, and follow-up would be useful. Such a body has not been brought into existence so far. Going by the data collected by the Mathur committee, it seems logical to think of some such body. Today, it is not even certain that the report is being read around the IITs. It has not even been printed yet. Evidently, there is not much of a demand for it.

In any case, going by the response of the faculty, two things may be said. One is that there is a certain degree of apathy on the part of the faculty in regard to the direction in which they are going. Not all of them feel involved in what has been happening, nor do all of them take any initiative to ensure some kind of co-ordination. Second, which is perhaps equally true, this apathy is not so much personal as social in character. Most of the faculty are busy with their work and are on the whole productive. But when it comes to interacting with others, forging social and academic sanctions, and going ahead with the re-orientation of the IIT functioning, not many of them show any initiative or concern. This is a cause for anxiety and represents the same degree of civic unconcern as is to be found amongst teachers in the mainstream universities.

Perhaps nothing illustrates this unconcern more decisively than the way interaction with industry has been neglected. A good deal is being talked about it. With the change in the outlook of Indian industry, things are beginning to change. Nonetheless, there has to be some effort from within the IITs also. Something has been said about it by the Mathur committee but it is neither particularly comprehensive nor wide-ranging enough. For example, apart from the review committee's observations that their contacts with industry are few and far between, that committee made a couple of other observations also: (a) "the IIT faculty have an ambivalent attitude to the application of science and technology in rural areas and (b) not many IITians have become entrepreneurs and job generators".

These two criticisms cannot be treated lightly, particularly the second one. The lack of entrepreneurship is a serious problem - it is concerned with the growth of industry in the country in a decisive way. While controls have been relaxed and government management liberalised, there has to be a lot more done before industrial growth can get, say, doubled within a year or two. For the year 1994, the rate of growth is said to have been a little over 5 per cent. Unless it goes up to 7 or 8 per cent in 1995 and 9 or 10 per cent in 1996 and is sustained at that level for the next several decades, the contribution of industry to the GDP would not be decisive enough.

Countries which have made notable progress during recent years, even those in Asia, have had annual growth rates of around 10 per cent, sometimes even more than that as far as industry is concerned. It is only in industry that the rate of growth can be stepped up markedly. When it comes to agriculture the rate of growth can never be that high. Since around 80 per cent of the population depends upon agriculture, a good deal has to be done even on that front. But even when it is successfully done, the rate of growth would never be that high. In the very nature of things it cannot but be slow. It is only by combining the rate of growth both in agriculture and industry that a resonably vigorous rate of growth for the whole economy can be ensured. There is so much more responsibility cast upon industry, therefore, and the IIT graduates have a role to play there.

As already stated, around 15 per cent have demonstrated entrepreneurship. What is required is that this figure should gradually go up and, within the next half a decade, should go up to almost 30 per cent and then to 50 per cent. That alone would justify the enormous investment made in the IITs and the trust reposed in them. A reference has already been made to the qualities of entrepreneurship displayed by IIT graduates who have gone into industry. It is their initiative which is likely to yield impressive dividends in the years to come. But if more of them opt to go into industry, it would give greater impetus to its growth.

The related aspect of not being concerned enough about the application of science and technology to rural areas is also equally important. With the continuing growth of population and hardly any further addition to the availability of arable land, agriculture cannot afford to look after all the people who are even now working in the field. Industrial growth means more and more people moving away from agriculture and getting diverted into industry. While that process would get quickened, as sketched above, it is no less important that agriculture become more and more commercialised and its productivity increased. The productivity of land in China, for instance, is more than twice that of India. If agricultural productivity in India has to be stepped up, the application of science and technology to agriculture is an urgent necessity.

Currently it is only the agricultural universities which have established faculties of agricultural engineering. Why cannot something corresponding to it be established even in the IITs? After all, they would be working in the same area and would have the same thrust. A certain amount of co-ordination therefore would be particularly useful. Hardly any thought has been given to this dimension of the problem. It is time that this item be put on the agenda and a viable plan of co-ordinated activity worked out.

The lack of interest in rural areas is not at all surprising. Almost without exception, those who enter the IITs come from urban backgrounds. For almost half a century, if not longer, higher education has been the monopoly of the middle class. Alienation from the countryside is therefore a part of its cultural baggage and its patterns of organisation. But if the country has to grow and if the interests of the poor who live in rural areas are to be put at the centre of things, concern with what happens in the countryside is imperative. The IITs have an obligation here as much as any other agency in the country.

VII

In its final recommendation, the Mathur committee has given considerable thought to two issues. One relates to re-orientation of teaching at the B Tech level, and the other one is how to involve the faculty more decisively in industry. The exact recommendations are:

(1) A new course of action needs to be adopted to enhance the exposure of B Tech students to the industrial scenario of the country. Various steps in this direction have been suggested by the curriculum review committees of the IITs. These include a well-planned and supervised summer training programme and industrial tours for the students. The quality of the BTech project needs improvement with greater relationship to the actual needs of industry. This can only be achieved if the faculty have greater involvement with industry and the institute as a whole invites more participation from industry personnel through lectures in courses, extra-mural lectures and adjunct professorships. All these are feasible and need only the will to achieve them.

(2) The involvement of faculty in the industrial scene requires a multi-pronged approach. The following are amongst the possible steps:

(a) Incentives to faculty who participate in industrial interaction in one way or the other

(b) Changing the rules regarding sabbatical leave so that greater leave can be utilised for industrial participation.

(c) A tilt towards favouring industrial experience as a desirable qualification when considering candidates for faculty recruitment.

(d) Encouraging consultancy by reducing the amounts that go to the institute as overheads from consultancy income.

(e) Changing rules so that faculty can draw part of their salary from project funds in return for reduced teaching load

(f) Encouraging faculty to start their own industry and providing suitable facilities and benefits (as has already been started in IIT Kharagpur).

(3) The IITs must start a concerted effort at getting top class textbooks written for use in India which emphasise the Indian work environment and developments in India. Some IITs have already started this scheme. However, much greater effort needs to be made with proper incentives and remuneration. This should be considered equivalent to a teaching load and a definite time frame should be set.

(4) IITs must develop a system of student evaluation of both the teaching programme and the teachers. Such systems are widely used in the US and provide an input for faculty assessment as well as course improvement. When used for faculty assessment, they provide both an incentive and a check to maintain standards.
(5) Contact with alumni needs to be increased to encourage financial contributions and increase their participation in the growth and development of the institutes.

As should be evident, the Mathur committee is seriously concerned about re-orienting the work of the IITs and has made fairly meaningful recommendations. There is little that one can say in addition. But there is one thing which perhaps needs to be done. It would help in the long run. This refers to projecting the IITs not as an autonomous sector of activity but as a part of the total educational thrust to prepare for a more industrialised and productive future. In theory, hardly any one can quarrel with this. In practice this requires a re-orientation in the outlook of the union ministry of education.

For reasons both historical and numerical, it is the UGC which has been receiving the greater part of its attention The AICTE functioned all this time as a limb of the government and did not even have a statutory status. Even after it came to have the statutory status, the first five years of its independent existence were virtually wiped out because it was treated as the backyard of the ministry of HRD. The AICTE never came to develop an independent status for itself and it is only since 1993 that it has begun to acquire a personality of its own Regardless of how it has been functioning and is attempting to function, its potential is immense. In course of time it can become as crucial a wing of the ministry of HRD as is the UGC.

Even in terms of numbers, those enrolled in the technical sector are more than half a million. They come from some of the more talented of the student body. To put it no more strongly, the AICTE is so designed that it can, and should, play a very important role in the field of higher and professional education Currently the IITs are not treated exactly as a part of the higher educational system. They function on their own and live in a world of their own. This worked during the last few decades, but to continue with this mode of operation would not be right The IITs have to be much more at the centre of things than they have been so far

In terms of the statutory relationship between the AICTE and the IITs, a kind of convention has grown up whereby the IITs function entirely on their own. Till recently it was the union minister of education who also presided over the destiny of the AICTE. Now that phase is over, a new equation would have to be worked out. It is not necessary to suggest that the chairman of the AICTE should also become the chairman of the IIT Council; perhaps that would be going too far. But some kind of reorientation would have to be worked out. This should be on the basis that both the UGC and the IITs work under the overall supervision of the ministry of HRD and each one play a role which is central to the task of building a new India.

That the IITs have a unique place in the Indian context does not have to be enlarged upon. What needs to be changed, however, is that they are both encouraged and enabled to break their isolation from the rest of the university system and become active partners in the whole educational endeavour. This does not mean that they have to be like the other universities, but surely there has to be greater interaction between the technical sector and the mainstream sector. Being the strongest unit in the technical sector, the IITs have a special obligation in this regard, and it is time that they started thinking about it.

What do the preceding remarks precisely mean? The answer is two-fold. One, the IITs have the status of institutes of national importance and for all practical purposes they are regarded as universities. They award degrees and function like any other university. Whether they are to be equated with universities or not was gone into by the Association of Indian Universities in the early 1960s when they were set up. There were some reservations regarding government control over the IITs. After a certain amount of discussion, it was agreed that the IITs are like any other university and their mode of management and control is a matter of detail To set the record straight, most other universities function less satisfactorily than do the IITs. The latter maintain at least good standards and this is something to be gratified about.

If the IITs are like the other universities, there should be better give and take between them and the rest. This has to be more on the academic plane than anything else. This also means one thing more. In this connection, the MIT model might be recalled. In fields other than engineering and technology, that institution has, at least in a few cases, outdistanced other universities. There is no reason why the IITs cannot do the same. They have departments of humanities also and some quite capable people on the faculty. There is no reason why these departments cannot perform in such a way as to outshine the other universities. Business management is an area in which they can directly compete with other universities. In the field of natural sciences, this is happening to some extent and the same can happen even in other areas.

Here it may not be inappropriate to offer another analogy. What has been said above about the IITs cannot be said for example about the IIMs. There is a certain similarity between the two but the dissimilarities are stronger and more visible. The IIMs have a limited focus whereas the IITs are universities in every sense of the word though their special focus is on engineering and technology. Technology is the application of science and engineering to technical probelms in different areas of activity. To talk of the IITs in this emphatic vein is to underline the point that the IITs have to function as universities and nothing less than that.

This brings us to the second point. Should they start performing better in the related areas, this would not mean that the IITs have fulfilled their basic mandate. Their mandate is primarily to promote technology. What is happening at that level is not satisfactory enough. Without repeating several of the things suggested earlier, it needs to be reiterated that it is when they function in close and productive collaboration with industry that they would reach their full stature. Instead of continuing to borrow, it is time they became self-reliant in the first round and self-propelling in the second round. This is the consummation one looks forward to.

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Municipal Reform in India

Comparative Models and Processes

Abhijit Datta

Municipal government in India is a colonial legacy which underwent very few structural changes after 1947, leading to its institutional marginalisation. The onset of liberalised political culture at the centre by the end of the 1980s resulted in the passage of the 74th Amendment in 1992. This paper discusses the institutional models and management processes of municipal government one year later, and hazards guesses about the future reform process.

MUNICIPAL government in India is a British colonial legacy. Since Indian independence in 1947, municipal government underwent very few structural changes and became subjected to political neglect, leading to its institutional marginalisation. Widespread and prolonged supersession of municipal government became the order of the day. State government bureaucracy was involved in the political tasks of municipal governance as administrators, appointed executives, and appellate and penal authorities in disregard of all norms of local democracy. In spite of the elected nature of municipal government, its status was no different from parastatals in terms of accountability to its administrative department at the state level.

With the onset of liberalised political culture at the centre by the end of the 1980s, attempts were made to confer constitutional status on municipal government in India, resulting in the passage of the 74th Constitutional Amendment in 1992. This accorded constitutional status to municipal government and provided for only a limited period of their supersession. In addition, the 74th Amendment provided for some degree of institutional uniformity, reservation of electoral seats for the weaker sections and women, a desired municipal functional list, creation of planning committees in the districts and metropolitan areas, and appointment of state election commission and state finance commission on the models of their central counterparts. There is, therefore, an attempt to ensure some degree of institutional uniformity of municipal government under the 74th Amendment.

The state conformity legislations, passed within a year of the enforcement of the 74th Amendment (i.e. by May 31, 1994), dealt with the mandated institutional structure of the 'municipalities', leaving the associated management aspects unchanged. With the installation of a new municipal structure and by ensuring the political existence of the 'municipalities', their associated management system would undergo corresponding changes in the coming years.

The municipal management system operates outside the mandated structural reform so that there is a latent contradiction between the reformed institution and colonial-style management practices. These practices would be under pressure for reform from at least four directions: (i) economic liberalisation, (ii) local political pressure, (iii) citizen involvement in local services, and (iv) judicial intervention.

The present paper mainly discusses the institutional models and management processes of municipal government one year after the passage of the 74th Amendment, and hazards guesses about the future reform process in municipal structure and management in the coming years.

Mandated Institutional Models

The 74th Amendment requires the states to constitute 'municipalities' in three categories: (a) 'nagar panchayats' (town councils) for transitional urban areas, (b) municipal councils for smaller urban areas, and (c) municipal corporations for larger urban areas. In addition to the census definition of an urban area, its internal revenue prospects, and other factors relating to its economic and other significance may be considered for municipalisation, except where municipal services are provided by the industries in an industrial township. Ordinarily, the discretionary elements apply to the creation of a nagar panchayat with a population size of 5,000-20,000 along with the consideration of other factors. A municipal council is generally constituted with a population of 20,001-3,00,000, and a municipal corporation is created for a population of over 3,00,000. These size classifications, however, are not uniform across the states.

The implications of a three-level classification of 'municipalities' are that the smaller townships, barring self-sufficient industrial areas, would have to be fully elected, and the various municipal classes could be differentiated in terms of their functions, tax powers, degree and manner of state control, council size, executive system, and staffing pattern. Future uniformity in municipal management would reduce these operational differences among the municipal classes.

Council Composition and Elections

Apart from electoral composition of the municipal councils, the 74th Amendment provides for additional membership from: (a) sitting members of the state legislature and the parliament whose constituencies cover the municipal area; (b) chairpersons of the ward committees of municipal corporations with a population of 3,00,000 and more; and (c) nominated experts without voting rights. While the involvement of the members of the state legislature and the parliament is emulated from the 'panchayats', the creation of the wards committees at the ward and zonal levels in the larger cities is an innovation under the 74th Amendment. This provides opportunities for decentralisation of municipal services and larger involvement of the citizens in municipal affairs.

The superintendence, direction and control of the preparation of electoral rolls for the conduct of municipal elections vest in a single-member state election commission under the 74th Amendment. Municipal legislations contain long lists of disqualifications for eligibility in elections, leaving the actual electoral procedure to be specified under rules or through executive orders. It is desirable to closely follow the method of elections for the parliament and the state assemblies under the Representation of the Peoples Act for the municipal legislations as well.

The 74th Amendment makes reservation of council seats and the post of the chairperson for scheduled castes and tribes, and for women. It also permits additional reservation of council seats for other backward classes. However, the reservation for scheduled castes and tribes is limited to the period specified for them in the constitution for all other purposes. These reservations are identified for specific electoral constituencies and councils and generally remain valid for the entire five years' duration of the councils.

The municipal chairpersons are indirectly elected, except in Andhra Pradesh where direct election is in vogue. However, the manner of the election of the chairperson has no bearing on his executive responsibilities. Since municipal elections are fought on party lines, the chairperson is chosen from the majority party. In the municipal corporations the chairperson is called the 'mayor', who presides over the council; in the municipal corporations of West Bengal the chairperson of the council acts as the speaker, while the mayor heads a cabinet type executive called the 'mayor-in-council'.

Functions and Finance

Instead of specifying the municipal functions, the 74th Amendment indicates, in the attached 12th Schedule, 18 functional areas for possible devolution to the 'municipalities'. These functions do not always correspond to the central, state and their concurrent subjects listed under the 7th Schedule, e g, (i) slum improvement, (ii) cultural promotion, (iii) urban poverty alleviation, (iv) environmental protection, etc. There is no time limit laid down for devolution of any or all of the functions listed in the 12th Schedule.

There are also significant omissions in the 12th Schedule functions relating to human development – e g, primary and secondary education, basic health care – although these responsibilities are suggested for delegation to the rural panchayats under the parallel 11th Schedule. At the same time, it is up to the state governments to delegate functions for the 'municipalities' beyond those indicated under the 12th Schedule.

Moreover, even when a function or sub-function is delegated to a class of 'municipality', the state government does not vacate its operative jurisdiction from that area, with the result that all municipal functions in effect become concurrent. Even a legal delegation throgh the municipal legislation is paralleled by concurrent functional delegation to state parastatals, or operated directly by the state governments. The real issues, therefore, are two. (a) the need for specifying an exclusive functional list for the three categories of 'municipalities', and (b) the time span for devolution of such functional delegation to them.

The 74th Amendment did not attempt to include a municipal tax list along with the indicative functional list in the 12th Schedule. Instead, the responsibility has been thrust on the State Finance Commission (SFC) to be constituted within a year of the commencement of the 73rd Amendment on the 'panchayats' (i e, by April 23, 1994). The brief for the SFC is much wider than that of its central counterpart which is concerned only with central tax-sharing and block grants. On the other hand, the lack of clarity of municipal functional domain makes it extremely difficult for the SFC to suggest an appropriate municipal tax list and work out the quantum of needed transfers on that basis. The composition of the SFCs are left to the states, and many of them consist of serving civil servants and in one case is headed by the state chief minister. This would come in the way of independent review of their recommendations at state level.

Municipal fiscal structure is characterised by three distinct patterns, viz, (i) predominance of octroi – a municipal import duty – and a subsidiary property tax, with nominal state transfers (Bombay pattern, covering the western and north-western states); (ii) property tax as the major tax, supplemented by entertainment and show taxes, non-tax revenue, and limited state transfers (Madras pattern: covering Tamil Nadu and Kerala), and (iii) property as the main municipal tax and major dependence on state transfers (Bengal pattern, covering the remaining states). These three patterns originally evolved under the erstwhile British presidencies, but now their state compositions have changed owing to the hasty abolition of octroi in recent years (in Andhra Pradesh, Karnataka, Madhya Pradesh, Uttar Pradesh, Himachal Pradesh and Jammu and Kashmir).

Exploitation of municipal property taxes is beset with the problem of frozen valuation base due to rent control; this is sought to be neutralised through a system of presumptive tax with municipal role limited only to tax collection. Their long-term prospects of non-tax revenue is constrained due to attempted privatisation of municipal services under the ongoing economic liberalisation. The future of municipal finances would be mainly influenced by action on three fronts: (a) compensation arrangements for octroi abolition; (b) pace of reforms in rent control; and (c) rationalisation of state transfers.

Planning

The 74th Amendment has provided for the creation of twin planning committees for district and metropolitan areas for finalising municipal plans within their ambit, along with commitment of state and central assistance for the purpose. The committees are supposed to undertake planning for matters of common interest between the 'panchayats' and the 'municipalities', especially planning of physical and natural resources, infrastructure development and environmental conservation. The state governments are supposed to identify the functions for such planning purposes. If these planning functions are more than the municipal revenue functions, then there would be fiscal imbalance by way of maintenance gap with which the SFCs would have to contend. The existing separation of urban development from municipal maintenance tasks may have to be removed either by integrating the urban development and maintenance tasks within

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the 'municipalities', or through their municipalisation of urban planning and contracting-out the development tasks to other angencies, both public and private.

The composition of the district and metropolitan planning committees are heavily weighted in favour of the elected members of the 'panchayats' and 'municipalities', to the extent of 80 per cent for the former and 67 per cent for the latter, to be shared in proportion to their population composition. This nullifies the weight of the state (and central) representatives in these committees. On the other hand, since the state (and the central government) will have to commit their assistance for finalising these plans, any existing extra-constitutional planning body at the state or district level will lose its significance for want of resources or irrelevance in the 'municipal sector' plan. In view of this the attempt by some of the states to create separate district urban development authorities (DUDA) may have to be reconsidered.

In future much of the capital finance needed for municipal development would have to be sourced from the market, rather than from the directed credit of plan assistance. For this the 'municipalities' are required to be credit-worthy; to the extent they are not, their development finance requirements would have to be met by way of capital grants. Only the smaller 'municipalities' would be able to justify such plan assistance.

Management Systems and Processes

The nature of the municipal executive is the most controversial area of municipal management. In the municipal corporation the state-appointed municipal commissioner is the executive functionary, while the executive powers are exercised by a triumvirate set of authorities – the council, the standing committee, and the appointed commissioner. The only exception to this arrangement – known as the Bombay model – is the mayor-in-council form of municipal executive in West Bengal, where the executive functionary is the elected mayor-in-council and the executive powers are exercised by another triumvirate – the council, the mayor-in-council, and the mayor.

The municipal councils of the southern states – Tamil Nadu, Andhra Pradesh, Karnataka, and Kerala – follow the corporation type of municipal executive. Elsewhere, the municipal chairman exercises general control and supervision over the chief executive officer acting as the executive functionary, with the exception of West Bengal and Assam where the municipal chairman is the designated executive. In all the municipal councils, the whole council and the statutory standing committees exercise executive powers along with the designated executive functionary. In the nagar panchayats the situation is somewhat unclear, but it is likely to follow the pattern of the municipal councils, except in West Bengal where the chairman would emerge as the sole executive functionary, as in the case of its 'panchayats'.

With the assurance of elective existence of the 'municipalities' under the 74th Amendment, the issue of introduction of a municipal political executive is a matter of time. The nature of such an executive is expected to be of the West Bengal variety of plural executive in the municipal corporations and municipal councils, while nagar panchayats might be left with a single political executive. The American variety of directly elected executive (strong) mayor would be difficult to operate through the complex system of checks and balances between the council and the executive mayor. The traditional English committee system would be out of tune with the politicisation of municipal elections and the tradition of centralisation of the municipal executive functionary in India.

Staffing

Municipal personnel system combines a variety of arrangements, with each set of staff rotating along its specified career path within and outside the 'municipalities'. The managerial posts in the municipal councils and nagar panchayats are filled by either deputed state officials or through statewide municipal cadres. In a few states – notably in Tamil Nadu, Kerala, Andhra Pradesh, Uttar Pradesh, Rajasthan, Haryana and Punjab – these include the municipal corporations as well, barring the post of the municipal commissioner who belongs to the all-India administrative service. A notable exception to these arrangements is Gujarat with a separate system of municipal personnel. The subordinate positions in the 'municipalities' are not covered by any arrangement of centralisation of municipal personnel.

Municipal staffing also poses similar problems as that of the municipal executive in the wake of the pressure from elective 'municipalities'. Once municipal political executives are installed, the accountability of the municipal personnel would have to be linked to them and ultimately to the institution itself. In the process, municipal staffing arrangements may have to be refashioned to underline institutional accountability, unification of grades, lateral entry, and dereservation of posts for particular classes of entrants. A separate municipal service commission for selection of a panel of names for a particular post, and for review of staff grievances, would be necessary for a separate municipal personnel system to operate successfully.

The alternative of a unified personnel system is unlikely to succeed since effective management of municipal personnel is unlikely to be left with the municipal system for staff appointment and their subsequent control. Experiments in installing a unified system of municipal personnel in other countries of south Asia and anglophone Africa since the 1970s have not been successful. In the existing environment of liberalisation and institutional accountability, it is unlikely that the present non-system of municipal personnel will survive for long. This is more so when the 'municipalities' are expected to be enablers, rather than producers, of the bulk of municipal services.

State Control

The conferment of constitutional status and assurance of the elective existence of the 'municipalities' have fundamentally altered the nature of state-municipal relations, even when these operate within the functional and tax domains of the state government. Therefore, in India Dillon's Rule needs to be applied only sparingly and for justiciable reasons. Municipal supersession in future would presumably be permitted on grounds of 'administrative breakdown' comparable to the constitutional breakdown of the states. Consequently, all the subjective reasons incorporated in the municipal legislations

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since the colonial days for their supersession would be subjected to judicial scrutiny. The same holds true of all the penal powers assumed by the state governments for municipal 'mismanagement' since the days of non-elective municipal bodies, including that of rescinding municipal resolutions, removal of elected members, issuing directions, approving budgets, deciding on expenditures and contracts, emergency and default powers, etc.

State control of municipal finance is exercised through the state examiner of local fund accounts; in three states – West Bengal, Bihar and Orissa – this operates under the central audit organisation. Municipal audit is conducted from the angle of authorisation rather than that of propriety. These are usually several years in arrears to influence recent financial decisions. Unlike the audit of the central and state governments, auditors of the 'municipalities' can impose surcharge on the municipal functionaries for unapproved expenditures, as in other non-elective local bodies. Future changes lie in the direction of restricting state audit to the state subventions and introducing policy audit for municipal finances in general through an independent local audit commission, as in Britain.

The state machinery for municipal supervision is usually located within the department of urban development. While this department directly deals with the municipal corporations, other 'municipalities' are supervised by its subordinate municipal directorate and the field administrators at the district and divisional (where these exist) levels. State officials interface with the 'municipalities' directly, rather than through the minister-in-charge. With the future introduction of a municipal political executive, such an interface of the state officials with the 'municipalities' would be certainly resented.

For institutional strengthening of the 'municipalities', it might be more appropriate to revert back to the earlier house-keeping department of local government at the state level, rather than supervising local government through two parallel functional departments on rural and urban development. These departments have assumed competing functional responsibilities with the local governments they are supposed to promote and protect. With the unification of such house-keeping responsibilities for local government at the state level, the institutional variants between the 'municipalities' and 'panchayats' are likely to disappear and ultimately a uniform system of local government may emerge.

Public participation

If municipal democracy is to be meaningful, then the "perversely regulated"[1] state-municipal relations in India are to give way to greater municipal autonomy with a downward shift of its accountability to its constituents. Constituency accountability requires greater involvement of the citizens in the activities of the 'municipalities'. The shift from the inter-governmental nature of municipal accountability to constituency accountability would have far-reaching consequences in terms of municipal effectiveness.

In order to make municipal constituency accountability operational, three requirements seem to be necessary: (i) information sharing, (ii) citizens' access to municipal services, and (iii) citizens' involvement in municipal decision-making. The first requirement needs to be ensured through municipal legislations; the second requirement requires specification of citizens' entitlement to municipal services; and the third requirement calls for opportunities of the citizens to participate in decisions for neighbourhood services. The creation of ward committees in the larger 'municipalities' would hopefully provide for citizens' access to, and involvement in, municipal neighbourhood services. It may be necessary to make this mandatory for all the 'municipalities' in the coming years.

There is also a need to incorporate a citizen's charter in the municipal legislations, making municipal services "more responsive and accountable to their clients, improving the quality of service and involving the people in choices".[2] Such a charter specifies both citizen's entitlement and the means to enforce the quality and availability of a paricular service, ensures their market supply, and establishes a redress procedure. Where market forces are allowed to operate to produce municipal services, the consumers would ensure market accountability in terms of their revealed preferences.[3] However, such a market solution of municipal services is presently limited due to the uncertain range of municipal exclusive functions. With the future widening of the municipal functional domain, such market accountability would be an effective alternative to constituency political accountability.

Future Reform Process

At the level of primary stakeholders, future municipal reform would cover the state political leaders, elected municipal councillors, and the municipal voters. Among them, the first group is slated to lose power in favour of the second and third groups. At the secondary level, the state bureaucracy, the protected parastatals, the cadre-based municipal employees, along with their dependent interest groups will lose out, while the future breed of contractual municipal staff and the associated non-governmental service providers would gain in importance. The transition will not be easy or a single-shot operation; the road to municipal reform will be tortuous, conflict-ridden, and long-drawn.

The instrumentalities of the municipal reform process include state-municipal political bargaining, infusion of economic liberalisation in the municipal sphere, and judicial intervention. Of the three, the first would be decisive in the coming years forcing additional doses of municipal structural reforms through future constitutional amendments and legislative reformulations.

Notes

[This paper was presented at the seminar on 'Urban Local Government and Decentralisation', sponsored by CIVIC-Bangalore/Max Mueller Bhavan/HIVOS, at Bangalore, March 10-12, 1995.]

1 William Dillinger, *Decentralisation and Its Implications for Urban Service Delivery*, World Bank, Washington, DC (for the Urban Management Programme), 1993.

2 N B Grant, 'Public Services: Accountability Is the Hallmark'. *The Statesman* (Delhi), February 15, 1995.

3 Samuel Paul, *Accountability in Public Services: Exit, Voice and Capture*, World Bank Policy, Planning and Research Working Paper No 614, World Bank, Washington, DC, 1991.

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MANAGER

Productivity and Source of Growth for Rice in India

A Few Comments

C C Maji
T Haque

IN a recent article Kumar and Rosegrant (1995) claimed that 'research' explained 57.2 per cent of total factor productivity (TFP) growth in rice followed by 'agricultural terms of trade' (18.9 per cent) 'markets' (14.4 per cent), 'PN ratio' (9.9 per cent) and 'canal irrigation' (-0.3 per cent). The study has ostensibly created some myths through its misleading and erroneous conclusions which need to be exploded.

The above results have obvious policy implications; one of which is the need for an increased investment in agricultural research. The authors might have reached the right conclusion even though the methodology used does not appear to be sound.

Following the TFP approach the article attributed any growth in output in excess of the growth in inputs to the growth in total factor productivity. Particularly, research, extension, human capital, infrastructure, price policy, climate, etc, are identified as shifter-variables to explain total factor productivity. So far so good. However, the fundamental flaw starts with the specifications of the variables included in the regression analysis.

Research (RES) has been defined as rice research stock per ha of rice area lagged by five years. The stock of rice research has not been defined in the paper. It is presumed that, following the definition used in a similar paper on wheat [Kumar Pradhuman and Mruthyunjaya 1992] the cumulative number of papers on rice per ha of rice lagged by five years has been used in the regression equation as a proxy variable for Research probably to obviate the difficulty in getting statewise data on investment in rice research. Such a definition implies that if area under rice declines for one reason or the other, the cumulative number of rice research papers per ha will always increase with passage of time. This in turn implies, that *ceteris paribus*, even though there is no additional investment in rice research leading to publication of papers there will be an increase in TFP. Furthermore, a breakthrough in technology/research may be quite adequately documented in a paper or two and breakthroughs are rather rare. Most of the *formal* research papers or at least a substantial proportion of all papers do not have any real research content that can be adopted by rice farmers to increase TFP. Moreover, information/knowledge contained in a research paper cannot in itself generate benefit after five years, but depends heavily on infrastructural and institutional facilities and other shifters. Thus the number of papers on rice per ha of rice is a wrong proxy for investment in rice research.

Extension (EXT) has been defined as extension stock per ha of rice area but fortunately has not been included in the model for multi-collinearity problem.

Infrastructure is represented by markets or more precisely the number of regulated markets per 1,000 ha of cropped area This is also an inadequate specification since regulated markets do not cater only to rice but to all commodities and inputs. The authors are silent about the mechanism used by them to apportion the impact of regulated markets among various crops grown in the regions studied Besides, the number of regulated markets per thousand hectares of cropped area is unable to capture the effects of a more pervasive variable, 'infrastructure'.

Similarly, there is no rationale for using PN ratio as a proxy for the balanced use of plant nutrients in the soil since other plant nutrients (macro or micro) ignored in this specification have equally important role to play in balancing plant nutrients. Moreover, the soil (and hence the crop) will be adversely affected if the doses of nitrogen and phosphorus are greatly increased without altering the PN ratio. For instance, a dose of 60 kg of nitrogen and 30 kg of phosphorus and another of 600 kg nitrogen and 300 kg of phosphorus have totally different effects on soil health even though the PN ratio remains the same.

Agricultural terms of trade (AGTOT) has a general influence on the acreage decision and intensity of input use but little or no effect on shifting the production function up.

The regression model also includes June-August rainfall which coincides with transplanting of paddy. It has, however, ignored rainfall in the month of September and October which is crucial for emergence of panicles and the filling of the grains.

Growths in total input and total output vary over states and even over districts within the state. Aggregation of such divergent areas for regional analysis forces additional errors in specification. For example, Assam, Bihar, West Bengal and Orissa, though geographically close, are very different in agricultural performance and should not be combined to form the 'eastern' region.

The basic data used in this study are said to have been obtained from the Comprehensive Scheme for Study of the Cost of Cultivation of Principal Crops in India, Directorate of Economics and Statistics, government of India even though the data on cost of cultivation of rice for the states of Gujarat, Rajasthan and Maharashtra in the western region and Kerala in the southern region are not reported at all by the indicated source. Besides, data for the period from 1971-72 to 1988-89 for which the TFP and some growth rates have been computed are also not available from DES (GOI) for all the states included in the study. The authors have mentioned that they have filled in the missing data gaps by interpolation on the basis of the trend of the available data. Results based on interpolated (extrapolated) data for a large number of years are not reliable for any serious conclusion since the data are forced to lie in the estimated trendline. All this points to the lack of fidelity and authenticity of data used in the study.

Ten independent variables including two dummies have been used in explaining the variation in TFP of rice. The results presented in the authors' Table 9 show that the coefficients of regional dummies, 'literacy' and 'year' are not significant and the corresponding R^2, i e, the proportion of the total variation in the dependent variable. TFP explained *jointly* by the independent variables is 0.59 or 59 per cent. Thus 41 per cent of the variability in TFP is explained by variables not included in the equation. The standard procedure is to re-fit the equation after deleting the independent variables which do not significantly provide an explanation for the variation in the dependent variable for obtaining the new estimates of the parameters. The R^2 would surely have dropped from its original value of 0.59 as a result of deletion of four independent non-significant variables. More serious is the fact that while computing the share of TFP growth explained by the independent variables the authors have taken $R^2 = 0.59$ as 1.0, i e, 100 per cent in explaining the variation in TFP (ignoring that 41 per cent of the variation in TFP is not explained by the model). Without any correction in the estimated coefficients and R^2 obtained from the estimated equation with only six of the 10 independent variables being significant the authors have computed the percentage share of TFP growth explained by the

significant variables such as the number of research paper on rice per ha of rice area, number of regulated markets per 1,000 ha of cropped area, etc, (Table 10). This distortion has resulted in an inflated contribution of research to TFP.

While computing the sources of TFP growth in rice (Table 10) the authors have totally ignored the independent variable JJARAIN (rainfall in June, July and August) even though its estimated parameter in explaining variation in TFP (Table 9) is highly significant. Thus the estimated contribution of research, market, PN ratio, are upward and AGTOT and canal share in total irrigation are downward biased.

Annual growth rates of real cost of rice production over the period of the study have been shown to be declining in all the regions. This is a debatable issue. Using the same data we have found that the cost per quintal of paddy in 1981-82 prices has declined only in Andhra Pradesh and to a smaller extent in Tamil Nadu. In fact, it has increased in Madhya Pradesh and remained almost the same in the other rice growing states. In other words, input prices considered for computing the cost of production have risen faster than yield of rice in most of the states as well as for the country as a whole.

The computed shares have been used for further analysis biasing the entire conclusion. Even if the initial equation is accepted the share of research paper on rice per ha would have been responsible for explaining (.59 x 57.2) = 33.7 per cent of the variation in TFP.

The authors have used TFP, *variation* in TFP and *growth* in TFP synonymously inspite of their conceptual differences.

No explanation has been provided for a negative growth in TFP in the western region except that 'high variation makes it essentially impossible to measure productivity trends' in this region. This is no explanation as 'high' temporal and spatial variations are observed in the other states too which the authors have pooled together to form various regions of their choice. The negative growth (-0.98) of TFP in the western region should imply a negative contribution of rice research as measured by the number of papers published (on rice per ha). Does it mean:

(a) that research on rice has regional barriers and cannot move across regions within the country as was the case of movement of foodgrains?

or

(b) that the number of papers on rice per ha was too many to adversely affect the growth of TFP?

Since these above implications are not tenable the results suggest some serious mistake underneath the whole analysis.

When the regional dummies in the pooled function (Table 9) are not statistically significant what was the impelling need for continuing with the regional analysis? More importantly, how far are these regional estimates of marginal products (MP) of research stock and internal rate of return (IRR) to investment in rice research valid? Marginal products and IRR (Tables 11 and 12) during 1976-80 were generally lower than those in 1971-75. Why? Is it due to excessive number of papers on rice per ha written during the late 70s than in the early 70s?

These tables also reveal that MP and IRR are increasing in time with the cumulated number of papers on rice per ha. This is all due to a wrong specification of 'research' variable. How could the authors calculate IRR? In other words, where did they get the present value of the stream of benefits (direct as well as indirect) and cost (investment as well as recurring) of rice research to arrive at the staggering figures (Table 12). Why have they not computed the MP and IRR for other explanatory variables such as market, PN ratio, AGTOT, etc, so as to have an idea of the relative role of research *vis-a-vis* these variables?

The benefits of infrastructure, i e, the number of regulated markets and literacy are all-pervading and are not confined to only rice or wheat or any particular commodity. Further, research in rice in one region/country has its impact not only on the same crop and region/country, but also on other botanically similar crops and regions/countries. How are these interdependence, and spillover effects (externalities) taken care of in computing returns to investment in rice research?

The authors have failed to provide a logical explanation for the highly significant negative elasticity with regard to AGTOT (-0.3617). It essentially means that an improvement in AGTOT by 1 per cent will reduce the TFP by 0.3617 per cent whereas a unit per cent increase in research stock, i e, the number of research papers on rice per ha of rice area is associated with 0.2920 per cent increase in TFP. Both the coefficients being highly significant there is a clear trade-off between AGTOT and the writing of research paper on rice. Specifically, a worsening of the AGTOT will increase TFP more rapidly than increase in research stock per hectare of rice. The implication of the result is obvious.

The study reported that "fertiliser use has reached levels where average returns are falling" and the fall is steeper in the eastern region than in the southern and northern regions. The authors have attributed this steeper fall in the eastern region despite a relatively lower level of fertiliser use compared to the southern and northern regions to poor irrigation management leading to faster removal of plant nutrients than their replenishment through chemical fertilisers and organic manures. A moment's reflection would show that, if true, this would automatically lead to a state of declining nutrient status of the rice fields in the eastern region. In order for the average productivity of fertiliser (Y/F) to decline at a sharper rate this would require that the yield of rice (Y) falls at a higher rate than the fall in the nutrient status (F) of the rice soil. But this contradicts reality proving the queer logic underneath the assertion.

TFP has a significant positive elasticity (0.017) with regard to share of canal irrigation in total irrigation (SCANALIRR) which implies that a unit per cent increase in canal's share in total irrigated rice area will increase TFP by 0.017 per cent. With increased exploitation of underground water by means of shallow and deep tubewells and surface water by river lift irrigation, the share of canal in total irrigation has been found to decline at an annual rate of 0.56 per cent. This decline is based on both technical and economic considerations at the present state of irrigation. Specifically, due to the wasteful and uncontrollable nature of canal irrigation the farmers have turned to more controllable groundwater sources for irrigating rice. With a positive elasticity coupled with the declining share of canal irrigation the TFP will decrease over time. Especially in view of the results of the study is it acceptable that more wasteful use of uncontrollable canal irrigation is desirable to increase TFP? In other words, the co-efficient of CANALIRR is expected to have a negative sign implying that as share of canal irrigation in the total irrigation decreases the TFP increases and that a historical decline in the canal's share (0.56 per cent per annum) is consistent with the expected contribution of more controllable non-canal irrigation to TFP growth.

The statement (page A-186) that "with increase in input and technological change, the output has increased by 6.8 per cent annually..." is not correct since the contribution of other shifters included in the regression analysis to increase in output has been safely ignored. Further, the statement on the same page that "variation in TFP is due nearly entirely to variation in output as total input use increased *smoothly* over time" does not go with the growth rates given in Table 8.

In view of the above distortions and deficiencies the results and their interpretations are erroneous and misleading and will not serve any useful purpose.

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Kumar, Praduman and Mark W Rosegrant (1994): 'Productivity and Sources of Growth for Rice in India', *Economic and Political Weekly*, Review of Agriculture, December 31.

Kumar, Praduman and Mruthyunjaya (1992): 'Measurement and Analysis of Total Factor Productivity Growth in Wheat', *Indian Journal of Agricultural Economics*, 47(3): 451-58.

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Sociology of Informal Credit

A study of three green revolution villages in Haryana shows that the informal credit market has undergone considerable change. What are the patterns of debt dependency in the context of the agrarian transformation in the wake of the green revolution and in an environment of increasing availability of institutional credit? How does credit mediate and institutionalise relations among various segments of rural society specifically in the sphere of production and local power structures? **A-123**

Widows

There are intimate links between the predicament of widows and a wide range of patriarchal institutions. The cause of widows must be seen as an integral part of the broader battle against gender inequalities. In the context of social science research, it is right to give attention to widowhood as a particular cause of deprivation. And, in the context of social action, it is right to organise and support widows in their specific demands. **2435**

During the 1980s several states extended social security arrangements, some of which covered the destitute old and widows, the physically and mentally handicapped and agricultural workers. Kerala is one of these states. What degree of security do the scheme provide to the widows? **2415**

Agricultural Liberalisation

What would be the impact of liberalisation of agricultural trade on the growth of the economy? How is welfare loss to be offset? What would be the net impact of liberalisation and such offsetting measures? **A-90**

An economywide analysis of the impact of input subsidies on the fiscal situation, the cropping pattern, the environment and regional equity and on new industries shows that subsidies have become not only unviable but in fact produce a negative impact. It makes more sense to improve the terms of trade for agriculture and step up investment by reducing subsidies. **A-93**

Peace Proposals

The Kumaratunga proposals which attempt to reconstruct Sri Lanka as a union of regions, rather than as a union of peoples, may run the risk of falling between the cracks, satisfying neither the Tamil aspirations for a homeland nor Sinhalese nationalist opinion. **2443**

How Farmers Invest

Contrary trends in public and private fixed capital formation in agriculture have been construed as indicative of a lack of complementarity between the two components of investment. Analysis of recent data does not support this view. **A-103**

Cloistered Memories

While we clearly need to turn to oral history in order to explore women's Partition memories, the tensions in gathering testimony about communal rape and the notion of oral history as a 'recovery' of a past need careful examination. **2427**

Managing Tubewells

West Bengal's experiment in encouraging farmers to take over the management of state-owned tubewells under panchayati raj has been encouraging. **A-117**

Communalisation of Tribals

Hindutva demagoguery has effectively converted the hitherto non-communal tribals of Gujarat into Muslim-baiters. **2416**

Uneven Gains

India's crossbreeding programme has had an uneven impact, partly because of lack of selectivity in applying the technology. While it may have led to an increase in milk production, it has also tended to bring down the availability of draft animals. **A-112**

Blinkered Vision

In contrast to the radial agenda of socio-economic transformation in the 1930s and 1940s, the present movement for Kashmiriyat lacks ideology and vision. **2420**

LETTERS TO EDITOR

Rebel in Saffron

THE contribution of M S S Pandian and Anandhi, 'A Rebel in Saffron' (August 5-12) is moving and memorable. Their earnest efforts to bring out beautifully the stimulating and salutary service of Thavathiru Kundrakudi Adigalar in terms of promoting development and challenging the dragon of communalism to establish social harmony deserve due credit. The writers could have pointed out the truths that the spiritual sage was a child of the age of the scientific and altruistic humanism and his life is a remarkable repudiation of the ridicule directed at theistic humanism that it is sterilising and stifling by students and intellectuals who boast of being ardent admirers and faithful followers of Bertrand Russell and Karl Marx, Jawaharlal Nehru and E V Ramasami Naickar.

T M GHANAPRAGASAM

Madurai

Need for Vigilence

I HOPE that the timely publication of the two articles (A K N Reddy and Antonette D'Sa and the other by Girish Sant, Dixit and Wagle, June 17) on Independent Power Projects (IPP) in India will clarify to some extent the misunderstanding, misconception and misinformation about the subject. These articles show that it is not too late to correct wrong decisions, even if that may cause some harm in the near term. Many of the problems the country is facing after liberalisation are a result of suggestions of some foreign financial institutions monitoring the structural adjustment programme of the country. The sequencing of reform of the power sector was not given proper thought and liberalisation was undertaken without giving careful consideration to regulatory aspects of the sector. As a result, different states are taking different routes, the consequences of which will be evident only with the passage of time. Moreover, it appears that the sector is not following any least cost expansion programme, and the capacity additions proposed under the liberalised scheme will not be able to solve the basic problem of the country (that of peak demand in the near future). Additionally, the states unable to attract IPPs may have to bear the brunt of the new system, which may be worth analysing in detail.

At this juncture, it is worthwhile noting that existing private companies have performed well financially, operating under the existing system without demanding excessive concessions. The justification for offering better operating conditions is to be commensurate with the benefits to be derived. It is to be remembered that all private companies (whether local or foreign) are interested in profit making, and it is the duty of the government to check them, and not to offer undue advantage to any particular group. Given the fact that India's electricity demand will continue to grow in the future and the major multinationals will have to come to terms with excess capacities in their countries of origin, it follows quite naturally that there will be increased interest in India sooner or later, irrespective of certain misadventures. This is not to deny the need for reform of the power sector, but reforms need to be well thought out and justified on the overall macro-economic context, and not just to please some people or some institutions. There lies the need for a vigilant local population and the media.

S C BHATTACHARYYA

Grenoble

'German Model'

THE FICCI's willingness to implement 'German Model' for training employees with the training costs being borne by the company itself is a welcome decision. There is a need to view this as a part of vocational education to include the small and informal sectors, micro units, cottage industries, etc, with colleges and other institutions also joining this venture. In certain trades small-scale units can train employees of large-scale units. The new set up should take care to protect the interests of craftspeople.

Craftsworkers are willing to share knowledge among family members, or at the most with the members of the same caste. This is understandable since passing information would jeopardise their economic situation. In fact the origin of intellectual property rights has been traced to craft secrets. Unless their interests are protected, there cannot be a flow of information. This is necessary to upgrade their technology and knowledge and their knowledge can also be of use to big units. The organisation should not be monolith and there should sufficient space for groups to protect their legitimate interests. The structure has to be evolved in consultation with various groups and after weighing the pros and cons of various suggestions.

Some of the existing institutions can be used for vocational education. The corporate sector has to focus on training and research and development. They may be given permission to start a few science and technology universities from the existing universities. There must be a community of teachers teaching various subjects and there must be interactions among engineers, technicians, craftsmen, etc. Some efforts are on to improve the employment potential of ITI-trained craftsmen. West Bengal is implementing a new programme to encourage entrepreneurs among them. This programme can achieve better results if the students are trained under master craftsmen in small enterprises. This would help them gain other skills in running an organisation. Again there are various vocational courses run by department of technical education, ministry of labour and welfare, UGC, private institutions, industries associations, etc. This leads to duplication of effort.

To describe skill requirements in simple terms. In a small unit there is need for persons with multi skill in various junctions of an enterprise. As the size of the unit increases the nutshell component will have less functional areas but the skill component would be higher. As the size increases it would form a functional area into a discipline. With the introduction of flexible manufacturing systems there is demand for multi-skilled persons. All the professional organisations should contribute free cost to these efforts. In Germany engineering professionals conduct craft examinations free of cost. There is an urgent need in India to reorganise, consolidate to synergise the various parts of the systems. They should plant a Banyan tree instead of existing palm tree to ensure a better system.

T S RAMNARAYAN

Bombay

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ECONOMIC AND POLITICAL WEEKLY

High-Cost Capital

THE Reserve Bank's credit policy for the second half of 1995-96 is on predictable lines; it advances financial sector liberalisation initiated as a part of structural adjustment and presents monetary policy perspectives and measures guided by monetarism. Not surprisingly, they fail to meet the needs of the macro-economic situation and correct the growing imbalances and inequities. The vast potential for using institutional credit for promoting productive activities and broadbasing the development process is being sacrificed at the altar of narrow ideology.

As part of financial liberalisation, interest rate on term deposits for over two years has been freed, as has that on advances against term deposits beyond Rs 2 lakh, bringing it on par with interest rates on advances in general. The method of valuation of securities by banks for balance sheet purposes and for maintenance of statutory liquidity ratio (SLR) has been made uniform and the Regional Rural Banks (RRBs) have been required to adopt new income recognition norms and exposure limits for borrowers, as applicable to commercial banks. Policies relating to the foreign exchange market and to non-resident investment have been liberalised on the basis of the recommendations of two separate expert/working groups. The limit of Rs 15 crore on overnight open position for each bank has removed and the matter left to individual banks to decide depending on the volume and nature of business and the structure of owned funds, subject to RBI approval and maintenance of additional tier-I capital funds to the extent of 5 per cent of the open position limit. The system of granting general permission for sale of shares acquired under the portfolio investment scheme has been extended to overseas corporate bodies (OCBs); similar general permission has been accorded to sale by NRIs/OCBs of shares acquired on repatriation basis under direct investment schemes and to NRIs for subscribing to the memorandum and articles of association of Indian companies in all permissible activities, instead of only industrial activities as hitherto. Investors will now be able to open foreign currency and rupee accounts and, through such accounts, make investments and repatriate capital, capital gains, dividend and interest income. The limit on refinance against government and other approved securities have been raised from Rs 1,025 crore to Rs 3,385 crore to provide larger liquidity to banks holding excess securities. The maximum interest rate on non-resident (external) rupee accounts has been raised from 8 per cent to 10 per cent for six months to three years. The cash credit component in the maximum permissible bank finance to large borrowers has been further reduced from 75 per cent to 60 per cent, with a corresponding increase in the loan component from 25 per cent to 40 per cent. RRBs have been permitted to lend for housing, subject to a ceiling. The limit on produce marketing loans provided by commercial banks has been raised. Finally, while a minimum period of three days has been prescribed for ready-forward transactions in treasury bills of all maturities and a few dated government securities, banks have been given some flexibility in the maintenance of the minimum CRR of 85 per cent on a daily basis to deal with the problem of frequent holidays.

A majority of these measures are obviously of an 'incremental' nature and do not add up to a significant policy package. They are circumscribed by the primary goal of inflation control, using as tools M3 growth targets (15.5 per cent for 1995-96), the behaviour of the incremental money multiplier (exceptionally low at 1.59 in the current year so far after the already low 2.55 in the previous year) and money market operations. The RBI occasionally refers to the importance of non-monetary factors in influencing price movements, but such a perception plays no role in its policy formulation. That a given target for money supply (M3) combined with the indirect instruments of monetary control such as interest rates and open market operations will somehow generate and transmit credit in sufficient quantities, for the right purposes and at reasonable rates of interest is a myth. There is enough evidence that the transmission mechanism of monetary policy is nowhere near what the authorities expect it to be. So what is needed is a paradigm shift from M3, the money multiplier and money market targets to targets for the size and distribution of credit. What the instruments of indirect monetary control have promoted is a rentier class whose activities scarcely stimulate productive activities in the real sectors.

The RBI continues to be oblivious of the vast diversification of the financial system and persists with archaic notions of aggregate monetary control through the control of reserve money and the use of indirect instruments. To cite the example of 1994-95, scheduled commercial banks provided a credit expansion of Rs 39,270 crore, whereas the disbursements of all the financial institutions was Rs 32,890 crore. Non-financial companies are likely to have mobilised another Rs 10,000 crore of regulated deposits, apart from sizeable intercorporate deposits. Mutual funds other than UTI mobilised about Rs 2,600 crore. Aggregate deposits of the non-banking corporate sector consisting of just 12,350 reporting financial and non-financial companies totalled Rs 2,10,979 crore at the end of March 1994, when the outstanding non-food credit of scheduled commercial banks was only Rs 1,61,488 crore. This financial sector growth is

sucking vast resources of the community and diverting them in favour of a small number of non-financial companies and, amongst financial companies, essentially in favour of rentier activities. The RBI's policies have only reinforced these inequities and distortions. What the situation calls for is a careful monitoring of the end-use of institutional credit by medium and large-scale industries as well as financial companies.

These broader issues apart, even the RBI's review of the monetary and banking scene leaves much to be desired, particularly of bank deposit and credit expansion. In the first place, the RBI's thinking on monetary trends is clouded by the year-end bulge. This is now a perennial phenomenon. If scheduled banks' aggregate deposits bulged up by Rs 20,161 crore (a 6.1 per cent addition to the base of March 31, 1994) in the last fortnight of March 1995 (March 17 to 31), there had been almost an equal bulge of Rs 18,097 crore (a 6.4 per cent addition) in the last fortnight of March 1994 (March 18 to March 31). The year-end bulge gets adjusted in the following weeks, though the process of adjustment may differ from year to year. Besides, it is known that a significant proportion of the year-end bulge is due to the systems of utilisation of funds in the public sector and of interest crediting or debiting on deposit or loan accounts. In such a situation, the tabulation of monetary statistics deserves to be entirely done on March 31 basis, in which case the misleading nature of the underlying monetary trends will get corrected. This is evident from the fact that the increase in M3 between March 31, 1994 and March 31, 1995 at 17.4 per cent turns out to be the same as that between March 18, 1994 and March 17, 1995 at 17.5 per cent. When this is done, monetary growth this year so far at Rs 13,641 crore (2.6 per cent) turns out to be lower than Rs 17,144 crore (3.8 per cent) in the comparable period last year. In fact, the reserve money growth has been considerably lower at Rs 8,599 crore (5.1 per cent) compared with Rs 13,693 crore (9.9 per cent) in the corresponding period last year.

One almost suspects that there is some attempt to create a scare in regard to monetary growth reflecting the authorities' narrow demand management perspective. Though the economy has enjoyed a run of normal monsoons for eight successive years and industrial output is poised for brisk growth, there is an attempt to generate fears about monetary trends based on the rise in net RBI credit to the centre. That central government finances are in disarray and the RBI has been bailing it out cannot be denied. But there are situations when, despite the sizeable monetised deficit, the overall monetary scene need not necessarily seem excessively expansionary in relation to the real growth prospects. In 1995-96 overall trends suggest that M3 growth within the targeted 15.5 per cent, with a good part of even this growth attributable to a possible rise in portfolio investments by FIIs.

This brings us to the third lacuna in the RBI's thinking. However one looks at it, there is considerable sluggishness in deposit growth this year. This was the case last year as well, if the deposit growth attributable to foreign portfolio inflows are excluded. There has been, in other words, a crisis in domestic saving. Aggregate deposits of scheduled commercial banks rose by Rs 319 crore (0.1 per cent) between March 31 and September 15, 1995 as against an increase of Rs 7,637 crore (or 2.3 per cent) in the corresponding period last year. The rise in deposits of Rs 12,538 crore between June 23 and September 15, 1995 as compared with an increase of Rs 13,336 crore in the comparable period of 1994-95 has also coincided with a sudden improvement in foreign portfolio inflows since June. Even so, deposit growth is far below the target of Rs 65,000 crore (17 per cent) set for 1995-96; the year's expansion is unlikely to be more than Rs 45,000 crore (11.6 per cent), the lowest in history. If there is a scare in the monetary and banking scene today, it is over the extreme sluggishness in bank deposit growth with its serious implications for the availability of bank credit, particularly at a time when government borrowing is absorbing sizeable resources from the market. The RBI is merely hoping that deposit growth will gather momentum in the coming months as the secondary effects of the past primary money growth; there is no hope of any acceleration in the primary sources of deposit growth.

From the above angle, the RBI's assessment of recent bank credit expansion is seriously flawed on two counts: first, the expansion has not been as large and fast as has been made out and, second, the RBI's has been silent on the banks' unwillingness to extend to the priority sectors their share of bank credit. The RBI argues that the growth in non-food credit in the current financial year so far "has come on top of an already large credit expansion during 1994-95 which was significantly higher than warranted by the output growth". The increase of Rs 36,029 crore (23.5 per cent) in non-food bank credit between March 18, 1994 and March 17, 1995 or of Rs 37,798 crore (23.4 per cent) between March 31, 1994 and March 31, 1995 took place after the persistent reluctance of banks to extend credit in the previous years. In 1993-94 (on reporting Friday basis) non-food credit expansion had been only Rs 8,272 crore or just 5.7 per cent. It is true that in that year the bigger companies had alternative sources of finance such as commercial paper (CP), large equity and debenture issues and the sudden availability of GDRs and other offshore funds. Among these, the issue of CP has dropped drastically in 1994-95, outstanding CP declining from Rs 4,511 crore in August 1994 to Rs 603.50 crore as of March 31, 1995. There have also been restrictions placed on the deployment of funds obtained through GDRs and other foreign sources.

In a growing economy, a production elasticity of bank credit of about 1.3 is realistic. Therefore, an average growth of about 20 to 22 per cent in institutional credit when the economy has an industrial growth rate of over 8 per cent combined with an inflation rate of 9 per cent seems hardly excessive. This includes credit extended to public sector undertakings (PSUs) which have been starved of funds from budgetary sources. By this yardstick, the rise in credit this year or in the past two years cannot be considered too large. However, what is certainly discouraging is the drastically reduced share of bank credit going to the priority sectors.

Against this background, the RBI's attempts to provide additional liquidity through refinance against government securities and freeing long-term deposit rates so as to assist resource mobilisation by banks do not meet the requirements of the situation. The first measure may help banks acquire liquidity against their excess holdings of government securities, but what about the credit needs of the priority sectors? Some amount of refinance linked to priority sector advances would have sent the right signal to banks. As for the freeing of interest rates on long-term deposits, the overall impact is likely to be adverse. The financial sector developments of the past few years have raised the cost of capital in the economy quite significantly for the government, for public sector infrastructure projects and for private sector enterprises, particularly the small and medium ones. Measures of this nature tend to influence the cost of capital far beyond the marginal amounts mobilised at the free rates of interest. Despite some reduction in the inflation rate, the deposit rate up to two years has been kept at 12 per cent which is a high real rate of return for savers who save in the form of bank deposits. It is now accepted that high interest rates do not augment the overall size of domestic saving, but only shift saving from one instrument to another. In any case, it is sure to be counterproductive as it tends to raise the cost of capital all round. For a while, higher interest rates may help banks to offer some competition to non-banking financial companies and this may in turn help raise banks' subscription to government securities (there is a large backlog of government and PSU borrowing). But in the process the yield expectations of the banks and the market in general will be further stimulated. The government, the PSUs, and private sector borrowers will all have to bear a further addition to their already high costs of borrowing.

'MILK MIRACLE'

Rise of Superstition

THE well organised 'miracle' of drinking of milk by stone images of Ganesha and other Hindu idols in major cities of India which was witnessed recently, apart from suggesting the fully developed network and communication strategy prepared by the

perpetrators of the hoax, also indicates the more ominous trend of the increasing hold of superstitious beliefs on the minds of urban educated people. The crowds which queued up before temples in Delhi, Bombay, Calcutta and other cities to feed the idols consisted of middle class housewives, businessmen, industrialists, bureaucrats, professionals like teachers and lawyers and young college students. These are the people who are supposed to lead India to the 21st century and carry out the fundamental duty (as defined by our Constitution) to "develop the scientific temper, humanism and the spirit of inquiry and reform".

The fact that the 'miracle' occurred on the same day (September 21), and that also only in the major metropolitan cities and towns of India, and a few international capitals like London, New York and other places inhabited by a large chunk of Indian Hindu middle classes (but not in the remote corners of the vast Indian countryside) proves the point made by sceptics that the supernatural miracle could happen only in those places which enjoyed STD and ISD facilities. In other words, the organisers of the 'miracle' could reach their contacts to spread the message of the supernatural, only through the most modern scientific channels of communication. Such widespread and expensive channels could be accessible to no ordinary prankster, but only to well-funded and organised groups, and the needle of suspicion naturally points at powerful godmen with connections, like Chandraswamy, and organisations such as the 'Sangh Parivar'. Incidentally, both have claimed credit for the 'miracle'

But whoever might have brought about the 'miracle' easily shown to be a hoax relying on capillary attraction by which a liquid is drawn along a narrow tube, Ganesha's trunk in the present case – among other similar rational explanations), their main strength lay among the gullible educated Indian middle classes, whether in Delhi or London, whose superstitious minds had no patience to suspend judgment in the presence of any unfamiliar phenomenon, but were impatient and all too ready to accept such events as magical evidence of the spiritual powers of the Hindu deities. Sanction for the middle class frenzy over the 'miracle' was manifest even in most of the national English newspapers, which not only decided to choose the event for their main first page lead the next day, but also allowed some of their reporters to send despatches which betrayed their sneaking belief in the 'miracle'. This was something which could not be imagined in these newspapers even a decade ago. In the recent past, such 'miracles' (usually reported from obscure villages or towns, where one off and on heard of some image of Kali or Durga suddenly becoming 'alive' and showering blessings or curses, on people) were treated in newspaper coverage in the national press with a healthy distrust and humorous disdain. Because of this fear of public ridicule in newspapers, those among the urban Indian educated classes who nurtured superstitious beliefs probably took care to confine their practices within the four walls of their homes, and rarely dared to come out in the open in public displays like the one which we witnessed during the 'milk miracle'.

Another deterrence to such exhibition of 'miracles' in cities in public in the past by the Hindu middle classes could have been a conscious opposition by the Left and secular forces and intellectuals who made determined efforts to demystify such events and reduce the rumour-mongers to a laughing-stock in society. Today such organised efforts to educate the 'educated' urban middle classes in scientific temperament are feeble. The rise of religious obscurantist forces at the helm of political and social agitations in India has relegated to the background efforts at encouraging scientific inquiry and has instead paved the way for the reinforcement of religious superstitions, which are gaining respectability even among the educated. It is not coincidental that a group of Delhi lawyers have decided to sue Doordarshan for carrying an interview with a cobbler on the day of the 'miracle' who in an innocent gesture demonstrated how even the appliance he used for mending shoes could absorb any liquid served to it. The lawyers have complained that this hurts their religious feelings since it compares Ganesha with the equipment used by an untouchable cobbler.

The 'milk miracle' – concentrated in urban India – indicates the gradual retreat of scientific inquiry and its replacement by the recrudescence of medieval superstitious beliefs among the educated middle classes which, disillusioned with secular and democratic ideologies and bereft of any alternative and convincing programmes within those frameworks, are today seeking security and solace in 'miracles' provided by religious charlatans.

BALANCE OF PAYMENTS

'Lost' Transfers

THE Annual Report of the Reserve Bank highlights, and quite rightly, the substantial step up in the surplus on account of the invisibles between 1993-94 and 1994-95, from $ 970 million to $ 1,864 million. Also, it underlines that "the dominant feature in the invisibles account in 1994-95 was the large increase in private transfer receipts, which comprise mainly remittances from Indians working abroad". Private transfer receipts in 1994-95 are estimated at $ 6.2 billion compared to $ 3.8 billion in 1993-94 – no doubt, an increase worth underlining.

The question which immediately arises is why despite an increase in the inflow of private transfer receipts to the tune of $ 2.4 billion, the net increase in the surplus on the invisibles account in 1994-95 was by only $ 0.9 billion ($ 1,864 mn minus $ 970 mn). Where did the balance of the increase in private transfer receipts get dissipated?

The single most important factor which seems to have contributed to the failure of the surplus on invisibles account to reflect fully the increase in private transfer receipts was that while in the past payments on account of transportation very nearly matched receipts on that account (in 1993-94 receipts were marginally larger than payments) in 1994-95 payments ($ 3 billion) exceeded receipts ($ 1.46 billion) by a big margin. While between 1993-94 and 1994-95, payments on account of transportation increased by $ 0.77 billion, receipts declined by $ 0.87 billion. Such a major reversal in regards to transportation should have warranted some explanation. However, the RBI chooses to virtually sidestep it, giving the impression that it saw nothing particularly extraordinary in what had come about in the matter of transportation receipts and payments in the country's invisibles account – which, to say the least, is inexplicable.

It is also noteworthy that between 1992-93 and 1993-94 receipts on account of transportation had registered an increase on 137 per cent, from $ 0.98 billion to $ 2.33 billion, whereas payments on that account increased by 52 per cent, from $ 1.49 billion to $ 2.25 billion. But between 1993-94 and 1994-95, as noted already, exactly the opposite seems to have happened and in the process created an adverse balance of $ 1.56 billion.

The other two heads under which changes between 1993-94 and 1994-95 called for greater elucidation than is forthcoming in the Annual Report are 'miscellaneous invisibles' and 'investment income'. The former, as the report puts it, is a 'heterogeneous category' which, on the receipts side, accommodates 'earnings on international sales of financial and non-financial services' in addition to 'unidentified or wrongly reported transactions' and on payments side accommodates items 'comprising management fees, royalties, rentals, fees for professional services and the like'. Interestingly, items accommodated on the payments side are such as could justifiably be considered investment related, though not, strictly speaking, investment income. Between 1993-94 and 1994-95, investment related miscellaneous payments increased by $ 1 billion (from $ 2.1 billion to $ 3.1 billion) and investment income outgo increased by $ 0.7 billion (from $ 4.3 billion to $ 5 billion). According to the RBI, the former increase reflects 'the liberalisation in the payments regime'. The latter increase is, however, not considered deserving of any explanation, but it obviously is on account of increased external borrowing as also larger outgo on account of dividend and

other payments on foreign direct investment. It should not go unnoticed that whatever increase is registered in receipts from the sale of financial and non-financial services, which presumably include export of software, gets practically totally absorbed by the increased payments on account of 'the liberalisation in the payments regime' or interest charges payable on increased external borrowing, most of which has gone into accumulation of foreign exchange reserves

TOBACCO

Export Syndrome

IN 1993 the Economic and Social Council of the United Nations (ECOSOC) passed a resolution expressing concern about the serious health effects of tobacco use. It also suggested that the economic effects of reducing or eliminating tobacco production in tobacco producing countries needed to be critically examined and viable alternatives evolved. In response to the resolution, the UNCTAD undertook a study on the 'Economic Role of Tobacco Production and Exports in Countries Depending on Tobacco as a Major Source of Income'. The report is an excellent example of how structural adjustment is being facilitated through the efforts of a multiplicity of international organisations.

While the health consequences of tobacco use are of course a major concern, there is no disputing the fact that the crop is of immense commercial importance in many countries. That the UNCTAD should be concerned about the economic effects of a slowing down of tobacco use on developing countries is not in itself surprising. The study in fact reveals interesting facts: Brazil, Bulgaria, China, Malawi and Zimbabwe are the developing countries (the east European countries are included in this category) which have annual exports of tobacco leaf and manufactures of more than $ 300 million. Tobacco accounts for 73 per cent of Malawi's and 41 per cent of Zimbabwe's export earnings and these exports constitute 13.9 per cent and 6.2 per cent of their GDP respectively. Tobacco accounted for 36.8 per cent of agricultural income in Zimbabwe in 1994 and the share is rising. Because tobacco is taxed, it accounts for a significant proportion of government revenues in the major tobacco growing states. The report also details the employment structure in tobacco. In Brazil, for instance, one hectare of tobacco production requires an average 207 worker-days of labour. In Zimbabwe tobacco accounts for one-third of all agricultural labour and 10 per cent of the national labour force.

What is conspicuous in all this is the general assumption that export earnings in these countries are of such significance that nothing, not even the health and environmental consequences of tobacco consumption and, to the tobacco growing countries, of its production, are to be considered important enough to justify curtailing its growth. In keeping with this narrow focus, the report tends to ignore or under-emphasise issues such as the politics of land use, the hold of multinational corporations, the pressure on third world countries to increase export earnings as an important component of structural adjustment programmes, etc. The concluding section of the report refers to the issue of profitability to farmers of growing tobacco. Surveys (sponsored by the International Tobacco Growers' Association) in Brazil and Malawi show that tobacco, in spite of the high costs per hectare, is the most profitable crop, superior to maize, sweet potatoes and beans in Brazil and rice, maize, groundnuts, cotton and wheat in Malawi. Interestingly, the study did not include tea, sugar or coffee, all major export crops. A similar situation exists in Zimbabwe. In other words, on the basis of this one study the report underlines the fact that getting farmers to move away from tobacco would affect their incomes. Even worse is its perception of what a shift of land use from the tobacco crop to traditional food crops would mean. To quote, "more production of the latter [food crops] would need outlets either in more consumption by a country's population, substitution of domestically produced for imports or by exports to foreign markets". To state that "there is scope for improving food consumption" in Zimbabwe and Malawi is to mock at the dire levels of malnourishment and poverty in these and other tobacco exporting third world countries. There is also no mention of the intensive and extensive hold of the tobacco multinationals on the tobacco growing countries and the extent of repatriation of funds which occurs or of the fact that in many of these countries multinationals play the role of absentee landlords dictating the type and variety of tobacco to be planted, the chemicals and fertilisers to be used, the curing methods to be adopted, etc.

Also interesting is the fact that legislation controlling tobacco consumption is being opposed by the powerful US tobacco lobby. In fact under the WTO agreements, nations such as Canada, which have stringent requirements on cautionary notices to be displayed on the packaging of tobacco, are finding that they may become defaulters unless they go slow on tobacco control.

Clearly, if tobacco consumption, which according to an opening statement in the UNCTAD report gives rise to an annual loss of $ 200 billion through mortality and morbidity, is to be curtailed, it has to be delinked from the issue of export earnings. In other words, as long as the compulsions of structural adjustment demand that export industries be given undue emphasis, there will be less and less room for such factors as health consequences of these industries to workers and to consumers everywhere and the environmental impact to determine agricultural and industrial priorities.

POLITICS

In True Colours

THOUGH the Periyar Mela organised by the Bahujan Samaj Party (BSP) failed to draw large crowds to the Parivartan Chowk in Lucknow, it enabled the BSP to reaffirm its distinct ideological identity *vis-a-vis* its supporter, the Bharatiya Janata Party (BJP). This is the second occasion within a span of one month when the BSP has succeeded in having its own way in the face of the Sangh parivar's opposition. In August the VHP had to considerably tone down its proposed programme of 'mahayagnya' in Mathura once the resoluteness of the state government in maintaining law and order became clear. This time, the VHP threatened an 'andolan' against the Periyar mela. Periyar, remembered for his anti-brahminical tirades, had eulogised Ravana, rather than Ram, as the epic hero. Thus the holding of the mela was like adding salt to VHP's wound.

Though the BJP, in lending support to the BSP government, had expected to project a pro-dalit image of the party, the recent chain of events seems to have put it on the defensive. Electorally, the BJP, which already has 51 MPs from the state, is finding it hard to negotiate with the BSP's demand for half of the 85 Lok Sabha seats. Yet, displeasing the BSP in any way might push it towards the Congress or the Samajwadi Party, both of whom are keen to rebuild rapport with the BSP. Secondly, setbacks, such as the Mathura retreat or the Periyar mela, can have a demoralising effect on the BJP's rank and file. The BSP's resolve to restart its caste rallies is going to create hurdles in the way of the VHP's 'ekatmata yatras' beginning from October. Moreover, Kalyan Singh, perturbed at the possibility of the growth of the BSP's influence through its caste rallies, finds his position as the leader of backward castes in the state threatened. His outburst that the BJP is not the 'bandhua mazdoor dal' (bonded labour party) of the BSP stems from his growing frustration.

The Periyar mela also exposed the opportunism of the BJP. On the second day of the mela Kanshiram reopened his diatribe against Gandhi. A year ago when Mayawati had launched a similar attack on Gandhi the BJP had vociferously demanded that the Congress should withdraw its support to the SP-BSP government. Now placed in a similar situation, the BJP finds Kanshiram's remarks not sufficient ground to withdraw its support to the Mayawati government. In Maharashtra, the BJP has formed a coalition government with Shiv Sena whose chief, Bal Thackeray, has repeatedly expressed his admiration for Nathuram Godse, the assassin of Gandhi. By focusing on Ambedkar, Periyar and Shahu in the Hindi heartland of UP, which lacks a native tradition of dalit heroes, the BSP has forced the BJP to come out in its true colours.

Net household saving in financial assets as per cent of GDP (at current market prices) which rose from 8.1 per cent in 1992-93 to 10.7 per cent in 1993-94 declined to 10 per cent in 1994-95. Bank deposits have declined by Rs 647 crore so far this year over March 31, 1995 against a rise of Rs 9,084 crore in the corresponding period last year. M3 growth has been sizeable despite this, due to currency expansion on account of the sharp rise in net RBI credit to the centre. Forex assets are continuing to fall despite a rise in FIIs' portfolio investment during June-August. With the FIIs' renewed interest, the Sensex has shown a 2.2 per cent increase in the past one month.

Macroeconomic Indicators

Index Numbers of Wholesale Prices (1981-82=100)	Weights	Sept 09, 1995	Variation (Per Cent): Point-to-Point								
			Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
				Latest	Previous	1995-96	1994-95				
All Commodities	100.0	296.5	0.6	8.4	9.3	4.0	5.9	10.4	10.8	7.0	13.6
Primary Articles	32.3	306.4	0.8	8.5	10.5	4.9	9.0	12.7	11.5	3.0	15.3
Food Articles	17.4	338.3	0.8	7.0	8.1	7.8	12.8	11.9	4.4	5.4	20.9
Non-Food Articles	10.1	324.3	1.0	11.3	17.0	0.2	4.0	15.5	24.9	-1.4	8.1
Fuel, Power, Light and Lubricants	10.7	284.3	0.0	1.6	6.2	-0.1	0.6	2.4	13.1	15.2	13.2
Manufactured Products	57.0	293.2	0.6	9.6	9.1	4.2	5.2	10.7	9.9	7.9	12.6
Food Products	10.1	282.2	0.5	2.3	7.7	3.6	9.4	8.1	12.3	6.8	10.2
Food Index (computed)	27.5	317.7	0.7	5.4	8.0	6.4	11.7	10.6	7.0	5.8	17.1
All Commodities (Average Basis) (April-Sept 09, 1995)	100.0	292.5	-	9.8	10.1	9.0	11.3	10.9	8.3	10.1	13.7

Cost of Living Indices	Latest Month	Variation (Per Cent) Point-to-Point								
		Over Month	Over 12 Months		Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
			Latest	Previous	1995-96	1994-95				
Industrial Workers (1982=100)	313[7]	2.3	11.4	11.1	6.8	5.2	9.7	9.9	6.1	13.9
Urban Non-Man Emp (1984-85=100)*	244[1]	0.4	9.9	8.3	9.9	8.3	9.9	8.3	6.8	13.6
Agri Lab (July 60 to June 61=100)	1387[7]	3.7	14.5	13.4	6.7	3.1	10.6	11.6	0.7	21.9

* for 1994-95

Money and Banking (Rs crore)	Sept 01, 1995	Variation					
		Over Month	Fiscal Year So Far		1994-95	1993-94	1992-93
			1995-96	1994-95			
Money Supply (M_3)	542791	566 (0.1)	11989 (2.3)	14309 (3.2)	78617 (17.4)	73307 (19.3)	50916 (15.5)
Currency with Public	106254	-1682 (-1.6)	5465 (5.4)	4798 (5.9)	18806 (22.9)	14170 (20.9)	7111 (11.7)
Deposits with Banks	429177	2187 (0.5)	2544 (0.6)	8272 (2.2)	58956 (16.0)	57925 (18.7)	43377 (16.3)
Net Bank Credit to Govt	239189	-3894 (-1.6)	16773 (7.5)	7656 (3.7)	16325 (7.9)	28315 (15.9)	18657 (11.7)
Bank Credit to Comml Sector	291716	-452 (-0.2)	2061 (0.7)	-2934 (-1.2)	44991 (18.4)	17147 (7.5)	30187 (15.3)
Net Foreign Exchange Assets	72990	-589 (-0.8)	-2934 (-3.9)	11538 (21.9)	23298 (44.3)	27674 (110.9)	3726 (17.6)
Reserve Money	176108	137 (0.1)	6829 (4.0)	7685 (5.5)	30607 (22.1)	27893 (25.2)	11274 (11.3)
Net RBI Credit to Centre	111994	-5398 (-4.6)	13081 (13.2)	-4354 (-4.5)	2130 (2.2)	260 (0.3)	4257 (4.6)
Scheduled Commercial Banks							
Deposits	386212	2131 (0.6)	-647 (-0.2)	5767 (1.7)	53630 (16.1)	52144 (18.6)	39017 (16.1)
Advances	212497	-354 (0.2)	937 (0.4)	-3041 (-1.8)	40638 (23.8)	11566 (7.3)	23757 (17.5)
Non-Food Advances	198995	603 (0.3)	-290 (-0.1)	-4660 (-2.9)	37797 (23.4)	8875 (5.8)	21684 (16.6)
Investments	155535	1524 (1.0)	6282 (4.2)	1278 (9.4)	13965 (10.3)	28641 (26.9)	16820 (18.7)

All monetary and banking data presented here are based on March 31 figures after closure of government accounts

Index Numbers of Industrial Production (1980-81=100)	Weights	April 1995	Average for Full Fiscal Years							
			1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88
General Index	100.0	252.4(13.4)	250.6(8.4)	231.1(5.6)	218.9(2.3)	213.9(0.6)	212.6(8.2)	196.4(8.6)	180.9(8.7)	166.4(7.3)
Mining and Quarrying	11.5	235.5(15.3)	245.8(6.3)	231.2(3.4)	223.7(0.6)	222.5(4.5)	221.2(6.3)	211.6(7.9)	199.1(3.7)	184.6(6.2)
Manufacturing	77.1	243.3(13.6)	241.8(8.8)	222.3(5.5)	210.7(2.2)	206.2(-0.8)	207.8(8.9)	190.7(8.6)	175.6(8.7)	161.5(7.9)
Electricity	11.4	330.8(11.3)	314.6(8.5)	290.0(7.4)	269.9(5.0)	257.0(8.5)	236.8(7.8)	219.7(10.9)	198.2(9.5)	181(7.6)

Household Saving in Financial Assets (Rs crore)	1994-95 (Prelimnary)	1993-94 (Prov)	1992-93 (Prov)	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Gross Financial Assets	120931	96033	73676	70851	56858	49121	39958	36106	31849	25541
Per cent of GDP at current market prices	13.3	12.2	10.5	11.5	10.6	10.8	10.1	10.8	10.9	9.7
Financial Liabilities	30196	12247	16513	8867	10482	11954	12778	9286	8513	7003
Per cent of GDP at current market prices	3.3	1.6	2.4	1.4	2.0	2.6	3.2	2.8	2.9	2.7
Net Household Saving in Financial Assets	90735	83786	57163	61984	46376	37167	27180	26820	23336	18538
Per cent of GDP at current market prices	10.0	10.7	8.1	10.1	8.7	8.1	6.9	8.0	8.0	7.1

Foreign Trade	July 1995	Cumulative for Fiscal Year So Far		Full Fiscal Year Variations				
		1995-96	1994-95	1994-95	1993-94	1992-93	1991-92	1990-91
Exports: Rs crore	7706	30537 (30.0)	23490 (8.3)	82330 (18.4)	69547 (30.4)	53688 (21.9)	44042 (35.3)	32553 (17.6)
US $ mn	2454	9724 (29.9)	7488 (8.3)	26233 (18.3)	22173 (20.4)	18537 (3.8)	17866 (-1.5)	18143 (9.1)
Imports: Rs crore	9472	35329 (39.4)	25353 (10.0)	88705 (21.8)	72806 (15.7)	63375 (32.4)	47851 (10.8)	43193 (22.0)
US $ mn	3019	11250 (39.2)	8082 (9.9)	28251 (21.7)	23212 (6.8)	21882 (12.7)	19411 (-19.4)	24073 (13.2)
Non-POL US $ mn	2722	9130 (44.1)	6339 (19.6)	22538 (29.1)	17456 (10.6)	15782 (12.3)	14047 (-22.2)	18045 (3.1)
Balance of Trade: Rs crore	-3023	-4792	-1873	-6375	-3259	-9687	-3809	-10640
US $ mn	-702	-1526	-594	-2018	-1039	-3345	-1545	-5930

Foreign Exchange Reserves (excluding gold)	Sept 15, 1995	Sept 16, 1994	Mar 31, 1995	Variation Over						
				Month Ago	Year Ago	Fiscal Year So Far		1994-95	1993-94	1992-93	1991-92
						1995-96	1994-95				
Rs crore	60797	56526	66028	-934	4271	-5231	8900	18402	27430	5385	10223
US $ mn	18968	18151	20816	-82	817	-1848	2975	5640	8724	731	3383

Capital Market

Share Price Index	Sept 22, 1995	Month Ago	Year 1994	1995-96 So Far Trough	1995-96 So Far Peak	1994-95 Trough	1994-95 Peak	End of Fiscal Year 1994-95	1993-94	1992-93	1991-92
BSE sensitive index (1978-79=100)	3444	3370	4452	3015	3557	3233	4631	3261	3779	2282	4285
	(-22 6)		(63 4)					(-13.7)	(65.7)	(-46.8)	(266.9)
National index (1983-84=100)	1573	1551	2115	1482	1691	1572	2176	1606	1830	1021	1968
	(-25.6)		(62 1)					(-12.2)	(79.2)	(-48.1)	(234.1)
BSE-200 (1989-90 = 100)	349	349	505	336	385	360	497	368	450	234	585
	(-30.9)		(56 8)					(-18 2)	(92.3)	(60.0)	(267.9)
BSE Dollex (1989-90 = 100)	171	183	268	179	204	191	280	195	239	125	376
	(-36.2)		(56.7)					(-18.4)	(91.2)	(-66.8)	(178.5)

P/E Ratio (Month Average)	June 95	May 95	June 94	Quarter Ending Dec 94	Quarter Ending Sep 94	Quarter Ending June 94	End of Fiscal Year Mar 95	Mar 94	Mar 93	Mar 92	Mar 91
BSE sensitive index	23 6	28 5	51 9	34 7	45.8	51 9	30 4	46 8	29.3	44.3	19.7
National index	26 4	32 2	51 2	38 6	47 6	51.2	34.7	46.9	27.1	41.9	19.1

BSE Turnover (Rs crore)	Aug 95	July 95	Aug 94	April-August 1995-96	April-August 1994-95	Full Fiscal Year 1994-95	1993-94	1992-93	1991-92	1990-91	1989-90
Specified shares	2031	2935	1905	9345	8079	15456	62213	33207	54610	28863	25212
Non-specified shares	1812	1901	4060	7986	20610	52292	22324	12489	17168	7149	4173
Total	3843	4836	5965	17331	28689	67749	84537	45696	71778	36012	29386
Average daily turnover	227	242	331	181	296	292	388	238	332	189	135
No of working days	17	20	18	96	97	232	218	192	216	191	218

Market Capitalisation (Last working day) (Rs crore)	Aug 95	July 95	Aug 94	Quarter Ending Dec 94	Quarter Ending Sept 94	Quarter Ending June 94	End of Fiscal Year Mar 95	Mar 94	Mar 93	Mar 92
BSE listed companies	456781*	455315*	372977*	400000	416966	398044	435481	344462	189405	305987
	(22 5)		(106 2)	(31 1)	(4 8)	(15 6)	(26 4)	(81 9)	(-38.1)	(-)
100 National index-based scrips	141656	137634	178136	160019	169646	158586	141263	146176	73075	112041
	(-20 5)		(92 4)	(-5 7)	(7 0)	(8.5)	(-3 5)	(100.0)	(-34 8)	(198 3)

* Data pertains to May 95, April 95 and May 94 respectively

Capital Issues	April-July 1995-96	April-July 1994-95	(April-Feb) 1994-95	Full Fiscal Year 1993-94	Full Fiscal Year 1992-93	Full Fiscal Year 1991-92	Quarter Ending Sept 94	Quarter Ending June 94	Quarter Ending Mar 94	Quarter Ending Dec 93
Capital issues cleared/approved by SEBI										
Amount (Rs crore)	6048.1	5935.9	26701	19810	21221	19402	1823	1205	803	1678
Number of issues	316 0	428.0	1749	1217	1331	1263	100	103	135	125
Capital issues launched										
Amount (Rs crore)	6660 5	4606 0	19803	23275	19825	5757	1748	980	1531	4375
Number of issues	454 0	444.0	1461	1112	1037	517	148	97	138	86

Investment by Foreign Institutional Investors (FIIs) in Secondary and Primary Markets (for each month)

Month	No of Regd FIIs (Cumulative)	Gross Purchases Rs Cr	Gross Purchases US $ mn	Gross Sales Rs Cr	Gross Sales US $ mn	Net Investment Rs Cr	Net Investment US $ mn	Cumulative Net Investment@ US $ mn
Prior to Jan 1994	.	.	.	.	.	.	.	777.8*
January 1994	136	1288 6	415 7	54 0	17 4	1234 6	398 3	1176 1
June	199	1029 1	332 0	274 2	88 5	754 9	243.5	2348.0
September	229	647 4	208 8	201 8	65.1	445.6	143.7	2717.3
December	281	363 7	115 9	316 2	100.8	47.5	15.3	3027.9
January 1995	286	465 0	153 5	325 0	105 5	140 0	44.8	3099.7
February	302	402 4	128 3	201 7	64.3	200 7	64.0	3104.2
March	308	362 6	115 8	182.3	58 2	180 3	58 2	3266.6
April	312	362 6	117 0	182 3	58 8	180.3	58.2	3266.0
May	318	430 3	138.8	219 2	70 7	211 1	68 1	3338.3
June	323	582.8	188 1	226.5	73 1	356 3	115.0	3448.5
July	323	857 6	276 8	202.8	65 5	654.8	211 2	3663.3
August	323	751.7	242.4	186.8	60.2	564.9	182.2	3846.5

@ Inclusive of late reporting which is not incorporated in the monthly flows * RBI has placed it at $ 829 million.

Mobilisation of Resources by Mutual Funds		1994-95	1993-94	1992-93	1991-92	1990-91	1989-90	1988-89	1987-88	1986-87	1985-86
Unit Trust of India (net sales)*	(Rs crore)	8681 0	9297.0	11057.0	11416.9	5978.3	6705.2	3783.7	2017.9	.	..
Public Sector Mutual Funds	,,	1334.2	386 7	1964.0	2731.5	2779.5	1214.3	319.7	251.0	..	..
Private Sector Mutual Funds	,,	1326 8	1559.6	.	.	.	.	..	..	..	..
Unit Trust of India's Operations											
Sales under all schemes (gross)	,,	11500.0	10711.6	6492.0	12182 4	4553 0	5583.6	3855 0	2059.4	1261.1	891 8
Outstanding unit capital	,,	44000.0	39298.0	30649.5	24815 4	16409.3	13391 7	8905.1	5449.6	3726.1	2586.4
Investible Funds		61000.0	51708 9	38976 8	31805.7	21376.5	17650.9	11834.7	6738.8	4563.7	3218.3
Unit Scheme 1964 Sales (total)	,,	7353 0	4824 2	1582.0	1069.0	666 5	3175.4	2304 6	847.2	139.6	309.4
Individual	,,	2082.0	1724 2	1227 0	508 0	307.1	362.9	260.8	185.5	= 84.6	132.1
Corporate	,,	5271 0	3100.0	355 0	561.0	359.4	2812.5	2043.8	661.7	55.0	177.3
Outstanding Unit Capital 1964 (total)[9]		15328.6	12014.6	7405 0	6331.0	7150.4	6936.6	4405.1	2165.6	1358.2	1243.0
Individual	,,	6298.1	4563.6	2953.0	1743.0	1372 8	1166.6	901.2	691.8	532.7	482.8
Corporate	,,	9030 6	7451 0	4452 0	4588.0	5777 6	5770.0	3503 9	1473.8	825.5	760.2

* Net sales value with premium under all domestic schemes All amounts in Rs crore

Notes: (i) Superscript numeral denotes month to which figure relates, e g, superscript [9] stands for July. (ii) Figures in brackets are percentage variations over the period specified or over the comparable period of the previous year (iii) .. means not available/not relevant.

BSES

From Distribution to Generation

BSES, incorporated in 1929, is one of the largest private sector power company in country. Financial institutions hold a controlling stake with 51.75 per cent, 29.74 per cent is held by individuals, other corporate bodies 6.08 per cent, foreign institutional investors and nationalised banks 3.52 per cent and 0.22 per cent, respectively. The company recorded a turnover of Rs 1,160 crore for the year ended March 1995, an improvement of over 20 per cent over Rs 964 crore recorded in the previous year. A zero tax provision saw net profit spurt to Rs 147 crore from Rs 71 crore for the same period, though gross profit grew at a modest rate of 27 per cent, from Rs 134 crore to Rs 170 crore. A dividend of 26 per cent has been declared by the board of directors. BSES provides electricity to suburban Bombay from Mahim in the south to Bhayander in the north covering an area of 420 sq km. It supplies electricity to nearly 1.6 million consumers in the city of Bombay, of which 50 per cent are domestic, 20 per cent industrial and 3.5 per cent commercial consumers. At present the demand faced by BSES is 900 MW which is expected to increase to 1,200 MW by the year 1999-2000. The company is investing close to Rs 869 crore in an effort to modernise its distribution network, with an emphasis on system improvement. The company plans to create modern system coded and data augumentation (SCADA)-based load despatch centre to service this demand. The biggest share of the total investment has been earmarked for replacing the cables, some of which are nearly 40 years old. Of the total investment 33 per cent will be on 11 KVLT (low tension) lines, which connect the network to the final consumer. The company spent Rs 130 crore receiving stations, on the installation of electrostatic meters for high tension (industrial) and low tension (LT) consumers. All these moves are expected to reduce transmission losses. Transmission and distribution losses stood at 14 per cent in the year under review, down by 1 per cent, and the company hopes to bring these down to 12 per cent by 1996-97. At the present level of operations a saving of 1 per cent translates into a gain of nearly Rs 14 crore, and the company has been giving due attention to cutting down these losses. While technical loss depends on the high and low tension consumers and may be around 8 per cent the rest can be accounted for by pilferage. Apart from replacing electricity meters and laying down cables the company has divided the licensed area into four zones for power distribution, to monitor the transmission and distribution losses. This would make it easy for the company to zero in on the problem areas.

BSES, primarily a distribution company is looking for a diversified role whereby the company will take up generating projects along with distribution. A beginning has been made by bidding for several generating projects in Andhra Pradesh, Rajasthan and Tamil Nadu. The company has shown its willingness to take up these projects on the condition that it is allowed to take up distribution too. The distribution project could be in any part of the state and not necessarily connected to the generating project. BSES is changing from being an essentially distribution Company, sourcing its requirements from Tata Electric company to a generating-cum-distributing one, by setting up two 250 MW units at Dahanu and Pune. The first unit of Rs 1,419 crore project was synchronised in January 1995 and the second unit in March 1995. The company plans to double the capacity of its Dahanu plant by adding another 500 MW. BSES is to hold a 60 per cent equity stake in a new power project to be located at Srimushnam in South Arcot district in Tamil Nadu at an estimated cost of Rs 1,800 crore. The project of the Tamil Nadu Industrial Captive Power Company (TICAPCO) is being promoted by various local power consuming companies, Scandinavian Technical Services, Sharjah and others, for setting up a 250 MW power station in Tamil Nadu. Three more power projects of 500 MW are being planned. The three new projects may be located in Maharashtra, Madhya Pradesh and Andhra Pradesh. BSES has also been shortlisted for the 500 MW Suratgarh project in Rajasthan. The company is exploring the possibility of setting up a coal washery at the linked mine at Korba in Bilaspur in Madhya Pradesh which will enable the company to use washed coal with low ash content. The coal washery project will be jointly promoted by Spectrum Technologies and CLI Corporation of the US. The new company Spectrum BSES Coal Washeries will have an equity of Rs 20 crore of which Rs 6 crore will be put in by BSES. The estimated cost of the project is Rs 50 crore.

The company has plans to set up an infrastructural leasing company to fund its projects having large capital outlay and long gestation periods. The company will be a subsidiary of BSES, with an initial capital of Rs 30 lakh. BSES Telecom has been formed to take advantage of the emerging opportunities in the telecom sector. The subsidiary will provide value added services in the areas of software and computer services and communications. BSES is also planning to lay fibre optic cables along with its power cables in Bombay city for telecommunications company. It will allow the use of these transmission towers by service providers for a fee. The company's foray into telecommunications has been inspired by the liberalisation of the telecom sector, coupled with the fact that power and telecom are allied areas requiring similar infrastructure. BSES has targeted a turnover of Rs 1,000 crore from its telecom ventures in the next three years.

At present the customer profile of BSES is skewed more towards the residential customers who comprise nearly 85 per cent of BSES consumer base but generate a revenue of 50 per cent only. With the commissioning of the Dahanu plant the company hopes to rectify this as the plant hopes to attract industrial consumers, thus improving the profit margins for BSES. In the area of distribution, tie up with a foreign company is on the anvil. Talks are on with four companies — Niagara Mohawk, China Light and Power, Hong Kong Electric and London Electricity. BSES is now extending its sphere of operations to Andhra Pradesh. The Andhra Pradesh State Electricity Board (APSEB) is to sign a management contract with BSES for operating and managing the distribution system for Hyderabad, Secunderabad and nine adjoining municipalities for a period of one year. BSES has entered into a memorandum of understanding with NTPC to establish a joint venture company to undertake business in the area of construction, erection and other project management activities in India and abroad. It is proposed to form a company Utility Powertec, with an initial authorised capital of Rs 50 lakh. BSES will hold 51 per cent stake in the venture with NTPC holding the rest. Under the agreement reached by them, joint responsibilities will be shared according to each company's expertise. The combine has already made a beginning by bidding for the 1,050 mw Bakreshwar power project in West Bengal. The com-

(Rs lakh)

Financial Indicators	BSES		Dabur India		SIV Industries	
	March 1995	March 1994	March 1995	March 1994	March 1995	March 1994
Income/appropriations						
1 Net sales	116043	96434	38711	30818	35053	28091
2 Value of production	119029	97613	39532	31380	32980	30194
3 Other Income	2409	3263	1228	788	1469	815
4 Total income	121438	100876	40760	32168	34449	31009
5 Raw materials/Stores and spares consumed	4815	4151	10811	9294	14933	15150
6 Other manufacturing expenses	0	0	14586	10487	5216	4242
7 Remuneration to employees	4057	2760	1541	1054	2222	2164
8 Other expenses	94129	79763	9177	7235	4019	3816
9 *Operating profit*	18437	14202	4645	4098	8059	5637
10 Interest	1110	684	1306	1482	2331	2292
11 *Gross profit*	16991	13358	3901	2636	5725	3331
12 Depreciation	2327	1314	816	569	1008	776
13 *Profit before tax*	14664	12044	3085	2067	4717	2555
14 Tax provision	0	4960	700	650	700	320
15 *Profit after tax*	14664	7084	2385	1417	4017	2235
16 Dividends	1619	1387	855	289	1121	687
17 Retained profit	13045	5697	1530	1128	2896	1548
Liabilities/assets						
18 Paid-up capital	22993	16672	2848	2823	3456	1375
19 Reserves and surplus	75096	33933	10676	8963	23300	8885
20 Long term loans	77021	72422	6441	5245	12641	10666
21 Short term loans	731	308	8321	5702	3059	5411
22 Of which bank borrowings	118	40	6469	4147	3059	4120
23 Gross fixed assets	174952	123616	11401	8721	29806	23912
24 Accumulated depreciation	10029	7701	4176	3377	9604	8608
25 Inventories	4100	2520	6280	5722	4385	7703
26 Total assets/liabilities	216307	160959	35690	27236	49368	35035
Miscellaneous items						
27 Excise duty	0	0	1700	783	5312	4366
28 Gross value added	21353	16275	6683	4832	9177	7331
29 Total foreign exchange income	3	1	3345	2263	697	1274
30 Total foreign exchange outgo	25	72	1354	783	1497	3691
Key financial and performance ratios						
31 Turnover ratio (sales to total assets) (%)	53 65	59.91	108 46	113.15	71.00	80 18
32 Sales to total net assets (%)	65.99	78.19	136.86	135 57	82 56	106 66
33 Gross value added to gross fixed assets (%)	12 21	13 17	58.62	55 41	30.79	30 66
34 Return on investment (gross profit to total assets) (%)	7 86	8 30	10 93	9 68	11 60	9 51
35 Gross profit to sales (gross margin) (%)	14.64	13.85	10.08	8.55	16 33	11.86
36 Operating profit to sales (%)	15 89	14 73	12.00	13 30	22 99	20 07
37 Profit before tax to sales (%)	12 64	12 49	7.97	6.71	13 46	9 10
38 Tax provision to profit before tax (%)	0.00	41.18	22 69	31.45	14 84	12 52
39 Profit after tax to net worth (return on equity) (%)	14 95	14.00	17.64	12.02	15.01	21 78
40 Dividend (%)	26.00	24.00	30.00	25 00	35 00	50.00
41 Earning per share (Rs)	6 38	4 25	8 37	5.02	11 62	16 25
42 Book value per share (Rs)	42.66	30.35	47 49	41.75	77.42	74.62
43 P/E ratio (based on latest and corresponding last year's price) (adjusted for revaluation) (%)	20 54	57.07	24.48	58.77	11.01	17.38
44 Debt-equity ratio (adjusted for revaluation) (%)	78.52	143.11	47 63	44.50	47.25	103 96
45 Short term bank borrowings to inventories (%)	2 88	1.59	103.01	72.47	69 76	53.49
46 Sundry creditors to sundry debtors (%)	103 99	122.79	29.86	20 06	33.47	31.40
47 Total remuneration to employees to gross value added (%)	19 00	16 96	23.06	21.81	24.21	29.52
48 Total remuneration to employees to value of production (%)	3 41	2 83	3 90	3.36	6.74	7.17
49 Gross fixed assets formation (%)	41.53	–	30 73	–	24.65	–
50 Growth in inventories (%)	62 70	–	9 75	–	-43.07	–

pany has received in-principle approval of the government of India for the proposed Euro Issue for an amount up to US $ 125 million.

DABUR INDIA

Diversification through Collaborations

Dabur founded in 1884 by S K Burman, an allopathic doctor, was set up with the initial aim of selling allopathic formulations to treat plague, malaria and cholera. A switch over to ayurvedic medicines followed soon and today with diversions and diversifications the company, a 112 years old, has six different divisions handling health care products, family products, natural gums, exports, pharmaceuticals and veterinary products. The company manufactures about 450 products marketed through a network of 3,000-odd retailers. It is the largest manufacturer of branded ayurvedic products and also their largest exporter.

The company achieved a turnover of Rs 387 crore for the year ended March 1995, a rise of around 26 per cent from Rs 308 crore achieved in the previous year. A rise in dividend earnings from Rs 3 crore to Rs 9 crore, a rise of 200 per cent gave a boost to total income which moved up from Rs 322 crore to Rs 408 crore for the year under review. Interest costs came down by 12 per cent while there was a rise of 43 per cent in the provision for depreciation. Profit before tax stood at Rs 31 crore up by 49 per cent from Rs 26 crore achieved last year. A 7 per cent increase in the tax provision did little harm to the bottomline and the company closed the financial year with a net profit of Rs 24 crore, up by 68 per cent from Rs 14 per cent in the previous year. A dividend of 30 per cent has been recommended by the board of directors as against 25 per cent given last year. Exports registered a growth of 49 per cent moving up from Rs 22 crore to Rs 33 crore for the year under review. Imports rose by 110 per cent. On the export front, the company ended up with a net foreign exchange inflow to the tune of Rs 20 crore. Growth in demand for the company's products in the European market was satisfactory. The company has plans to extend its range of consumer products in west and south-east Asia. By adding these new products to its portfolio, the company hopes to achieve a 35 per cent growth in exports. The company established new markets in Morocco, Sudan and Malayasia and is planning an entry into China and Vietnam.

Dabur India has entered into a joint venture with the US-based pharmaceutical company,

Sepracor, to manufacture Paclitaxel, an anti-cancer drug in Canada, with InNova Pharma being set up for this purpose. Both Dabur and Sepracor's 100 per cent subsidiary, Seprachem will hold 50:50 stake in this company. InNova would have a paid up capital of $2.5 million. Dabur's contribution to the company's equity will be both in the form of goods as well as cash — $ 7,50,000 in goods and $ 5,00,000 in cash. Anand Burman, director, Dabur India, said Dabur would supply DAB-10, an intermediary required for the production of Paclitaxel, while the side chain as well as the technology required for bonding the side chain and DAB-10 to manufacture Paclitaxel would be provided by Sepracor. Paclitaxel is currently being used to treat ovarian and breast cancer. InNova is expected to commence commercial production in June 1996. Meanwhile the company's injectibles plant at Badi has successfully commenced the commercial production of a life saving anti-cancer drug, viz, Intaxel, spearheading the introduction of an oncology range of injectibles has been launched after completion of trials. During the year the company developed two more bulk drug technologies and began commercial production of Flucanozole and Citrizine dihydrochloride, the first being an anti-fungal, antibiotic drug and a second generation anti-histamine. Dabur is planning a strategic alliance with a Japanese company, Shikibo, for its natural gums division. Dabur's natural gum plant is located in Alwar, Rajasthan and has an annual capacity of 3,000 tonnes per annum. In confectionaries, the company has tied with Spanish giant Agrolemen to manufacture chewing gums,bubble gum, toffees, chocolate and cocoa-related products and sugar-based spreading creams. Rs 18-crore plant at Badi in the Solan district of Himachal Pradesh is to go on stream next year. Dabur has a 49 per stake in the venture called Carbur India. Agrolemen holds the balance 51 per cent and will handle the marketing. A strategic alliance with Unilever to manufacture and market ayurvedic- and herbal-based products is being planned. Dabur is weighing the advantages of manufacturing herbal-based products like soap and toothpaste which would then be marketed by Hindustan Lever. Dabur is planning to diversify its product range and is negotiating with the US-based perfume giant Avon to set up a joint venture in the country. The investment in the project is estimated to be between Rs 30 crore and Rs 50 crore. The company is also planning to diversify into cosmetics and dairy products through alliances with multinationals. The company, planning to enter the high quality biscuit manufacture, is holding talks with a number of foreign companies for a possible collaboration. The investment in the project would be around Rs 30-40 crore. The company plans to enter the milk products business and in this segment its talks with a French company to make cheese are already in an advanced stage of negotiations.

Through its research and development activities the Dabur Research Foundation has come out with new products like Lactonic, Dentacare and Vatika.

SIV INDUSTRIES

Good Performance

SIV Industries formerly known as South India Viscose, a Coimbatore based company is a major manufacturer of viscose staple fibre and wood pulp. The company closed the financial year with a sales turnover of Rs 351 crore, up from Rs 281 crore recorded in the previous year, a rise of 25 per cent. Total income rose by 11 per cent from Rs 310 crore to Rs 345 crore for the year under review. Net profit stood at Rs 40 crore, up from Rs 22 crore achieved in the previous year and could have been higher were it not for a tax provision of Rs 7 crore as against Rs 3 crore in the previous year. Interests costs rose by 1 per cent and provision for depreciation went up from Rs 8 crore to Rs 10 crore, a rise of around 30 per cent. A dividend of 35 per cent has been recommended. The company diversified into the manufacture of edible oils a couple of years ago. The edible oils division which contributed around 9.4 per cent to the turnover proved to be a drag on the bottomline. The company blamed the erratic monsoon that affected the availability of sunflower seeds for the poor capacity utilisation at the company's plant at Palani. The company has obtained the shareholders' approval for selling/leasing the edible oil unit at an extraordinary general meeting in April 1995. Working of the viscose staple fibre plant at Sirumugai during the year was satisfactory With a capacity of 39,000 tonnes per annum, it constitutes only around 15 per cent of the total capacity available in the country. VSF is a cellulostic fibre which is a close substitute to cotton used in blended yarns to provide the fabric a smooth feel and improve moisture absorption capacity. Production of VSF went up from 24,599 tonnes in 1993-94 to 29,764 tonnes in 1994-95. Higher realisations available to the VSF manufacturers were responsible to a large extent for the improved performance of the company. VSF prices, which were around Rs 60 per kg during mid-1994, climbed to Rs 72 per kg and stayed at those levels. Prices of the VSF went up because the prices of cotton had climbed up by more than 75 per cent during the year following shortages caused by hoarding. VSF being a close substitute for cotton, demand for cotton shot up.

The company sources its requirements of pulpwood from both government plantations as well as private sources. With a view to providing for its requirement of raw material, the company has an agro forestry programme which has covered more than 20,000 acres with nearly 14 million seedlings/trees planted. The company's operations are fairly intergated, possessing as it does a 60,000 tonne rayon grade wood pulp manufacturing capacity. The pulp plant at Sirumugai is in danger of being closed down as per the orders passed by the Tamil Nadu government on the ground that the company is not taking effective pollution control measures, that the treated effluents do not meet the standards prescribed by them. Nonetheless the company has decided to go ahead with its modernisation programme at an estimated cost of Rs 796.50 crore, of which Rs 200 crore has been earmarked for revamping the effluent treatment plant. The company has an ambitious modernisation programme. As per the plan the SIV pulp plant which had a capacity of 180 tonnes a day would be upgraded to 300 tonnes a day over a period of three years. For the pulp division the company is to collaborate with Wagner Beurag and Lenzing. The company has tied up with Lindox of Germany for the import of the "oxygen aerated sledge reactor" at a cost of Rs 70 crore to take care of the pollution aspect. Again on the point of pollution, the company is to switch from the present calcium-based method to the magnesium process at an estimated cost of Rs 60 crore. The viscose staple fibre (VSF) plant, is to be upgraded to 250 tonnes a day. The company is to spend Rs 370.70 crore on the expansion of the VSF and the viscose staple yarn. The company proposes to finance its expansions from the 60 million dollars realised from its Euro issue which the company came out with in last August. The company installed the third wind energy farm of 2MW capacity comprising eight wind mills in May 1995 at Perungudi in Tamil Nadu at a cost of Rs 7.19 crore, taking the total energy capacity to 5 MW at an investment of Rs 20 crore. The company plans to set up another wind mill in Tamil Nadu during the year.

RANDOM REFLECTIONS

The Saga of the Babus of Nayanjore

Arun Ghosh

The economic management of the economy over the past four years has been so inept that any successor government would find it extremely difficult to change the basics of the situation, namely reliance on the World Bank, the IMF and international finance capital to provide succour to the Indian economy.

THE finance minister of India is reported, recently, to have made the statement that: (a) the economy is basically in good shape, and growing at more than 5 per cent per annum; (b) the only problem today is the continuance of the fiscal deficit which needs to be curbed; and (c) the only way the fiscal deficit can be curbed is by privatisation of public enterprises.

In today's political rough and tumble, what the present finance minister says is not very important. The present government stands discredited in the eyes of the people; the party is deeply divided, and the possibility of a new coalition (after the next general elections) looms large on the horizon. One would not have wasted one's time and energy commenting on what a lame duck finance minister says. And yet, what he stated needs to be analysed because his speech represents a 'mind-set'; and that 'mind-set' could well prevail even after the general elections. The 'mind-set' represents the viewpoint of the elite in this country who have everything to gain while the country gets ravished by an unholy combination of domestic and international finance capital. It is for this reason – the possibility of a continuance of the present set of policies after a new government is formed at the centre, in 1996, being quite high in fact – that it becomes necessary to sound a timely warning, and to dissect the statement of the finance minister for what it is worth.

Clearly, the economy *has* been growing. It would be remarkable if it did not, after an eighth consecutive good monsoon. Yet, it *is* also remarkable that the economy still continues to grow after a total neglect of infrastructure (by the government) over the past four years. The explanation, of course, is that infrastructure investments have a long gestation period; the effect of the neglect of infrastructure would get reflected on the performance of the economy after a few years. We are then likely to face a perennial power shortage, transport bottlenecks, and the dreadful conditions of all civic services in all urban areas. (Clearly, the lessons of the plague in Surat have been quickly forgotten).

But, while the economy has indeed been growing, the 1992 NSS results show a deepening of poverty in the country. The results of the more detailed 1993-94 NSS survey of consumption expenditures are unlikely to be released before the next elections; but one can hide the reality only from a few urbane groups; the majority of the population has firsthand experience of the deterioration in consumption and living standards. Any discerning observer can also notice the sudden increase in the incidence of TB – which was supposed to have been eradicated but has resurfaced as a result of a combination of malnutrition and unhealthy living conditions – of malaria, of other epidemics (like hepatitis, influenza and pneumonia) which sap the vitality of the poorer sections of the population.

The finance minister ought to be told that if, meanwhile, the economy is still growing, it is *because* of the fiscal deficit. Given all the other policies, take away the fiscal deficit, and even aggregate growth of output would disappear, as if by magic. Regrettably, it is the 'problem' that the finance minister has identified which is still providing an overall growth impulse to the Indian economy today.

Perhaps the finance minister is aware of this. But politically, he cannot take that position, for the hollowness of the overall policy framework would then become apparent. The extant economic reform policies have had the effect of reducing the aggregate rate of domestic saving from nearly 24 per cent of the GDP in 1990-91 to around 20 per cent in 1993-94, the reform policies have yet to get our merchandise exports to exceed imports, and adding interest on external debt – which is now around $ 96 billion – we have a large deficit on the current account of external payments; and to the extent our external reserves have gone up (to some $ 19 billion as of mid-August); it is matched by the inflow of short-term external capital which can be kept in the country only by maintaining an extortionate interest rate, far higher than such capital can earn abroad. Incidentally, the high interest rates also aggravate the fiscal deficit problem; the 1995-96 budget indicated 52 per cent of the centre's revenue receipts being required to meet only debt servicing charges; and the latest borrowing by the government (from the market) has been at 14 per cent interest. In Japan, the discount rate is a fraction above 1 per cent. All in all, the economic management of the economy over the past four years has been so inept that any successor government (in 1996) would find it extremely hard to change the basics of the situation, namely, reliance on the World Bank, the IMF and international finance capital (now ensconced as foreign institutional investors or FIIs, in India) to keep providing succour to the Indian economy. This succour would, of course, be at a price; the price of private external (investment) capital today is a return of anything between 30 per cent to 100 per cent annually, on the capital imported. Like the typical Indian farmer before independence, indebted for life to the indigenous moneylender, the Indian economy is now getting into a permanent debt-trap insofar as international finance capital is concerned.

It is more than likely, therefore, that a successor government in 1996 would require another 'avatar' of Manmohan Singh – acceptable to the World Bank – as the next finance minister of India. And regrettably, judging from some recent actions and attitudes of the leaders of the National Front, the BJP, indeed even of the Leftist parties, we could well find even the present finance minister in charge of the finances of the country after the next general elections. It is the 'mind-set' of the elite in this country which poses the greatest threat to the country.

Let us now come to the third part of the finance minister's analysis of the present economic scenario. The only way the fiscal deficit can be reduced is by privatisation of public enterprises. In other words, (a) the tax effort is a hogwash, (b) the easy way out is the sale of the marketable assets owned by government, and (c) this can be depicted as a heroic effort to increase efficiency through privatisation.

Three points are to be noted. In July 1991, when the finance minister first mooted the idea of partial sale of the equity of public enterprises, he is on record to have stated that he was reluctant to sell part of the equity of public enterprise, but he had no option as he had to rapidly bring down the fiscal deficit. Of late, the finance minister has become a votary of *privatisation* in the name of efficiency.

Secondly, and this is an interesting point, there is no attempt to privatise any loss making public enterprise. There are just no takers. So, privatisation is to be limited to only highly profitable (and efficiently performing) public enterprises, those in the 'oil' sector, in the 'telecom' sector et al. The sad fact is that the profitability of these enterprises is quite substantial. Most of them do not require any budgetary support for their expansion; they can attract loan finance provided they can use their retained profits as additional equity. Most of them also serve a larger national purpose – e g, the ONGC by way of 'exploration' of oil which would be given the go-by by a private entrepreneur; the C-Dot by way of developing rural exchanges from the profits made from metropolitan areas – and the larger national purposes are obviously of no interest to the private sector. All these enterprises are also in a monopolistic/ oligopolistic situation, so that privatisation would be tantamount to converting public monopolies into private monopolies.

All that is well known. And yet, the pressure has to be maintained, the people have to be brainwashed, in order to enable the finance minister to seek the easy option of raising resources by selling off the most valuable, the most prized assets owned by government.

Someone had likened this exercise to the sale of family silver. Indeed, it is more than that; the family silver does not bring a direct return. It is an asset, an heirloom. But the public enterprises proposed to be privatised are contributing to the exchequer; they are profitable. Their sale, therefore, is tantamount to selling-off income-yielding assets. *We are selling these assets for present consumption expenditure*, for reducing the fiscal deficit. It is not as if the finance minister wants to raise resources for new investment on infrastructure. No. The emphasis is on reducing the fiscal deficit, which can be achieved by: (a) cutting down on public investment, which is what has been happening, and (b) selling off the equity of public enterprises.

No wonder, the new combination of domestic and international finance capital welcomes this step. The mechanism provides an easy way to acquire the ownership of highly profitable, monopolistic enterprises. And, the combination of domestic and international capital is a powerful combine; and it has succeeded in befuddling even some eminent Leftist leaders into thinking that the inflow of external capital would resolve the problem of raising domestic resources. The new combine of domestic and international finance capital also welcomes the high rates of interest in India; rentier incomes can grow thereby, at the cost of real wages of the working classes. Of course, the former (that is, domestic finance capital) does not realise that a tottering infrastructure can (and will soon) redound on it. But then, capital flows (and capital flight) are a reality in the modern world; and the recent example of Mexico is there for all to see. Domestic finance capital can also move out; there are umpteen tax havens today, and in any case, east Asia offers opportunities of high return.

More than half a century back, the late Rabindranath Tagore wrote a short story, titled 'The Babus of Nayanjore'. The story is of a landlord who believes in living it up. He has been doing so by selling-off his inherited property, gradually, bit by bit. The last scene is one of a great music-cum-dance fest organised by him at his residence; the fest has been paid for in advance, and the money for the fest has been raised by selling-off the house where he lives, where the fest is being held. This is the last night he is allowed to occupy his own house. Come morning, he is out in the street without a penny. The music and the dances are on, and our Babu of Nayanjore, erstwhile zamindar, is drinking away, unmindful of the morrow.

We Indians today are like the Babus of Nayanjore; what happens to the coming generations is not our concern. We can live it up by borrowing to the hilt. The problem is, only a small segment of the population is really living it up; the rest of the countryfolk have no say in the matter, and indeed, they are already facing some part of the privations that the nation as a whole will be made to bear in the years to come.

Is there no way we can avoid this fate? Of course, there is. But that requires policies that would enthuse all the people of the country to work and to save, and that in turn requires all the people in the country being assured of enjoying the fruits of their labour. Between 1952 and 1990, Chinese 'labour participation' increased from 36.1 per cent (in 1952) to 49.6 per cent (in 1990). *And*, they raised the rate of domestic saving to some 40 per cent of the social product. The 'micro efficiency' of the firm did not bother the Chinese; and even today, Chinese industry by and large is a horrendous user of energy. And yet, the Chinese economy has been growing by between 12 and 15 per cent annually. Despite the years of the Great Leap Forward and the Cultural Revolution, Chinese agricultural output has been growing at some 4 to 5 per cent per annum (on an average) if the entire period from 1949 is taken. Rural industries in China have been growing at 18 per cent annually.

We do not need to initiate *any* economy, neither the Chinese no the South Korean nor the Taiwanese the last two both lauded by the World Bank and our neoclassical neoliberal friends in the economic community. But we can draw lessons from both our experience and experience around the world; and that lesson (from Japan, South Korea, Taiwan) is to start with land reform (forced on these countries by Douglas MacArthur in 1945). From China, we can draw the lesson of *decentralisation* of economic decision-making to the local community level. It is interesting to note that after the Deng Xiaoping reforms of 1978 – and the return to the 'family responsibility' system in regard to farming – one village, Nanje, went back to the system of communes in 1986; and that village is prospering at a rate well beyond the Chinese average growth rate (*vide*, Lincoln Kaye, in the *Far Eastern Economic Review*, November 17, 1994). *That*, namely, local responsibility for agrarian growth, has been basic to Chinese strategy, together with heavy state investment for the build up of infrastructure and heavy industries. The Chinese population could save because Chinese food supply (and the output of necessities) rose sharply following the Chinese reform policies. We, in India, are sitting on 37 million tonnes of foodstocks, and endeavouring to export part of it, even as a large segment of the population goes to bed hungry. A 'pro-reform' economist like Kirit Parikh had to perforce comment on this situation wryly.

The solution to India's economic problems lies with the people of India, their endeavours, their savings effort, their enterprise. Sadly, we have been lulled into complacency by the large influx of external capital post-July 1991. But the returns sought by external capital are exemplified by the famous Dabhol Power Company episode; the IDBI appraisal note found the return on equity to commence with the guaranteed 16 per cent in year 1 to 54 per cent by year 7. And this calculation does not take into account the 'padding' in capital costs, which more than pays for the equity.

The *International Business Week* (of New York) recently reported that the average return on equity for the 1,000 top US companies during 1994 was 30 per cent. Obviously, external capital would look for a higher return when desirous of investing in a plague-infested country like India. But the Babus of Nayanjore do not understand the logic of usury, the motivation of finance capital. They are content to live it up.

If this is what the present leaders of the Congress Party, the BJP, the National Front, the Left Front *all* want, who is to prevent a mirror image of Manmohan Singh from being the finance minister of India in 1996?

COMMENTARY

NEW DELHI

Compendium of Failures

BM

With the Narasimha Rao government's tenure drawing to a close, the earlier dithering in decision-making and the inefficiency in administration is giving way to something worse – a flippancy about matters of public concern. Here is a bunch of 'leaders' which has no sense of accountability nor any commitment to democratic principles.

THE cycle of alienation and violence is tending to engulf Indian society and polity. The assassination of the Punjab chief minister, Beant Singh, is yet another manifestation of this dangerous trend. The reaction of the elite and the general public has been one of indifference. More disconcerting still, politicians of all hues and affiliations have tended to rely more on the police and paramilitary forces and the army for security. Julio Ribeiro, the retired police officer with a reputation of integrity and grit was probably the only one who could contain the militancy in Punjab to some extent. He compared the Punjab terrorists with the IRA and Armenian militancy and emphasised the need for a prolonged "battle for hearts and minds of people", which has never been truly joined, let alone won in Punjab. The imperative of a political approach to issues which agitate the majority of the people has, in fact, been singularly missed by the ruling elite.

While government leaders have been anxious to whitewash their failures in Punjab and elsewhere, Harkishan Surjeet, the general secretary of the Communist Party (Marxist) has gone to the extent of saying that "a series of court judgments had weakened the resolve of the state police" and "played a role in the tragic incident" in Punjab. This amounts to an advocacy of the policy of giving the law and order machinery a 'free hand' for tackling the terrorist menace, so much so that even judicial restraint must be abjured. The implications of this stand are grave for the citizens who are victims of both the terrorists and the state forces. It is subversive of the democratic order based on the rule of law.

The moral and political dimensions of the decay of Indian polity should not be dismissed in a cavalier fashion. Serious thought must be given to the growing alienation of the masses from the organs of the state, inefficient and repressive as they are and from the unprincipled and corrupt politicians. The performance of the ruling elite in India is becoming murky on all counts. The government's view of the crisis situations is coloured with narrow factional considerations. Social cohesion has been ruptured and civic order is in disarray.

Contrary to the claims that the return of the Congress Party to power has helped to restore political stability, regional pulls and pressures as well as communal, caste and ethnic conflicts have sharpened during the last four years. This is concomitant with a state of affairs in which the socio-economic and political policies have been geared to serve narrow vested interests rather than community interests as a whole. A dangerous new feature has been the wider scope available to foreign interests to pressurise and interfere in the shaping of official socio-economic and politico-strategic policies. With the Rao government's tenure drawing to a close the dithering in decision-making and inefficiency in administration is giving way to a certain flippancy about matters of public concern. The expansion of the council of ministers by the prime minister is a case in point. It has been inspired unquestionably by factional considerations. It is an admission of the exhaustion of Narasimha Rao's resources and abilities to hold the office of prime minister of India and the president of the Congress Party. Rao and all government leaders, including the finance minister, no longer hide the fact that the economic reforms have run into snags which they are in no position to overcome. They now make a virtue of the fact that the reform process has come to a grinding halt because of explicit electoral constraints. If today political constraint is the alibi then the earlier talk of the irreversibility of the reforms was obviously a sham. The union finance minister Manmohan Singh, widely applauded at one time as the economic wizard, is more articulate than anybody about the tawdry implementation of the reform programme. But having turned into a full-fledged politician, he cannot think of tendering his resignation – an act which might restore the reputation he enjoyed before he joined the Rao government. He has found it more convenient to get sucked into the Congress culture of clinging to office and the cult of sycophancy. His equanimity is not disturbed any more by the fact that the promises of the government's reform programme have not materialised and his commitments are now honoured in their breach.

It was quite a spectacle to watch the performance of ministers at the Economic Editors meeting organised by the Press Information Bureau this year. The union finance minister claimed that the rate of inflation would not go beyond 7 per cent, when it had again begun to climb. He, along with the commerce ministry, dismissed as of no consquence the widening of the trade gap and the increase in the current account deficit even when the Indian rupee has come under pressure and its exchange value is eroding. The agriculture minister was determined not to cut subsidies for rich farmers. He was unworried by the declining trend of offtake from the public distribution system, in spite of the burgeoning food stocks, because the poor did not have the purchasing power. The energy minister bemoaned the dark days ahead as the Enron contract had been cancelled but was not willing to own responsibility for the Enron fiasco and for keeping Indian capacities for the power sector development idle. Here is a bunch which has no sense of accountability nor any commitment to democratic principles. While Salve contemptously dismissed the Indian alternative for power development and tried to side-track issues raised by the Enron deal by setting 'revised' norms for foreign power companies, Manmohan Singh mounted a tirade against Swadeshi.

Swadeshi has indeed become a dirty word for the self-styled reformers of the Indian economy. Self-reliance is denounced by them as autarky. Those who object to the loot of Indian wealth and markets by foreign business interests are derided as suffering from xenophobia.

Where is the question of India becoming autarkic because Enron has been found to be a questionable deal? India, during the days of planned social and economic development never shut its door to capital or technology inflows from abroad. But it tried to seek foreign financial and technological collaborations, both in public and private sectors, with at least some measure of concern for development interests and planned priorities. But it is equally beyond doubt that the approach and behaviour of the developed countries, the international financial institutions and multinational corporations towards India has always been questionable. Currently, however, the only concern of the so-called reformers is that the flow of foreign capital may dry up because of the growing resistance within the country to the unchecked exploitation of India's markets, resources and labour. Rao in his address on independence day, and on other occasions, has repeatedly and labouriously elaborated the policy of total reliance on foreign capital for industrial infrastructural development for which purpose he claims

to have geared India's aid diplomacy. This marks a total break with the policy of seeking low cost credits for economic plans which clearly stipulated that foreign assistance would be availed of to supplement what had to be, essentially, indigenous efforts to promote socio-economic development through mobilisation of domestic human and other resources. This is how self-reliance was defined in the planning era. In the 1990s however, since the formation of the Rao government, efforts to mobilise domestic resources and skills have been abandoned.

The implications of the government's policy on foreign aid are far-reaching. The policy is based on the premise that India has no option but to directly rely on foreign private capital for the growth of the Indian economy and would, while continuing to rely on foreign official credits to service the outstanding foreign debt – nearly 100 billion dollars – as well as minimum essential social sector expenditure. Foreign capital has been given full freedom to undertake investment in accordance with its global business priorities and the criterion of profit-maximisation. In the social sector, education and primary health services have suffered gross neglect while higher education and modern health services are being run on commercial principles. Manmohan Singh claims that foreign direct investment or portfolio investment from abroad will also take care of the balance of payments problem. The fact, however, is that Manmohan Singh is still carrying the begging bowl for official aid. Overzealous supporters of the so-called economic reforms are asserting that foreign direct investment is necessary in order to move away from the critical dependence on official foreign aid. This is euphemistically called switching to "non-debt creating inflow of foreign capital". They have now come out openly and unabashedly to defend even the Enron deal which the company is desperately trying to salvage by 're-negotiations'. The extortionate returns on foreign investment guaranteed by the central government are also applauded and those who object to this position are denounced as being xenophobic. This is surely not the way to a viable balance of payments position. It is the poor people of India who face the risk of these arrangements. Foreign investors are to enjoy risk-free operations. Even the World Bank officials have now started to caution that large-scale foreign investment into India could pose "problem of servicing, particularly in terms of repatriation of earnings". The acute balance of payments position and the "problem of servicing the large foreign debt were the ostensible reasons why the IMF-World Bank combine pressed India to prefer private foreign capital even on highly inequitous terms. But this has only aggravated India's economic vulnerability in respect of its balance of payments position. The essential commitments in this dispensation have already broken down. The rupee has come under pressure and is suffering further devaluation. The revenue and fiscal deficits of the government are larger than the ones in 1991. Foreign debt has increased. The Indian government is now obliged to carry a much bigger bowl, not only for credits on concessional terms but also for investment funds by accepting the inflated claims of commercial returns by foreign financiers and investors.

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Communalisation of Tribals in South Gujarat

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Hindutva demagoguery has effectively converted hitherto non-communal tribals of Gujarat into Muslim-baiters.

COMMUNALISM and communal violence was basically an urban phenomenon. But in the wake of Ayodhya incident its spread has not spared the villages, and even more significantly, the tribal areas of Gujarat

The tribals in Gujarat constitute 14 per cent of the total state population, concentrated mostly in the highlands covering the eastern border of the state. There are 31 officially recognised scheduled tribes in Gujarat. Numerically Bhils, Dublas, Dhodias, Chodhras, Naikas and Gamits are major tribes of Gujarat.

According to a study conducted by Sardar Patel Institute of Economic and Social Research in 1980, the incidence of poverty is highest in the highland region of Gujarat. For every 100 poor persons in Gujarat 31 belong to the tribal areas. The traditional tribal socio-religious and cultural institutions have been under attack by the non-tribals, commercialism and industrialisation. The tribals of Gujarat continue to be under poverty, illiteracy, disease, vicious exploitation, indebtedness, pauperisation, petty crimes and land alienation. However, communalism and communal violence in tribal areas of Gujarat was almost unknown till 1989.

This article deals with the communalisation of tribals and their participation in the communal violence in the three talukas of Bharuch district, viz, Valia, Dediapada and Sagbara. The article questions the widespread assumption that the problem of communalism, and particularly where Muslim minority is involved, is essentially a problem between Muslims and Hindus.

Socio-Economic Pattern

According to the 1981 Census there are nearly six lakh tribals in Bharuch district They are highly concentrated in the five-eastern talukas, viz, Nandod, Jhagadia, Valia, Dediapada and Sagbara. Vasava Bhils form the largest segment of tribals in Valia, Dediapada and Sagbara. The Tadvis or Dhankas, Choudharies and Gamits are found in small numbers, mainly, in Valia and Dediapada. Tadvis are mainly oustees of Karjan and Sardar Sarovar dams, settled in border villages of Dediapada. The Choudharies and Gamits are found in few villages of south-west Valia. The tribal population in Valia, Dediapada and Sagbara is 76, 93 and 90 per cent respectively. The non-tribals in these three talukas are upper caste Hindus, viz, Rajputs, Patels, Brahmins, Vaniyas, Marwaris and Pawars. There are also a small number of Parsis, Muslims and Christians.

The oustees of Karjan dam are found in the border villages of Dediapada and Sagbara such as Kevdi, Chikda, Ambavadi, Korvi, Moshit, Jargam, Samarpada and Sorapada. The Sardar Sarovar oustees have settled in Ambavadi, Tapavi and Patadi villages of Dediapada and few villages of Sagbara. The oustees and the non-tribals form separate hamlets in the villages. In most villages three is a house or two of caste Hindus and Muslims. They are highly concentrated in taluka headquarters and in small trade centres like Netrang in Valia and Selamba in Sagbara.

In all the three talukas, the tribals are economically backward. The reckless destruction of forests, lack of irrigation facilities, fragmentation of land, landlessness, indebtedness, exploitation by moneylenders over the years have pushed them further into backwardness. Majority of the tribals are either landless or have less than five acres of land. In Bharuch district 70 per cent tribals are landless and poor peasants, owning less than five acres of land [Shah 1976]. Most of them live on farm or migrant labour. After the monsoon crop they migrate to towns such as Ankleshwar, Bharuch, Surat, Navsari and Bilimora to work as construction labourers or agricultural labourers. As there are milk co-operatives in all the three talukas some tribals are engaged in dairy farming. For the tribals of interior Dediapada and Sagbara, forests still play an important role in their economic life. The benefit of educational institutions and government jobs has gone to few well-to-do tribals. Diamond-cutting centres and the increasing stone quarries are a new source of income for many a youth in the area.

In all the three talukas business, non-agricultural trades and industrial as well as governmental jobs are dominated by the non-tribals. Industries are found only in Valia and nearly 70 per cent of agricultural land here is owned by non-tribals. The forest department owns 50 and 29 per cent of land in Dediapada and Sagbara respectively. Compared to Valia the non-tribals and Muslims own less land in Dediapada and Sagbara, and that too in a few villages. The Muslims in Dediapada, Valia and Sagbara are mostly shopkeepers and moneylenders. They are also big landlords in some villages of Valia. Among the caste Hindus, by and large, Rajputs and Patels are landlords and Vaniyas and Marwaris are shopkeepers and moneylenders. Though most of the Parsis have sold their land few still cultivate land in villages of Valia and Dediapada.

Changing Religious Landscape

The Hindu religious organisations, viz, Bharat Seva Sangh (BSS), Vishwa Hindu Parishad (VHP), Rashtriya Swayamsevak Sangh (RSS), are active in all talukas and they monitor their activities from taluka headquarters. The main centre of BSS at Dediapada is run by a small group of 'sadhus' mainly to counter the missionary activities in the area. Occasionally, they organise 'shudhi yagnas' (purifying ceremony) for those who have 'polluted' themselves by embracing religion other than Hinduism. They run a small hostel for high school boys and a mobile dispensary. The Christian missionaries, protestants as well as catholics are settled in taluka headquarters and run schools, milk co-operatives, dispensaries and free legal aid centres in the talukas. Aghakhan Mandali, a NGO, is active in these three talukas, INREKHA, another NGO, is active in Dediapada while Bharuch Zilla Adivasi Seva Sangh runs 'Ashram Shalas' (residential schools) in all these talukas. Other NGOs like Seva Rural, Halpati Seva Sangh, Arch Vahini, Adivasi Seva Mandal, Sagbara Kelavani Mandal, etc, also function in the area.

Over the last few decades a noticeable change has taken place in the traditional religious practices and belief systems of Vasava Bhils due to education, Hindu sectarian movements, Christianity and Islam.

Among the Hindu sects, Bhatiji, Satkeval, Nirant, Sanatan, Ramanand, Jayagurudev, Kabir, Swadhyay Parivar, Swami Narayan and Sita Ram are prominent in all the three talukas. Most of these sects have their followers from well-to-do and educated tribals. Swadhyay Parivar and Swami Narayan sects, though largely followed by caste Hindus in tribal areas, also have a following among educated tribals. Most of these sects are of Hindu reformist variety [Lobo 1992].

Over the last ten years there has been a steady increase in Hindu shrines and temples of the above-mentioned sects in these talukas. According to one follower and propagator of Bhatiji sect, 350 shrines have been built during the last five years for Bhatiji alone. Practically, every village has a newly built shrine either at the entrance or in the centre of the village. A shrine at Devmogra is religiously most significant place for all the tribals in the area including the tribals of

Maharashtra and Madhya Pradesh. The tribals worship Yah (Mother) also known as Mohgi or Pandhar. According to the traditional belief, Yah likes a raw mud house and accepts grain and blood sacrifices of goats and chicken from her devotees. Today there stands a huge temple costing over Rs 60 lakh and housing not only *Yah* but also representative deities of almost all the above-mentioned sects. The traditional custom of offering blood sacrifice is banned, forcing traditional devotees find a new place somewhere in the vicinity of the temple.

Those who join above-mentioned sects acquire the social status of 'Sudhrela' or 'Bhagat' (civilised or holy man). The others remain 'Pachhat' (uncivilised) or 'Khanara Peenara' (meat eaters and alcohol consumers). For some of these sects, 'Paradeshi' (foreign) religions are not to be tolerated. Nagji Maharaj, a local guru of Sita Ram sect, goes around in the villages giving religious discourses in Hindi. He makes it a point to preach openly against the Muslims (whom he calls 'Mlechch'), the Christians and the Gandhians. Gandhians should be hated and eliminated because they are tolerant of the Muslims and the Christians. He lives on the river bank near Thava, a border village in Valia. He has his followers among the youth of border village of Dediapada and Valia.

The Christian protestants are found in all the three talukas while the catholics are mainly found in Dediapada and Sagbara. Some villages have prayer halls where community prayer services are held on Sundays. The protestant tribal Christians are discouraged from following their traditional religious and ritual practices.

The Muslim tribals are found only in Sagbara. Sagbara, Vadi in Mangrol taluka and Gantha in Maharashtra were three independent Vasava Bhil states under British India. Influenced by a Muslim saint, the chieftain of Gantha and then the Sagbara chieftain embraced Islam at the beginning of this century. The descendants of the Sagbara chieftain are concentrated in Sagbara town. The chieftain of Sagbara was the traditional head of Devmogra shrine. Keeping with the tradition, his Muslim descendants continue to inaugurate the worship even today during the two-day festival held in February each year. Close to Devmogra shrine there is also a Muslim 'Darga', reportedly of a Muslim saint who died there. The Darga was built by the Sagbara chieftain. Though there are no followers of Islam in Vadi, there is a Darga in the village which is looked after by the tribals of Vadi.

Events Preceding Riots

All the three talukas have no history of communal riots. It was the strong association between the events of 'Ramshilapujan', 'Rathyatra' of Advani and its 'Ramjyoth' and 'kar seva' spaced over a year and a half, which climaxed into the riots.

During Ramshilapujan in 1989, a collection of Rs 1.25 per household was made from the taluka headquarters and big villages along the state highway from Valia, Netrang, Dediapada, Sagbara and Selamba. The tribals were asked, "Are you Hindus? If you are, then prove it by contributing Rs 1.25 for Ramshilapujan. If you do not contribute you prove that you are from a Muslim womb!" Provocative speeches against the Muslims were made *en route*. On the appointed day the bricks were brought in a procession from villages to the taluka headequarters where more speeches were made on Babri masjid and Ram Janmabhoomi. Of all the three taluka headquarters, Dediapada witnessed the largest gathering. Navratri festival was used as an occasion to mobilise the tribals and to collect bricks and money. For the first time in the villages of Dediapada and Sagbara, Navratri garbas were organised under the guidance and sponsorship of BSS, RSS and VHP.

After Advani's rathyatra passed from Somnath towards Surat via Bharuch a combined mini rathyatra (on a jeep) was undertaken by BJP, VHP, RSS and BSS from Bharuch to Setamba via Ankleshwar, Valia, Netrang, Dediapada, Sagbara. It halted at big villages along the route and the villagers were encouraged to light the fire from Ramjyoth carried by the mini-rath. Fiery speeches were made inciting the tribals to drive out the Muslims and the Christians. The organisers of the rathyatra were largely non-tribals. The Muslim Darga at Devmogra was vandalised at the end of the rathyatra.

Following Advani's arrest and the *kar seva* incident, a Bharat Bandh call was given on October 24, 1990 by the BJP. Things began moving rapidly. A midnight gathering of tribal youth was organised in the forest near Gangapur village on the state highway between Dediapada and Sagbara, to explain the strategies of rioting and looting. Next day trees and boulders were rolled onto the road blocking the highway. Groups of people stopped vehicles, demanded money, broke windscreens and caused harassment. Groups of 15-20 people, generally drunk, began moving after dark, and pelted stones on Muslim houses in Dediapada. A large crowd of 5,000 had gathered at Moskut village in Dediapada for the 'Songariya' show, a folk performance. But the performers were halted on their way and their vehicle was not allowed to proceed. The crowd gathered in Moskut village became restive and later dispersed. They were met by rioters who instigated them to go berserk. Both these elements marched to the nearby Bedvan village and burnt some Muslim houses. It was the beginning of looting and arson.

There arose a conflict between the local BJP activist and the Muslims regarding the road leading to the mosque in Sagbara proper. The former's shop was located on the road. It is not known as to who threw the first stone as there were claims and counter-claims. However, seven Muslim houses were burnt on November 4, 1990. Usman, a PWD worker, was beaten and his belongings destroyed. Later, villages were singled out for looting. The Muslims in these villages were told in advance to quit the village. In the initial stages, the Muslims sent their women and children to Pat and Akkalkuva villages which has large concentration of Muslims. However, as the situation became grim, menfolk too heeded the warning and headed for safety much before the rioters could descend and destroy their property. Couple of Muslim houses were destroyed in each of the 22 villages of Sagbara, 35 villages of Dediapada and five villages of Valia. Bedvan, a village in Dediapada, was attacked first and suffered most. All the 15 Muslim families were affected as their houses were looted and burnt. Muslim shrines were vandalised in Kevdi (Zankhvav), Bedvan and Devmogra. It is said that the Muslim shopkeeper and landlord of Nal village was well accepted by the villagers. He was confident that his village folk would stand by him despite the warnings of the looters. One night the rioters appeared on the hill. The village folk pleaded helplessness and the Muslim shopkeeper managed to escape with his family on a tempo. The rioters looted furniture and other items. Some villagers preserved some of the belongings to be given to the Muslim villager when he returned. Unfortunately, the police caught these people and jailed them while the real looters escaped. It has been reported that similar incidents occurred in other villages. This discouraged the village folk from defending the Muslims.

Having looted and chased the Muslims from the villages, eyes were now set on the Muslims in Dediapada town. To mobilise the tribals rumours were spread in the villages that the tribals in Dediapada have been attacked by the Muslims. Tribals were mobilised first from Chikda, Ambavadi, Dapvan and Kodamba to march towards Dediapada with sticks and axes. On the way more people were forced to join the mob. The aim was to loot and burn all the Muslim houses in Dediapada. According to eyewitness reports the crowd was about 5,000-strong before it was stopped by the district superintendent of police and the assistant collector of Bharuch near Kakarpada village which is about eight km away from Dediapada. The crowd was so charged that the efforts by DSP and the assistant collector to disperse them peacefully did not work. As a result, shooting orders were given in which three people were seriously injured

and hospitalised. What would have been a great calamity for the Muslims of Dediapada was averted by the DSP and his men

Inciting Terror

From the chronology of events leading to loot and arson in these talukas it is evident that the religious leaders played a sinister role Person who galvanised these events were members of BSS, VHP and RSS. Prior to Ramshilapujan RSS training camps were held at various centres. Outsiders were brought to train the youth BSS has been operating since 1984 from its headquarters in Dediapada town This centre has acted as a platform for all the above-mentioned organisations to meet, discuss and hammer out their strategies.

The BSS centre was used by VHP, RSS activists and some businessmen. They indoctrinated the bhagats, sarpanchs, police patels and some primary school teachers who acted as links between the centre and the people. When these went back to their respective villages, they acted as indoctrinators of the youth. They called for a bhajan mandali and at the end, when women folk dispersed they assembled the youth. In these meetings, the Muslims were presented as destroyers of Hindu shrines, exploiters and scapegoats for the ills of tribals. The ejection and elimination of Muslims alone was proposed to be the solution. A local Marwari businessman from Dediapada supported the rioters though he did not belong to any organisation. It is said that he had his own business calculations behind driving out Muslim shop-keepers from the village.

BJP was actively involved in the riots. The sitting BJP MLA of Dediapada area was the brother-in-law of the BJP MP of Bharuch constituency. The villages in the vicinity of MLA's village witnessed loot and arson intensely There has been a close nexus between these politicians and the Hindu religious organisations mentioned earlier. These organisations prepared the ground with speeches, processions, audio and video tapes. Loot and arson was reported to have been undertaken under the remote control of the MLA. It is alleged that he brought outsiders from Amleta and Taropa villages near Rajpardi to demonstrate to the tribals how to carry out loot and arson. Though he was absent during these operations, his elder brother was moving about in disguise. He was nabbed by the police and jailed in Bharuch. Later, politicians secured his release

A posse of police and the Mamlatdar of Sagbara were silent witnesses to the loot and arson. Not only did they take no action but they took care to go to Gansera village (between Akkalkuva and Sagbara) to instruct people to put roadblocks so that the Muslims of Akkalkuva may not come to the aid of Sagbara Muslims. Akkalkuva is a border village in Maharashtra with a large Muslim population. The Mamlatdar was heard saying, 'vardi pan amari chhe' (even the police is on our side).

The police in Dediapada became responsible especially when the DSP and assistant collector came from Bharuch to visit the disturbed area The police nabbed some looters and jailed them in Bharuch. The Mamlatdar of Sagbara and the clerks of Dediapada and Sagbara taluka offices have played sinister roles during these riots.

The looting and arson was carried out mostly by the outsiders. However, it is said that some villagers who owed money to the Muslim shopkeepers found it convenient to indulge in loot and arson. Many co-villagers were sympathetic to the Muslims but as mentioned earlier, they could not withstand the onslaught of the crowd descending at night and terrorising the villagers. Those who sympathised with the Muslims were ridiculed and insulted as the offspring of Muslims.

The only local voluntary organisation in the area willing to help the affected people was the Christian missionary. They were paralysed as they were threatened that they would be next target after the Muslims. The slogan was 'kasai pachhi Isai' (after the butcher (Muslim), it's the turn of the Christians). A Muslim organisation set up an *ad hoc* office at Sagbara and Dediapada to help the affected Muslims. Government officials too came to assess the damage and paid some compensation to the victims.

Fall Out of Riots

The tribals have realised that looting is rewarding and hence, have become bold. Some youth feel that 'ame shakti batavi' (we showed our strength). Blocking roads and halting vehicles still continue. Earlier only Valia was considered to be a danger zone for vehicles in the night. Now the state highway passing through Dediapada and Sagbara talukas is also considered dangerous at night. Minor incidents of stone throwing and blocking roads at night are often reported. In September 1993 ten vehicles were looted by a group of about 25 armed men on the state highway between Sagbara and Dediapada town. The travellers, including children, were looted, beaten and wounded severely. The looters were later caught and almost all of them were found to be from the villages which took active part in the riots.

The growing boldness and aggression of the tribals is also sensed by the non-tribals in the area. During the year after riots a Patidar from Ambavadi was murdered and a youth belonging to Patidar family in Chikda was beaten by the tribals. As a result many Patidars from the villages of Sagbara and Dediapada, namely, Chikda, Bombay company, Piparvati and Ambavadi have sold their land and left.

During the communal riots, the tribals showed a sense of solidarity. Though they were instigated against the Muslims and the Christians alike, only the non-tribal Muslims were attacked. The tribal Christians had to pass through some tense moments but they were left untouched. In Sagbara town seven Muslim houses were burnt. But the tribal converts to Islam were spared.

The tribals have seen the game played by the Hindu communal forces. They were told that the Muslims are the exploiters and therefore they must be eliminated. Except one Muslim family in Dumkhal village of Dediapada, the Muslims from eastern border villages of Valia and from whole of Dediapada and Sagbara talukas have left their villages and have settled in Pat, Akkalkuva and Dediapada town, where Muslims are in large numbers. Now some tribals feel that they were used by some vested interests for their own political and economic gains. The situation continues to be the same as before for the tribals. Due to this realisation the riots that broke out after the demolition of Babri masjid failed to evoke any response from the tribals, in spite of various efforts by the VHP and RSS activists from Dediapada and Sagbara taluka centres. Rumours were used to create an appropriate atmosphere of hatred and to mobilise and instigate the tribals against the few remaining Muslims. A major rumour at that time was that 22 tribals from Khopi village of Sagbara taluka have been burnt

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to death at a construction sight in Surat. The Muslim victims of Bedwan village who are now settled in Surat city were depicted as the culprits. The formation of peace committees after the 1990 riots and the precautionary measures taken by the police pre-empted the possible riots.

The tribals of Dediapada and Sagbara participated in the riots to a great extent. There was little or no response from the tribals of Valia taluka, barring a few border villages in eastern part of the taluka, even though the Muslims are spread all over the taluka as landlords, shop-keepers and moneylenders. Moreover, compared to Dediapada and Sagbara, the tribals of Valia are more Hinduised and are closer to urban centres like Ankleshwar and Bharuch.

For decades the Valia tribals have suffered under the economic and political domination of non-tribals, viz, caste Hindus and Muslims. For the last decade or so the tribals of Valia have begun to press their numerical advantage against the political manipulations of the non-tribals. The assertion of tribal identity, unity and the common experience of economic and political exploitation by the non-tribals has provided them a new sense of consciousness as the landless and suppressed class. This growing consciousness since the 1981 has not been a welcome development for the non-tribals. As a result, since 1981 the political history of Valia has been one of elimination of tribal leadership and the suppression of tribal voice [Adhvaryu 1981; Augustine 1984]. Nine tribal leaders have been eliminated since 1981 and many more silenced by force and false cases. Efforts are still on to suppress them further [Lobo 1993; Parmar 1993; Shah and Shah 1993]. Against this assertion, the caste Hindus, the Muslims, the bureaucrats, the politicians and the police not only have protected each other but also have succeeded in suppressing and dividing the tribals.

For the landless tribals of Valia there is no difference between a Hindu or a Muslim or a Parsi landlord. As the educated tribal sarpanch of Shir village put it 'Aa loko Babarthi kevi rite juda chhe?' (What way are these people different from Babar?) 'Babare Ayodhya padavi lidhun hoi to, aa lokoye amari jameen padavi lidhi chhe. Shun aa loko aa sadina Babaro nathi?' (If Babar has appropriated Ayodhya, these people have appropriated our land. Are they not Babars of this century?).

In Dediapada and Sagbara talukas the communal forces could succeed in directing the growing economic frustrations of the tribals against the Muslim exploiters and create an anti-Muslim economic base to promote their own economic and political interest. While though a more acute situation was present in Valia taluka, it looks as though the communal forces knew that use of a similar strategy would prove counter-productive in the long run. However, the sectarian movements have provided fertile ground for the spread of communal consciousness among the tribals and at the same time their incorporation into various religious sects and active promotion of 'Bhajan Mandalies' supposedly to promote or raise the so-called 'ethical standard' of the tribals seem to have blunted the class consciousness in the area.

As the above account suggests, the tribal participation in communal violence was not spontaneous, but rather it was planned and engineered. The communal forces have succeeded in cleverly making use of the economic dependency and frustration of the tribals. The region is agriculturally less prosperous mainly due to the hilly and rugged terrain. The tribals, particularly the landless and the migrants are undergoing a stress, economic as well as social. The caste Hindus and the Muslims, on the other hand, are predominantly settled farmers, landlords, traders, moneylenders, government officials and are in direct interaction with the tribal population, through trade, agriculture, marketing and administration.

Religious activity is quite intense among the Hindus as well as the Muslims. Among the Hindus there is a renewed upsurge in formation of different sects and ritualisation of social life in the region. As a result, the consolidation of Hindutva forces in the larger society and exhibitions of symbols, namely, Ramshilapujan, Ramjyot, Rathyatra, could create an environment of fervour even among the tribals in the region. The Hindu communal forces have been successful in incorporating some tribals into their game plan and systematically utilise them to humiliate and attack the Muslims. The tribal masses also are susceptible and can be mobilised on the basis of honour and emotions.

Observations indicate persistence of two tendencies among the tribals, either simultaneous or separate depending upon the strength and capacities of dominant Hindu communal sections. The first tendency is that of seeking legitimacy in a religious group other than their own (through various sects), and being a new comer and minority, exhibit their religiosity under the dictates of Hindu communalists. This new identity formation in making cannot be ignored.

The second and most significant tendency is that of alliance building across the ethnic barrier, but along the class lines. This alliance is often spontaneous but firmly based upon their historical experience of deprivation, exploitation and subjugation. It is for this reason there is a refusal among the tribals of Valia to join the communal forces. Rather, they identify both the Hindus and the Muslims as their enemies, because both are owners of land while the majority tribals are landless labourers. How long this secular solidarity remains alive and decisive in regional politics is a matter for separate investigation.

[This paper rightly or wrongly seems to assume that the tribals are not Hindus. The question of religious identity of the tribals is widely debated over the years by anthropologists. Around the time of independence, there was an interesting debate on the merits and demerits of the policies of isolation, assimilation and integration with respect to tribal societies of India. The post-colonial leadership said to have opted for an integrative strategy of development combining elements of protection and welfare, while Nehru's 'Panchasheel' (five principles) called to abstain from making the tribals a poor copy of the majority community and to allow them to develop along the lines of their own genius. But in practice while the tribal integration into the larger society is fervently pursued the tribals are made to feel inferior in the matters of their own lifestyle, art, craft, customs, folklore, dance, costumes, architecture, etc. Their culture is degraded and stigmatised. Their values are rejected as obscurantist. Their beliefs, rites and symbols ridiculed and religions are treated as superstitions. In whatever sense they are called the 'backward Hindus' such an attitude of the dominant society towards the tribal in turn has helped the communal forces to exploit the tribal sentiments and make use of their so-called 'cultural backwardness' and economic dependency to impose on them the 'superior forms' of religious and cultural practices. This may have provided a larger religious identity beyond the ethnic identity to tribals but in reality it amounts to elimination of cultural diversity by imposing the hegemony of the dominant society.]

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Political Upsurge in Kashmir

Then and Now

Rekha Chowdhary

In contrast to the radical agenda of socio-economic transformation in the 1930s and the 1940s, the present stage of the movement for Kashmiriyat lacks ideology and vision.

UNDERLYING the present political upsurge in Kashmir, there lies a distinct conception of Kashmiri identity. Kashmiriyat, as this identity is commonly known, is a manifestation of cultural-linguistic bonds strengthened by a common heritage. Besides other historical factors, this heritage has been enriched by a tradition of intellectual and spiritual development over the centuries. Its geographical compactness has made it possible to maintain the uniqueness of Kashmir region which gets reflected in varied socio-cultural dimensions of day to day life of Kashmiri community. An overwhelming majority of Kashmiris share a common religion. Hence many observers emphasise Islam as an important factor underlying Kashmiriyat. Of course, there are instances when Kashmiri identity takes religious overtones. Yet, such overtones do not represent any consistent pattern. Hence Kashmiriyat can be better understood with reference to culture than religion.

From time to time, Kashmiri identity seeks political expression and assertion. This process results in political mobilisation of the masses and their emotional involvement around certain pertinent issues. The earliest instance of such political assertion can be found in the recent history, i e, during 1930s and 1940s. It was during this period that political consciousness of Kashmiris was organised and channelised in the direction of creation of a 'New Kashmir'. This was a period of political upsurge which is comparable to the present political upsurge, yet with significant difference.

The article aims to analyse the political movement in Kashmir during the 1930s and the 1940s with a view to understand the present situation in a better perspective. The two situations of political mobilisation are different but are an inter-connected manifestation of the same political psyche.

Formation of Muslim Conference

The political upsurge of 1930s and 1940s can be better understood against the backdrop of socio-economic and political conditions of that time. For past three and half-centuries, Kashmir had fallen victim to foreign aggressors – first the Mughals, then the Pathans, to be followed in turn by Sikhs and Dogras. The long-term impact of such political domination could be observed in the moral degradation as well as abject poverty of the Kashmiri masses. At the time when political consciousness started taking shape in Kashmir, the condition of both the peasantry as well as the class of artisans was pathetic. Walter Lawrence, the settlement officer, who made a detailed study of revenue and taxation system in Kashmir, pointed out that peasants were crushed under the burden of taxes. He recorded that when he started settlement of land, everything save air and water was under taxation [Lawrence 1895]. Peasantry possessed no land and worked under tenancy. The landlords managed the land which belonged to the ruler, by law. In addition to the revenue of land, which was of an exortionist and unsettled nature, the peasants were also subjected to the payment of various other kinds of taxes - taxes on commodities like milk, fruit, grain, honey, wool and other household items. The class of artisans, comprising of shawl weavers, carpet weavers, wood carvers and workers in silk factories, were also heavily taxed. Most oppressive was the system of 'begar' (forced labour). Under this system, many Kashmiri villagers, year after year, were required to toil as carriers of burden to far off areas [Saraf 1977; Ahad 1987].

The discontented masses generally suffered in silence. Yet, attempts were made to organise resistance from time to time, howsoever of limited nature. Thus, for instance, in 1847, shawl weavers went on strike protesting against heavy taxation policy of Maharaja Gulab Singh. In 1865, shawl weavers demonstrated and demanded increase in wages. The silk factory workers came out on the streets in 1925 against the oppressive working conditions [Saraf 1977:237]. But it was only in 1930s that the Kashmiri political consciousness took an organised form when young, educated Muslims acquainted with the ongoing national movement in the Indian sub-continent, formed the Muslim Reading Room in Srinagar in 1930. Soon after its formation, it became a nucleus of political activities in Kashmir. Gradually, the organised political activities started gaining momentum in Kashmir. This led to the formation of All Jammu and Kashmir Muslim Conference in 1932. The Muslim Conference was limited in its goals and ideology. It was an organisation with the declared objective of redressing the grievances of educated Muslims, especially with regard to their entry into government employment. However, as the political consciousness became more widespread, it broadened its objectives and the leaders of the Muslim Conference played an important role in organising masses and launching struggle against the existing system of monarchy. The demands of this organisation, thereafter, related to the establishment of a democratic form of government, a directly elected legislature, the bill of rights including fundamental rights and basic civil liberties such as freedom of press, speech, platform, association, movement, assembly, religion, etc [Khan 1980].

The fact that Muslim conference had a declared objective of working in the interest of Muslims, had no substantial bearing on the nature of political movement in Kashmir. The political consciousness in the valley was rising above parochial limitations and assuming a rather radical character. Radicalism entered the Muslim Conference as well. By 1934, a group of progressive leaders had formed a strong left wing faction of this organisation [Khan 1980:327]. Meanwhile, a number of radical organisations representing the interest of oppressed peasantry, labouring class, youth, etc, were organised in the state, especially in the period after 1933. A number of youth organisations sprang up under the guidance and direction of progressive leadership operating within and outside the Muslim conference. These organisations included the Kashmir Youth League, Kashmir Students Union and Kashmir Students Union League. It was during the same time that Mazdoor Sabha was formed and various associations of workers and artisans, such as the Kashmir Motor Drivers' Association, the Tonga Drivers' Association, the Carpet Weavers' Association, etc, were brought under its banner. The Mazdoor Sabha became a force to reckon with. Soon after its formation, it organised an impressive joint procession of peasants and artisans. The same year, Kissan Sabha was organised with the avowed objective of bringing all the peasants under one banner.

The Muslim Conference could not remain unaffected by the radicalisation of Kashmiri political consciousness. Already it was getting stifled by its narrow communal identity. A part of its leadership, from its very inception, desired the organisation to broaden its membership structure to include like-minded non-Muslims. Sheikh Abdullah had established close contact with the emerging non-Muslim leadership in the state. Thus, when the Muslim Conference observed May 8, 1936 as 'Responsible Government Day', as the president of this organisation, he appealed to Hindus and Sikhs for support

and co-operation for the movement by participating in it [Kaul 1985:16]. It was due to his efforts to broaden the outlook of this organisation that in its 6th annual session the Muslim Conference declared, "Like us, the large majority of Hindus and Sikhs in the state have immensely suffered at the hands of irresponsible government. They are also steeped in deep ignorance, have to pay huge taxes and are in debt and (are) starving" [Pandit 1980:195].

Naya Kashmir

In response to such radicalisation both within and outside the organisation, the Muslim Conference converted itself into the All Jammu and Kashmir National Conference in 1939. Its membership was now open to all communities. A number of prominent non-Muslims like Sardar Budh Singh, Pandit Jia Lal Kilam, Kashyap Bandhu and Pundit Prem Nath Bazaz, were included into its working committee.

The most important contribution of the National Conference towards the articulation and channelisation of Kashmiri popular aspiration was the adoption of the 'New Kashmir Plan'. It was the blueprint of this organisation to build a new Kashmir society, economy and polity. It called for an 'all-sided advance along all avenues of human activity regulated in a democratic manner on a country-wide scale' (*The Kashmir Manifesto*, pp 22-24).

The 'New Kashmir Plan' had two parts. The first part dealt with the proposed constitutional structure of the state and the second part with the 'National Economic Plan'. The constitutional structure of the state was to be based on the party's vision of a political system following the 'democratic principle of responsible government with the elective principle applied from the local panchayats right up to the legislative assembly'. The plan envisaged the establishment of rule of law and equal protection of law for all citizens and recourse to quick, cheap and impartial justice, the establishment of legislature to be elected on the basis of adult franchise, the establishment of peoples' courts in all districts and tehsils with the high court at the apex of the judiciary the right of women to elect and to be elected in all the institutions on the basis of equality with men, equal opportunity for all children, right to free education to all students, etc.

The 'National Economic Plan' envisaged a radically new rural economy. It suggested fundamental changes in prevailing land relationships. More specifically, it proposed a system of planned economy ensuring the people a reasonable standard of living, reorganisation of agricultural relations with emphasis on the principle 'land to the tiller', establishment of co-operative associations for cultivators, peoples' control over forests, industries, banks, regulation of the price level and fixation of wage bill, etc. The plan envisaged setting up of various 'National Councils' including those concerning with agriculture, public health, education and housing. To the plan were attached three charters, first for peasants, second for workers and third for women.

An analysis into the background and the nature of the movement during 1930s and 1940s points to a definite socio-economic content. The movement arose and centred primarily around the issues concerning peasants, artisans and workers. It was on the basis of such a direction of the movement that later the National Conference government could put into practice various radical measures proclaimed in the 'Naya Kashmir' plan. These measures were primarily aimed at alleviating the condition of the rural poor. Jagirs and big landed estates were abolished and ceiling was placed on the possession of agricultural land. Old debts amounting to millions of rupees were liquidated, cottage industries were subsidised and small entrepreneurs were helped financially to start small-scale manufacturing units [Jammu and Kashmir Government nd]. The progressive nature of the movement can be assessed from the progressive nature of land reforms which have been widely acknowledged as one of the most radical and most effective in India. Wolf Ladjensky compares the land reforms in Kashmir with those implemented in other states and observes, "whereas virtually all land reforms in India lay stress on the elimination of the zamindari tenure system with compensation or rent reduction and security of tenure, the Kashmir reforms call for the distribution of land among tenants without compensation to the erstwhile proprietors; whereas land reform enforcement in most of India is not so effective, in Kashmir, enforcement is unmistakably rigorous..." [Ladjensky 1977:179-80].

The movement, on the whole, was positive in nature. The masses identified with it on ideological grounds. It contained within it a vision of a new Kashmir – a Kashmir that would not merely spell prosperity to few privileged Kashmiris but that which would fulfil the aspirations of the masses – the downtrodden, deprived and marginalised masses.

Devoid of Vision

Much water has passed under the bridge since the 'Naya Kashmir' movement of the 1930s and the 1940s. The present generation of Kashmiris stands disillusioned both by the vision of Naya Kashmir as well as the organisation that gave this vision to the people. At present, there is a complete breakdown of political processes in Kashmir. The absence of politically relevant actors and agencies has created a political vaccum. The political parties have been replaced by the militant outfits which have mushroomed in the valley since 1989. The emotions of people are once more surcharged and a movement like situation exists once again in Kashmir. But this time there is no vision of a 'New Kashmir'. Nor there is any economic or political charter to inspire the masses. The movement, in fact, does not have any economic content. It does not go into the question of socio-economic realities and evades the whole issue of class contradictions. It presents the Kashmiri society as one monolith, close-knit and unified structure.

In the absence of any ideological basis the support which the movement gets from the masses is purely emotional. To some extent, passions have been aroused around the Islamic identity of the Kashmiris. Fundamentalism has entered Kashmiri consciousness, though not in a big way. But more than religion, what unites Kashmiri people emotionally with each other and with the ongoing movement, is a sense of complete alienation which has been channelised in the direction of anti-India sentiments. These sentiments have accumulated as a result of a long and deliberate process on the part of Kashmiri politician to camouflage the real basis of mass discontent. Discontent has its roots in economic and political conditions in the post-independence period. Similar discontent was visible in the rest of India as well. But it took varied shapes like politics of regionalism, naxalism, assertion of ethnic identities, reorganisation of marginal groups, grass roots movements, etc. In Kashmir, there has been only one response: for everything that went wrong politically and economically, India has been held responsible. It suited those in power to shift the blame onto an abstraction named 'India'.

If we go beyond what appears on the surface, we will find that the alienation of Kashmiris has deep-rooted economic basis. The post-independence Kashmiri society saw the emergence and consolidation of new economic forces which formed the basis of later discontent.

The agrarian reforms had, no doubt, brought about substantial change in the land relationships in Kashmir. Yet, a number of traditional landholders had managed to retain land. These traditional landholders later emerged as a powerful land-owning class garnering all the benefits meant for the peasantry, including subsidies, grants and loans under various horticultural developmental schemes. Meanwhile, new opportunities provided by the developmental forces created a class of *nouveau riche*, an urban middle class. This class, like its rural counterpart, absorbed most of the benefits of schemes and programmes aimed at the

amelioration of general masses [Punjabi 1992:142-43].

Mid-1950s and 1960s saw an era of hectic economic activity in Kashmir. It was during this period that central aid made all round progress possible in the state. New roads were constructed, hydro-electric projects were launched, tourist industry was given a new vigour and there was a rise in the production of handicrafts. Prosperity certainly arrived in Kashmir. But it was prosperity of few. These few affluent Kashmiris along with politicians and bureaucrats adopted a life style much different from the rest of masses. "At the top of this society" notes Riyaz Punjabi, "was firmly saddled a small competitive class, for whom fierce competition for grabbing anything that came their way, became an avocation. In order to accord legitimacy to the new social order, the *nouveau riche* started seeking kinship ties with the 'Shurra' by entering into matrimonial alliances with them. After integrating these strategic high social castes with the new order, most of the *nouveau riche* changed their castes and surnames to indicate their higher social status through heredity. It was a long-term strategy to avoid identification in case of further dramatic change in the socio-economic conditions of the state" [Punjabi 1992:143]. The wide gulf between those who monopolised the fruits of prosperity and those who remained deprived and untouched by developmental schemes and funds brought about slowly a creeping feeling of dissatisfaction. This feeling was further intensified by the generally prevailing corruption and unscrupulousness.

Discontent needs to be channelised and expressed in a democratic manner. The political parties are the most important agencies which can articulate and channelise the discontent in legitimate direction. A healthy party competition, thus, is a prerequisite of a working democracy. Deplorably, Kashmir, somehow, could not evolve a tradition of healthy party competition. For, both the National Conference and the Congress had sufficient scope and space to operate in the political arena and to keep Kashmir politics on a democratic course, provided both the parties stick to the norms of healthy competition.

The National Conference which had come into existence with a vision of total reconstruction of Kashmiri society, lost its moral fibre sometime after it came into power. Corruption entered its rank and file. Sycophancy, nepotism, favouritism and other malpractices soon damaged the credibility of the Party. In its desire to cling to power, it went in for all sorts of compromises and adjustment with the Congress party. These compromises contributed to the growing unpopularity of the National Conference. Thus, it was the 'unholy' alliance between the National Conference and the Congress, under the Rajiv-Farooq accord before 1987 assembly elections which ultimately proved to be the death-knell for the National Conference.

The only other political party which could have played any role in Kashmir politics was the Congress. It could have provided a healthy opposition to the National Conference thereby providing an avenue for the release of discontent democratically. But the Congress could never accept itself as an opposition party in the state. Its hold over power in the centre made it possible to manouvre the politics of the state as well as the politics of the National Conference. It allowed the National Conference to operate only if it made sufficient space for the Congress in the power structure. Alternatively, it engineered merger of the National Conference into the Congress under the leadership of G M Sadiq when the National Conference ceased to exist for about a decade, encouraged defections in the legitimately elected National Conference government (as in 1984 the Congress toppled the National Conference government by engineering defections and later supporting the G M Shah's government); or induced the National Conference to go in for election alliance even when the latter did not require such an alliance (as in 1986 when Farooq Abdullah went in for an alliance with Rajiv Gandhi-led Congress when the image of the Congress was at its lowest).

The political impasse brought about by the failure of the National Conference and the Congress has long-term implications for Kashmiri society and politics. It is a society which is being regulated by the logic of terror. Politics has taken a back seat and there is no possibility of normal political processes being restored in the near future, not only because the National Conference has become a spent force and cannot occupy the central space of Kashmir politics, but also due to the fact that the very institution of political party has suffered a severe setback in the present political crisis. In the absence of an organised political party capable of acting as an effective mediating agency, the very concept of participatory politics is at cross-roads.

For a movement to be dynamic, it is essential that it should be positive and should be led by an organisation and leaders capable of providing such dynamism to the movement. This was exactly the case with the movement of the 1930s and 1940s. The evolution of the movement coincided with evolution of an organisation which kept on broadening itself from a narrow parochial base to a wider progressive one. The present political movement is limited on both these counts. Neither it has any positive basis for its continuance nor it is led by an organisation capable of occupying the central political space. It is more of a negative nature with 'anti' feeling and hostile sentiments. There is no political platform through which organised political opinion could be channelised. 'Hurriyat', an amalgam of semi-political, religious, terrorist organisations and ex-political parties, is too feeble and too divided to provide such a political platform. In spite of its existence on Kashmir scene for some time now it has failed to become a political force capable of either directing the movement or providing an organisational structure to it.

It is a hopeless situation in Kashmir: the central government is finding no mediating agents to restore political processes, the masses are trapped between the terror of militants and fear of security forces, the terrorist outfits are finding it difficult to continue the Kashmiri upsurge merely on the basis of gun, religious emotions and anti-India feelings, and erstwhile politicians are finding no ground under their feet. In such a situation of impasse, resurrection of 'Naya Kashmir' may be a difficult but certainly not an impossible exercise. For what has become irrelevant for Kashmir is the National Conference, but not the vision which it represented in the 1940s. The process of reconstruction of Kashmiri society is still an unfinished job. It is difficult to suggest how this vision can be actually resurrected, but one thing can be clearly stated that without such vision, the Kashmiri movement will lose its momentum and the Kashmiris will remain besieged by the logic of terror and counter-terror.

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War and Peace in Sri Lanka
Government's Reform Proposals and Beyond

Sumantra Bose

In attempting to reconstruct Sri Lanka as a Union of Regions rather than, as social and political realities demand, a Union of Peoples, the government's proposals may fail to mollify hardline Sinhalese nationalist opinion even while falling short of fulfilling Tamil aspirations.

THE constitutional reform proposals presented by the Chandrika Kumaratunga government have been broadly welcomed in Sri Lanka, India and internationally. This generally positive response is in itself not unexpected or inexplicable. When one of the parties to a seemingly intractable and interminable civil war, which has exacted a horrifying human toll, finally puts forward a detailed blueprint for a political resolution of the stalemated crisis, a certain level of optimism is neither avoidable nor unwarranted. Yet it might be prudent to temper that optimism with a good measure of circumspection and even a sizeable dose of scepticism. First of all, there is the perhaps unfortunate but nonetheless inescapable reality that any 'peace process' in Sri Lanka that does not involve the participation, in a central role, of the Liberation Tigers of Tamil Eelam (LTTE), is likely to remain an exercise in futility. The relapse into massive violence that has followed the breakdown of the cease-fire on April 19 is a maximally unfavourable context for peace-making efforts of any kind. Prospects of a change for the better in the foreseeable future appear dim, since both belligerents seem committed for the time being to a trial of military strength.

But uncompromisingly hardline positions and a grim context of full-scale warfare are not the only impediments to a lasting peace in Sri Lanka. The flurry of accolades that have greeted the government's set of proposals have detracted from probing critiques of whether these proposals do, in fact, constitute an optimally adequate, appropriate and effective approach to the core problem of Sinhalese-Tamil relations in modern Sri Lanka. With the Colombo government having more or less successfully appropriated the mantle of 'democracy' and 'progress', as well as the rhetoric of equality and justice (largely thanks to the LTTE, which seems to have no sense of public relations whatsoever), there is a risk that any doubts voiced about whether the proposed reforms constitute the antidote to the ethnic conflict will get dismissed as Sinhala-extremist-reaction or Tamil-intransigent-rejectionism. Yet there do appear to be a number of serious questions about the viability and promise of these proposals as the basis for a lasting peace in Sri Lanka.

Union of Regions

The basic model for the government's plan appears to be the aborted Bandaranaike-Chelvanayakam (B-C) Pact of 1957. Much like the present plan, the B-C Pact envisaged wide-ranging decentralisation of administration and devolution of powers to one or more regional authorities to be established in the Tamil-majority North and East. The regional body (or bodies) were to be entrusted with a range of subjects, including agriculture, co-operatives, land settlement and development, education, health, industries, fisheries, housing and social services, electricity, irrigation schemes and roads. The regional council(s) were to have the right to tax and borrow to finance projects in their fields of responsibility, and in addition, the central government was charged with providing a certain level of funds from the state's general revenue. To reduce linguistic discrimination, the Pact further stipulated that Tamil should be the official language of all administrative work in the northern and eastern provinces.

Many aspects of the latest proposals bear a striking resemblance to this framework of devolving responsibility in most spheres of everyday governance to regional authorities, while retaining certain critical powers at the 'centre' and ensuring linguistic impartiality. However, the current proposals are wider in scope than the B-C agreement, in that they seek to parcel out the entire island, not merely the north-east, into a cluster of regionally organised administrative entities. There are some echoes in the document of other past agreements as well. For example, the clause that 'priority in future land settlement schemes will be given to persons first of the district and then of the region' is directly derived from a similar provision in the unimplemented Senanayake-Chelvanayakam Pact (1965) which was intended to defuse the sensitive issue of state-sponsored 'colonisation' of Tamil-dominated areas in the North and East. But overall, the present reform proposal is more a descendant of the B-C Pact than anything else. Its reach and scope put it in a league quite apart from the 'Indo-Sri Lanka Accord' of 1987, which, for all its grandiose pretensions, merely granted the Tamils limited and conditional concessions within the framework of an explicitly unitary state.

Ironically, it is the broad sweep and overarching design of the reform proposal that may turn out to be its Achilles' heel. Though rather self-evident, it may still be worth pointing out that the conflict in Sri Lanka is not between 'regions', but between the nationalist consciousness and agendas of two distinct peoples, who, while sharing many legacies and interests in common, also have some very difficult political problems to sort out with each other. In principle, there is no harm in itself in meshing broader democratising reforms in Sri Lanka with a programme for resolving the key 'national question' – indeed, given the intimate connection between the two issues, such a strategy makes a lot of sense. But there is a problem in the government's apparent inability or unwillingness to explicitly acknowledge the absolute centrality of the 'national question' to Sri Lanka's future, and in its apparent subordination of the proposed resolution to that question to a scheme of administrative reorganisation (however 'far-reaching').

Very simply put, the conundrum is this. What are the Tamils (who, according to Sri Lanka's president, "have genuine grievances to which solutions must be found") getting from this deal that the inhabitants of the central province, the western province, or Uva or Sabaragamuwa provinces, also not getting? The president's explicit denial that her government's proposals are 'federal' in nature is both rather ridiculous and somewhat disturbing. Above all, it smacks of a tendency to evade or sidestep the political essence of the problem, and instead reduce it to administrative-legal terms (this, incidentally, was the crippling flaw in the Austro-Marxist Karl Renner's otherwise excellent work on the issue of nationalities in the Habsburg Empire).

If the proposal is couched in such overarching, sweeping terms partly or largely as an elaborate charade, i e, in order to pre-empt and deflect hardline Sinhala nationalist opposition, the subterfuge is so transparent as to be positively useless. Hardline Sinhala nationalists may be narrow-minded and obsessive, but they are not idiots. Indeed, any suspicion that the government is 'giving in' to Tamil demands under cover of some grandiose devolution project is likely to increase, not reduce, the habitual paranoia and alarmism of this constituency.

Certainly, it is difficult to find fault with any effort to strengthen institutions of lower-tier administration and grass roots governance in Sri Lanka. Indeed, there is yet considerable space for expanding the role and arena of responsibility of the provincial councils in the overwhelmingly Sinhala regions of the country, where, unlike in the war-torn north-east, they are functional organs of government. But it is hard to

discern what tangible benefits can be derived by dividing up the entire country in this manner into regional units – indeed, there is a possibility that this may spawn bloated and unnecessary bureaucratic and political establishments at the 'regional' level.

This manifest overkill on 'regionalisation' is all the more odd because there is hardly any popular demand for such changes in the Sinhala-majority areas. The last time a major proposal was mooted to constitute Sri Lanka as something of an 'Union of Regions' was in 1927, when the Kandyan Sinhalese chiefs petitioned the British to set up three autonomous regions within the framework of a quasi-federal polity – the units being the Tamil-majority North and East, the Kandyan Sinhalese highlands and adjacent areas, and the low-country Sinhalese lands of the western coast and deep south. At the time, this was a reasonable proposal worthy of serious consideration (it was turned down). But things have changed very dramatically since then. While a pan-Sinhalese identity has been consolidated in the post-colonial period (as one scholar has written, 'low-country and Kandyan Sinhalese are inextricably mixed up today'), it is the antagonism between Sinhala and Tamil collective identities that has emerged as by far the most salient division in modern Sri Lanka.

In attempting to reconstruct Sri Lanka as an 'Union of Regions', rather than, as social and political realities demand, a 'Union of Peoples', the government's proposals may run the risk of falling between the cracks. In other words, they may fail to mollify hardline Sinhalese nationalist opinion (the opposition United National Party has, predictably, adopted a wait-and-watch policy on the proposals, while Buddhist clergymen are already raving and ranting against them), while falling far short of Tamil aspirations that they be recognised as a 'nationality' with a 'historical homeland'. There is, of course, a very important territorial/regional dimension to the Tamil claim to 'self-determination' (indeed, this is the crux of the conflict in Sri Lanka), but the issue is far too thorny and complex to be dealt with as an administrative reshuffle, and that too in which the Tamil autonomous entity comprises only one of eight such units. There is also no hint in the proposals of the possibility of 'asymmetrical federalism' (as in Canada, where Quebec enjoys the status of a 'distinct society' within the Canadian federation), which may go some way towards meeting Tamil claims to a distinct identity and to self-rule as a people.

There may thus be a basic flaw in the structure and emphasis of the government's 'package'. The reform proposal is an interesting and innovative one, but it would be better-suited to a society composed of a multiplicity of territorially-based ethnic and linguistic groups (as in, say, India). Indeed, those concerned with a rejuvenation of Indian federalism and more equitable centre-state relations in India should find this document to be of considerable interest. But it is not optimally geared to the specific challenges of the Sri Lankan situation, where a protracted armed conflict between two highly articulate and organised groups (one identifying with the state, the other violently opposed) has fostered a highly regrettable situation (which, hopefully, will not endure forever) of political polarisation along ethnic lines.

Security Issues

Reservations can also be raised about specific recommendations in the peace proposal. Paramount among these is the question of physical security, for all communities in Sri Lanka but especially for the Tamil population of the North and East, who have borne the brunt of the descent into violence since 1983. According to the draft document, 'defence' and 'national security' remain under the exclusive jurisdiction of the central government. This is simply too glib to pass muster. A durable peace settlement is not possible in Sri Lanka in a scenario in which the central state authority wields a monopoly, or near-monopoly, of police and military resources. Indeed, a major reason for the LTTE's growth and popularity among the Tamils is its effectiveness as a deterrent and retaliatory force to the violence of the (almost entirely Sinhala-Buddhist) armed forces. Most ordinary Tamils harbour a deep-seated fear of the 'Sinhala army' – the mass exodus of Tamil civilians from those areas of the Jaffna peninsula into which the army temporarily advanced during 'Operation Leap Forward' was not exactly a thundering statement of confidence in the state's forces.

They are thus unlikely to be willing to entrust their 'defence' and 'security' exclusively to an army, navy and air force at whose hands they have suffered immensely, and which they believe is systematically biased against them as a people (episodes such as the recent sordid revelations about the gruesome murders of several dozen Tamil civilians in the Colombo area by killer squads comprising army, military intelligence and police-commando personnel can only reinforce Tamil apprehensions). A 'regional police force' whose head will be appointed by the president 'in consultation' with each region's chief minister, and which will remain subordinate in important matters to a 'national police service' controlled by the central government, is just no substitute for effective and adequate security guarantees. One long-term solution may be to drastically reduce the size of the armed forces, and change their composition to reflect the multi-ethnic makeup of Sri Lanka's society. But this will have to await serious progress towards peace. In the meantime, there are rumours that Kumaratunga has informally agreed to the formation of a Tamil 'regiment' or 'brigade' in the army. Apart from the fact that one Tamil military unit will scarcely make any substantive difference, there is the question as to who will be recruited into such an unit. If any attempt is made to formalise the existing co-operation between the army and remnants of several anti-LTTE Tamil groups by creating a 'Tamil brigade' out of these latter elements, this is likely to be a farce, and a rather dangerous one at that.

There are also indications that there may be some not immediately obvious riders discreetly attached to the proposals. It has been reported, for instance, that though the regional councils are generally to be left to their own devices, 'the president is expected to have powers to impose federal rule in case a regional government is found to be promoting 'an armed rebellion or insurrection'. Apart from opening a window to manipulation of regional governments from the centre, this seems to betray a deeply ingrained distrust among officialdom in Colombo of Tamils in general. It is unlikely that a modus vivendi can be reached in a climate in which Tamils continue to be regarded as a bunch of unpatriotic, untrustworthy secessionists.

Then there is the rather nebulous and indeterminate position, in the proposals, of the 'Tamil homeland' – itself a defensive and somewhat problematic political construct, but nonetheless deeply rooted by now in the Tamils' collective psyche. The integrity and indivisibility of this 'homeland' (i e, the North and East) is the sacred cow of Tamil politics, and a 'non-negotiable issue' to almost every Tamil organisation, including the LTTE. All that the reform proposal undertakes in this regard is that "one of the [eight] Regions will be constituted by redemarcating the existing boundaries of the present North-East Province with a view to reconciling Sinhala, Tamil and Muslim interests".

If 'redemarcation' and 'reconciliation of interests' implies redrawing of borders, this issue is likely to be a major stumbling block. Firstly, a partial dismantling of at least the most recent Sinhala settlements in the North and East would be necessary to assuage Tamil concerns about state-sponsored 'colonisation' of their 'homeland.' Of particular significance in this regard is the future of Weli Oya, a settlement complex established in the North, near the junction of Mullaithivu and Trincomalee districts, with the express purpose of disrupting the territorial contiguity of the north-eastern region. While some other settlement schemes may be subject to negotiation at some future date, if and when better sense prevails on all sides, the continuation of Weli Oya in this form will in all probability be inadmissible to almost the entire spectrum of Tamil political opinion. The recent failed Tiger attack on Weli Oya, while a military setback for the rebels, may well have earned them not inconsiderable political and propaganda points with their constituency.

The fact that a couple of hundred Tamil boys and girls gave their lives trying to take out the single most hated symbol of 'colonisation' cannot have failed to arouse a chord of sympathy even among Tamils who have deep misgivings about the LTTE.

The other crucial question in this regard is how to assure the security and rights of the Tamil-speaking Muslims, the largest minority group in the North-East (17 per cent of the North-East's population as a whole, a full third in the eastern province). The government apparently plans to tackle this problem (and placate its coalition partner, the Sri Lanka Muslim Congress) by detaching Amparai district, which has a Muslim plurality, from the rest of the east coast and carving out a Muslim council of some kind in this district. There are several problems with this approach. Firstly, it will enrage Tamil nationalists no end, and possibly precipitate further Tamil-Muslim bloodshed (the Tigers are a force to reckon with even in Amparai, and neighbouring Batticaloa district has a Tamil majority of 70 per cent).

But more importantly, this policy cannot be a viable solution to the status of the Muslim community in the North-East. The pattern of Muslim settlement in the eastern districts of Batticaloa and Trincomalee, and in the northern district of Mannar, resembles a series of quite non-contiguous blotches on the map of the North and East. In most of these places, moreover, Tamil and Muslim communities live cheek by jowl in highly mixed areas – for example, the volatile coastal town of Kattankudi in Batticaloa, which has a Muslim majority, is surrounded on all sides by Tamil-dominated villages. It is thus not possible to reconcile Muslim and Tamil 'interests' through 'redemarcation', at least not without making a complete mess of the geographical coherence of the eastern province and the mixed zones of Mannar. Some other formula for Tamil-Muslim coexistence has to be found in the longer term. One option might be to explore the creation of a network of autonomous municipal and cantonal assemblies and administrative organs in the Muslim-dominated pockets, with specified powers and responsibilities within the framework of a 'Tamil Autonomous Region' governed by a 'Tamil National Authority'.

In any serious negotiation process, the status of Trincomalee port, the prize of the east coast, would be yet another major point of contention. At the moment, the government's 'package' solves (or rather avoids) this issue at the stroke of a pen, by decreeing that 'international ports and harbours' will remain under central control. This is not a satisfactory resolution. Some kind of middle ground will eventually have to be found between Tamil fears that they will be left with a truncated 'homeland' minus its economic hub, and Sinhalese anxieties that the Tamils will seek to monopolise the benefits of Trincomalee harbour. As a long-term arrangement, there does appear to be a case for some mechanism of joint control over Trincomalee.

Finally, the government's proposals focus almost exclusively on the notion of decentralisation to administrative regions, to the neglect of reconfiguring institutions of executive and particularly legislative power at the central level so as to better reflect Sri Lanka's multinational reality. This is not a trivial or inconsequential matter. The major reason that Tamils are so obsessively attached to the idea of territorially defined autonomy, or to outright independence, is that they have been systematically frozen out of power-sharing at the central level by the Sinhala-Buddhist elite ever since the 1950s. The rules of Westminster-style parliamentary politics have been twisted and manipulated in such a manner as to result in the permanent marginalisation of Tamils from decision-making. This can only be rectified to a limited extent by proportional representation in parliament – the minorities (Sri Lankan Tamils, the Tamil plantation workers and the Muslims) together account for barely a quarter of the population, and they are deeply divided. Given this demographic configuration, PR in itself cannot offset the possibility of anti-minority rule in the name of the Sinhala-Buddhist majority, nor can it ensure an effective voice to each of the communities of Sri Lanka.

That purpose would be far better served by expanding parliament into a bicameral institution, in which a 'House of the Peoples' would be created with equal representation from the Sinhala, Tamil and Muslim communities. Most multinational states worldwide have some such institution: Sri Lanka is a stark exception. This chamber could be entrusted with mediating and arbitrating any inter-community disputes, and vested with the authority to accept or reject proposals to change the confederal constitution of the state. As of now, the government, fully in keeping with its administrative-legal approach to political questions, and its penchant for setting up 'commissions' at the drop of a hat on every conceivable issue, proposes to entrust the task of mediating disputes between the centre and the regions, and among regions, to an appointed 'Permanent Commission on Devolution.' It would be much more useful and democratic to give this responsibility to an elected upper house of parliament in which all communities have equal representation. Not only would this be a check on the reassertion of hegemony by the Sinhala-Buddhist oligarchy, but it would potentially give the Tamils a stake at the 'centre.' Other gestures, even if mostly symbolic, could help reinforce that stake. For example, it can be constitutionally mandated that if the president is Sinhala, the prime minister must be Tamil, and vice versa (a major improvement on mother-daughter teams), and that sessions of the bicameral parliament should rotate between Colombo and Jaffna.

Most of the omissions and shortcomings in the Kumaratunga government's reform proposals stem from one source: that they are, by and large, an unilateral declaration of intent by one party to Sri Lanka's conflict. Sri Lanka does need to be transformed in order to be saved, but the basis for such a transformation can only be laid through extensive consultation and negotiation between the main parties to the conflict. Applause from members of the 'intellectual' stratum in Colombo is not really worth very much – history suggests that some (not all) of these elements stand ready to endorse anything that those in office may choose to do at any given time (some of these elements even hailed the Rajiv-Jayewardene deal as a revolutionary breakthrough, and then remained conspicuously silent about the reign of terror and repression unleashed on the Tamils by the Indian army in the guise of 'peacekeeping'). Nor is the approval of the small Tamil groups based in Colombo worth much. Bereft of organisational strength, political credibility and popular support, these groups have little capability to be effective spokesmen for Tamil interests. When the veteran leader of the Tamil plantation workers, S Thondaman, asserts that 'Tamils who seek success in a political arrangement have an obligation to concede the leading role of the LTTE', he presumably means that were it not for the struggle waged by the LTTE, the Tamil nationalist movement would be insignificant and there would be no question of devolution proposals of any kind.

It is bitterly ironic, therefore, that the one Tamil movement that does have very significant clout and bargaining power has decided to renounce the path of dialogue, and reverted instead to the pursuit of a costly and high-risk war option. The Tigers may be able to hold their own militarily in 'Eelam War III.' They are an extraordinarily resourceful and resilient force, and have demonstrated a most impressive capacity to withstand and survive challenges and setbacks. Moreover, their strategic war-making capabilities have been greatly enhanced by the stupendous growth since 1991 of their naval wing, the Sea Tigers (who have established effective control over most of the coastline and high seas off the North and East), and by their acquisition and deployment of surface-to-air missile systems. The Tigers are now capable of mounting ambitious strikes and operations integrating their land and marine forces, and of partly neutralising the government's air power. Both these developments will have a major impact on the military balance on the ground.

But as I pointed out in my earlier article, there are certain constraints and dilemmas that the Tiger leadership can ignore only at its own peril. Firstly, especially because of

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imposition of a certain communal identity.

Thinking about women's resistance to repatriation leads me to consider general tensions in oral history research to 'abduct' a woman's identity for our own scholarly purposes, even when we are trying to write against the state's coercive projects. How do women now respond to scholarly inquiries about rape, forcible coversion and repatriation? Within even the most sensitive and critical scholarship, there are echoes of women resisting being appropriated as symbols of identity in contemporary research. Menon and Bhasin (1993) offer evidence given by an informant who they call 'S'. S was returned to India against her will, and remained in an ashram all her life, where she taught school and eventually became the headmistress. Menon and Bhasin quote a little bit from her testimony about being kidnapped. "Leave it. What use is it recalling the past? Forget about it, I've banished it all from my mind. I lead a respectable life now, why look back to the past – even my children don't know anything about it. Nothing can be done it now. It can't be resolved".

Survivors of rape and other kinds of partition violence often by necessity live lives filled with silence. A woman kidnapped from her parent's or husband's home and raped may fear that she will not be accepted by society if she 'goes back'. For the raped and abducted woman, then, there were no neutral spaces left to turn. Many women kidnapped during the partition became incorporated into the families of their attackers through marriage and became respected wives and mothers. There were a whole range of uncertainties for women about leaving their present situations, where they often eventually attained a certain degree of security and respect. What could lie in store for them on the other side? Do women now want to sever themselves from their families by revealing to scholars that their husbands, brother-in-laws, or neighbours had originally abducted and raped them? Or do they want to talk about being raped by others and then forcibly repatriated. The question of loyalty to both family and nation is a potentially very troubling one when we are asking women to tell us what happened. The rape may have been 40 or 50 years ago, but the question of self-identity can never be resolved or completed. Where does an abducted woman really belong?

I am not advocating a return to the constitutionally-based histories that describe the events of partition as high politics rather than personal experience. The history of rape and abduction is going to be written. Yet I think we need to consider what a project of collecting oral history means both for ourselves and for the women we might interview. Why was 'S' so unwilling to speak? Why has there been such an incredible silence about sexual violence for over 40 years? By encouraging women survivors of partition to tell us their stories, in some crude sense we may be kidnapping them again.

If we can criticise the state for forcibly repatriating women to the other side of the border, we need to reflect upon our efforts to pull women informants back across our own borders and notions of identity. Even in the process of identifying potential informants, we are already beginning to set certain women apart as having ruptured or 'fractured' self and communal identities. We are then appropriating their supposedly 'flawed' identities in our own projects of saying what partition means. Clearly some of my concerns here have to do with more generic issues of consent and power between interviewer and interviewee. As we have seen, a woman can refuse to speak. Yet it strikes me when asking women to speak about their conditions of location and dislocation, we may be reinscribing and fixing our own notions of community and border. What kind of identities are we assuming when asking women to reiterate the stories of their 'true' origins? Basically, is a woman's identity the same as her childhood family or her husband's family? Are our own reified conceptions of 'identity' and 'community' being mapped when we ask women what side of the border they 'really' belong? These questions about the continuing sensitivities of identity suggest that the partition did not stop in 1947 when the national borders were drawn, and may always necessarily remain incomplete. Perhaps the overwhelming silence on issues of rape and recovery for so many years should stand as a reminder that the consequences of talk may be too great for us to even imagine.

A Fragment of History

Though I have by no means exhausted the possibilities and perils of oral testimony, at this point I would like to look at questions of identity and women's agency in the case of an unconventional written document to seek further 'witness' on how communities dealt with the experience of rape, abduction, and unwanted pregnancy. In a conservative newspaper called *Hindu Outlook*, for example, a curious advertisement ran for three months in nearly every issue from April 1 to July 8, 1947. This advertisement was for a drug called 'Vandya Karak', which can be roughly translated as 'steriliser'. The following is the text of the ad:

No Conception Will Occur

If on account of any disease, weakness or otherwise any woman does not wish to give birth to children, she should use our well known medicine 'Vandya Karak' for five days only. It will stop conception for the future, without interference in the wordly enjoyment in any way. Thousands of women have been benefited by this medicine. It is not harmful to them in any way. Price Rs 4; Postage Ans 12.

Stopped Menses

This medicine brings forth and regulates the stopped and irregular menses (monthly course) of women – whatsoever the cause might have been. Please note that no pregnant woman should use it, otherwise abortion shall occur. Price Rs 7, Postage Ans 12. Address: Chapla Devi, Dwakhana Chapla Bhawan, No 15, Muttra.

I would like to put forward this advertisement as a piece of evidence to this period of large-scale sexual violence. The last line of the advertisement, "please note that no pregnant woman should use it, otherwise abortion shall occur" could be read as a direct call for the needs of a woman with an unwanted pregnancy. I should point out as an aside that clearly there has been unwanted pregnancy in south Asia outside the context of communal rape as well, and from the advertisement we cannot be sure that this advertisement was intended for rape victims. Yet the period of time that the advertisement ran, from April to July 1947, coincided with the period just before the constitutional partition, dovetailing with incredible tension about the placement of territorial boundaries. In the context of widespread tensions about the abduction of women, advertisement for this drug presents a solution to pregnancy resulting from communal rape. For readers of English newspapers during this time, who might have otherwise had the means to go to a clinic or hospital, this advertisement is also one sign that the community has established its own quiet methods of dealing with the tensions over women's pregnancy and perceived violation of community borders. Other types of treatment must have been known about through word of mouth.

Abortion was clearly one of the solutions to the recovery of the moral standing of the community, symbolically violated through real violence done to women. Advertisements of this type reflect Veena Das' theory about the changes in meaning that reproduction and child-bearing took on during partition and the politicisation of identity groups. Das asks, "What happens when women are impregnated by other men and give birth to 'wrong' children?" [Das 1990:2]. As Das proposes, we need to situate motherhood as posing a problem for women's communal identity and the conditions of possibility for her re-absorption into the nation. The Abducted Persons Bill did not recognise marriages which had begun in adbuction. Chidren born of such unions were considered illegitimate, so motherhood to a child in these circumstances marked women as outsiders. Medicines like Vandhya Karak were quite ways of privately 'fixing' the problem of unwanted pregnancy and helped

create and control communal boundaries. This one advertisement presents potential evidence of resources available in the community to homogenise and 'clean' a religious community, dovetailing with state policy. Just as some women became quietly incorporated into their attackers' families and built homes and lives of respect, communities have their own quiet and potentially coercive ways of retaining integrity in traumatic situations. Yet plenty of questions remain. We know little about how this drug was used and by whose choice. Should we take this drug to be a sign of benevolence or coercion?

The history of rape and abduction is being written. Yet we must recognise that we are now gathering evidence and writing the history of partition in a very specific historical moment of communal problems, and think about how our production of history inscribes contemporary problems into yesterday's memories. We need to be attentive to how we access women's stories and think about how their words may be linked to contemporary pressures to speak about communal identity in particular ways. I would also like to reiterate that for the thousands of women who survived the rapes of partition, our soliciting of 'witnesses' and 'survivors' would potentially mean asking them to invalidate their present status, a process of 'informing' on the actions of their husbands and their families in a way that would be both alienating and potentially self-destructive. We need to think about how collecting stories about the partition may negate the lives of respect that these women have managed to construct out of their experiences of intense trauma. Who are we writing this history for? Our belief that 'just talking things out' with our informants and collecting testimonies of witness may not be helpful to survivors of violence. For many women, questions of identity do not go away at the end of the interview. Do women constitute themselves as 'victims' before or after our interviews?

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Strategies for Agricultural Liberalisation
Consequences for Growth, Welfare and Distribution
Kirit S Parikh
N S S Narayana
Manoj Panda
A Ganesh Kumar

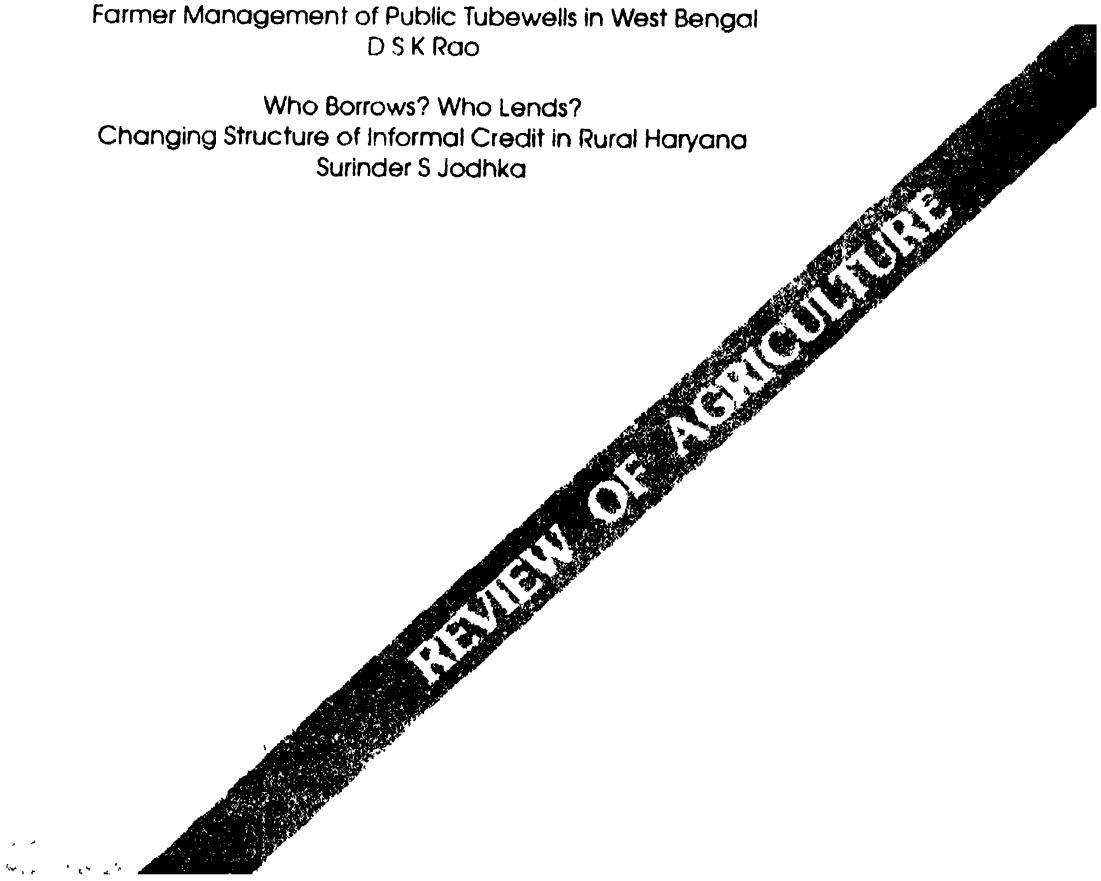
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Strategies for Agricultural Liberalisation

Consequences for Growth, Welfare and Distribution

Kirit S Parikh
N S S Narayana
Manoj Panda
A Ganesh Kumar

This note summarises the results of a recently completed study which examined the impacts of trade liberalisation, agricultural input subsidy reductions and safety net programmes for India with an applied general equilibrium model with nine agricultural sectors, one non-tradeable non-agriculture sector and one tradeable non-agriculture sector and with five rural and five urban income classes. The study demonstrates the importance of accounting for large country effects in rice trade and estimates the optimal tariff/quota for rice exports for India – which is found to be just half a million tonnes of net export of rice. The results show that non-agricultural trade liberalisation is even more important for agriculture than even agricultural trade liberalisation, both of which help accelerate growth. The study concludes that a policy package involving trade liberalisation with moderate residual taiff as permitted under GATT and agricultural inputs subsidies removal accompanied by targeted safety net programmes along with stepped up investment in irrigation, with the expected additional foreign inflows materialising, produces a scenario that is superior from the point of growth, welfare and distribution and that this can be financed without raising taxes

I
Introduction and Issues

THE Indian economy has not grown rapidly in the past in a command and control type of environment that offered little incentive for efficient use of resources. The economic reforms initiated in June 1991 aimed at putting the economy on a high growth path through improvements in efficiency in the industrial sector by bringing in competition.

Unlike industries, agriculture has functioned more or less in a competitive environment all along. Nevertheless, inefficiencies in resource use in agriculture arose due to trade restrictions, inappropriate pricing of inputs and outputs, and the prevailing macro-environment. Trade restrictions take various forms like, total ban on exports, export licensing/ceilings, canalisation through governmental agencies, as well as restrictions on export prices. Distortions in input prices arise mainly due to subsidies on farm inputs such as fertiliser, irrigation, power and credit. A combination of the trade restrictions and government intervention in commodity markets result in distortions in farm output prices. It is time that the reforms address to these inefficiencies in agriculture so that gains from industrial reforms are enhanced further.

This note summarises a study that examines a number of issues that arise in the context of agricultural liberalisation. The study addresses the following specific questions.

(1) Should agricultural trade be liberalised? If yes, should we liberalise all commodities or only selected ones? In particular should we liberalise rice trade as its global market is thin?
(2) What would be the impact of liberalisation on the growth of the economy, sectoral outputs, trade and prices?
(3) How would it affect welfare of different expenditure classes in both rural and urban areas?
(4) What would be the impact of removal of subsidies on agricultural inputs?
(5) How to offset welfare loss, if any? What would be the net impact of liberalisation and such offsetting measures?

The study adopts the normal small country assumption for most of Indian agricultural produce. But the case of rice appears to be different. India is a major producer of rice. The buffer stock of rice with the government (18 million tonnes in January 1995) is itself more than the world trade volume of this commodity. Given such market power there is a need to study the large country effects while considering the trade liberalisation of rice. In particular one may look into the question of adopting a socially optimal tariffs/ export quota policy.

II
Methodology

Agricultural reform is likely to affect almost everyone. Trade liberalisation would affect domestic prices of different commodities differently. Changes in relative prices would cause farmers to change their cropping pattern and allocation of inputs such as fertiliser to different crops. This will result in changes in output levels and farm incomes. The trade pattern will also change. Changes in relative prices also affect consumers and their welfare. All these would have implication for government's tax revenues and expenditures for subsidies and anti-poverty programmes. The macro-economic consequences for the economy can be significant.

Thus to answer the questions posed above satisfactorily, we need to account for all these interdependencies and feedbacks. We have done this through policy simulation using an applied general equilibrium (AGE) model.

We use the Agriculture, Growth and Redistribution of Incomes Model (AGRIM) of Narayana, Parikh and Srinivasan (1990). This is a sequential general equilibrium model that computes equilibrium price and output for each year in succession. Many of the supply and demand relations in the model have been econometrically estimated. It considers nine agricultural sectors and one composite non-agricultural sector. There are three sets of agents: producers, consumers (classified into five expenditure groups in each of rural and urban areas), and government. Producer behaviour determines commodity supplies and incomes Consumer behaviour generates commodity demands and household savings. The government sets policies such as investment targets, taxes, tariffs, quotas, rations, price supports and ceilings. Finally, equilibrium is achieved through exchange in which domestic demands, together with export demand by the rest of the world for each sector's output, is equated to the sum of domestic supply (emerging from previous year's production net of changes in stocks) and imports.

The base/reference run is a business-as-usual scenario in which past policy regimes continue. Any policy changes relative to the reference scenario have been introduced beginning 1993 and their impacts studied over the period 1993-2000. Comparison of the outcomes of the reference run and the policy scenario for the indicators reflecting the various objectives of the society show the impact of the policy change.

In the reference run, it is assumed that the policies with respect to procurement and public distribution of foodgrains, public consumption and investment, foreign trade and aid, etc, would correspond to those prevalent in the recent past. Trade quotas on different agricultural commodities range from 5 per cent to 15 per cent of domestic supplies. For rice, an export quota of half

a million tonne is imposed to reflect the thinness of the world market. Domestic price policy sets target prices in a way that provides the estimated degree of protection to that particular commodity.

An important assumption in the reference scenario and most policy scenarios is that total (= public + private) investment follows a specified investment-GDP relationship. This is accomplished by requiring that government savings adjust through adjustment of tax rate to supplement private savings. This requirement is relaxed in some scenarios where tax rate is kept fixed and public investment adjusts.

Free trade implies removal of all price distortions including trade quotas. The model captures this by removing the prevailing protection/disprotection for the different sectors. Thus, domestic consumer price for an exported (imported) commodity is set as world market price minus (plus) international trade and transport margins in the policy scenarios. The prevailing protection rates used in the model are: wheat –0.12, rice –0.34, coarse grains 0.10, bovine and ovine meat –0.15, dairy products –0.15, other animal products –0.15, protein feed -0.30, other foods 0.40, non-food agriculture -0.10, tradeable non-agriculture 0.35. The protection rates for the agricultural sectors are based on Gulati et al (1993). These protection rates are derived by comparing existing world market price with domestic price. Ideally, one should estimate it by comparing domestic price with what the world market price would be when India removes its protection. For a small country these two estimates should not be very different. While in the reference scenario these (dis)protection rates are used, in the trade liberalisation scenarios these rates are set to zero and trade quotas are removed. An exception is rice for which an export quota is imposed to reflect the limitation of the world market to absorb it (as discussed below).

III
Results and Conclusions

Various policy scenarios have been developed to analyse the impact of trade liberalisation, optimal rice export quotas/tariffs, retaining moderate protective tariffs, capital inflows, agricultural inputs subsidy removal and safety net programmes. The main conclusions emerging from the study are summarised below.

Trade Liberalisation: Does It Help Economic Growth?

Trade liberalisation helps to accelerate economic growth in the medium run by increasing allocative efficiency within agricultural sectors and between agriculture and non-agriculture, and by increasing real investment due to terms of trade effects. In fact, in seven years after liberalisation in 2000, the GDP is larger by 4.5 per cent and agricultural GDP larger by 4.1 per cent compared to the reference scenario.

The impact of increase in investment is much stronger than that of increases in allocative efficiency. However, it should be noted that potential gains due to better allocative efficiency within non-agricultural sector as also within some of the commodity groups (e g, Other food sector) are not captured in the model in its present form. Subject to these limitations, this implies that investment goods liberalisation has a greater impact on growth, even agricultural growth, than agricultural liberalisation. Agricultural trade liberalisation beginning 1994 results in a growth of 1 per cent by the year 2000 in agricultural GDP, whereas when non-agricultural sector is also liberalised, agricultural GDP grows by more than 3 per cent. The terms of trade moves in favour of agriculture by 27 per cent when non-agriculture is liberalised whereas it is less than 2 per cent when only agriculture is liberalised. The terms of trade effects dominate the scenario outcomes. Thus, a very important conclusion emerges. Non-agricultural trade liberalisation is even more important for Indian agriculture than agricultural trade liberalisation. This also means that the process of liberalisation which has so far only reduced non-agricultural protection cannot be said to have bypassed agriculture.

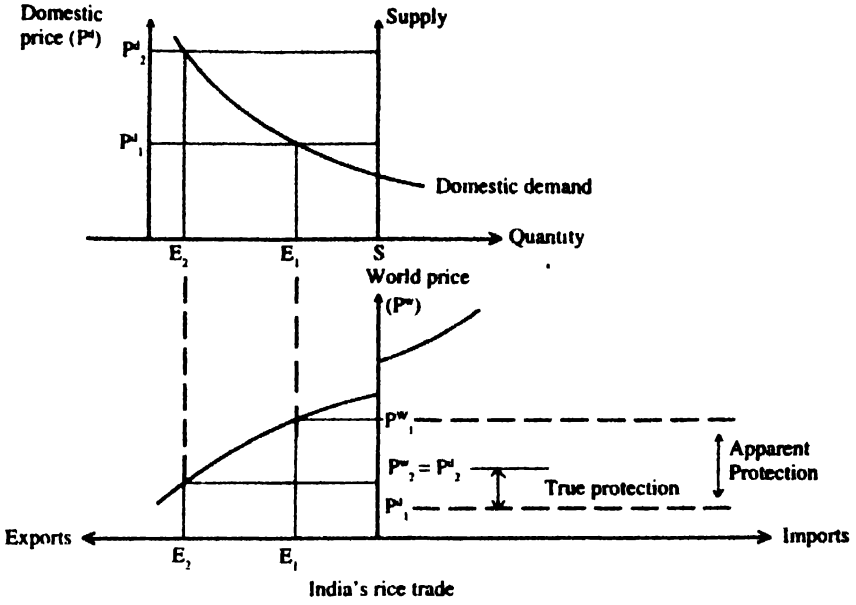
In the long run, agricultural liberalisation increases output of all agricultural commodities excepting coarse grains and 'other foods' (which includes sugar, oils, etc), the sectors for which our estimates of the nominal protection rates were positive. However, when non-agriculture is also liberalised, the outputs of these two sectors also increase. In the short run, however, agricultural trade liberalisation by itself disrupts agricultural production, mainly in the 'other foods' sector by as much as 8 per cent. But if non-agricultural trade is liberalised agricultural output, including that of 'other foods', picks immediately by about 4 per cent by 1995. The short run growth effect of trade liberalisation on non-agricultural output is weak due to prevailing capacity constraint, leading a big jump in non-agricultural imports. Over time, as capacity is created non-agricultural output expands and imports stabilise.

In the long run, liberalisation leads to higher volume of exports of all agricultural goods, except coarse grains. Particularly, exports of wheat, rice, dairy products and non-food products could expand substantially. Prices of several agricultural sectors, which are disprotected now, would rise with trade liberalisation, while prices of industry and some agricultural sectors (coarse grain and other foods), which are protected now, would fall. The only exception to this pattern is the case of rice the price of which falls despite prevailing disprotection. This counter-intuitive result is explained through the large country effects and associated export quotas, as discussed later.

How Does Agricultural Trade Liberalisation Affect Welfare?

The average welfare indicators such as average calorie intake, average equivalent income and rural-urban income parity show improvement under agricultural trade liberalisation. This is because the welfare effects of trade liberalisation differs across different expenditure classes in the rural and urban areas. Agricultural liberalisation by itself improves the welfare of the poor in both rural and urban areas. The marginal increase in terms of trade for agriculture and the decline in prices of rice, coarse grains and other food together result in different impacts on consumer price indices for different expenditure classes. The adverse income effect associated with the increase in terms of trade is more than adequately compensated by the gains to the poor as consumers due to fall in rice, coarse grains and other food prices. The rural rich who

Figure : India's Rice Trade, World Price and Protection Level



India's rice trade

get income from both agriculture and non-agriculture are, however, worse off due to liberalisation in terms of their equivalent income. This is because, as government loses tariff revenue due to liberalisation it has to raise taxes, which are stipulated to be only on non-agricultural income. Therein lies the dilemma of agricultural trade liberalisation. The rich farmers would oppose it even though the rural poor and urban population stand to gain from it.

Non-agricultural trade liberalisation results in a deterioration in the average welfare indicators. This is largely due to the fall in equivalent income of the rural rich and whole of urban population due to increase in tax rates on non-agricultural incomes. The equivalent incomes of urban population falls in spite of growth in real non-agricultural GDP because of the terms of trade effects.

Large Country Effects: What Is the Optimal Tariff on India's Rice Exports?

Taking into consideration the large country effects in the case of rice as discussed earlier, the study concludes that if India were to export rice freely, the world market price of rice is likely to fall. When we consider such effects, rice sector is not disprotected to the extent implied by the present world prices. In commodities where India has market power, the non-linearity in world prices in response to India's trade of the commodity should be accounted for. A correct measure of disprotection of rice would be the difference between present domestic price and the world market price that would prevail if India were to have free trade in rice. The Figure shows this correct measure of (dis)protection.

The top part of the figure shows domestic demand curve. Given a fixed supply (the argument is valid even if supply is made to respond to price) the export level will vary with domestic price. Thus at price P^d_1, the export will be SE_1 and at P^d_2 it will be SE_2. In the bottom part of the figure is shown the world market price's response to India's rice trade. At an export level of SE_1 world price would be P^w_1 and at a level of SE_2 it would be P^w_2.

In a situation where a domestic price of P^d_1 prevails an apparent estimate of nominal protection rate would be $(P^w_1 - P^d_1)/P^w_1$. Now suppose under no export restriction the domestic price is P^d_2, exports SE, and world market price $P^w_2 = P^d_2$. The 'true' nominal protection rate is now estimated to be $(P^w_2 - P^d_1)/P^w_2$.

Given its market power in world rice trade, India could think of imposing tariff on rice exports. To determine the level of optimal tariff, we need to analyse the impact of Indias exports on world market price of rice, which is a major task in itself. Based on estimates made by Parikh et al (1987) and suggestions of the World Bank, we used a rice demand elasticity of 0.1 and a supply elasticity of 0.4 for the rest of the world to determine the world market price that would prevail corresponding to different quotas on rice export varying between 0.5 and 4.0 million tonnes by India. For exports beyond 4 million tonnes, the world price falls below the domestic price and the run would be inconsistent in the sense that we force the model to export rice when we should be in fact importing.

The results of this exercise indicates that as rice exports rise, domestic rice price increases. The production structure shifts in favour of both rice and wheat and there is a gain in real GDP. For optimal tariff policy, however, we should go beyond the GDP effects. We consider welfare level in terms of equivalent income of different classes. Equivalent income is defined as the income required to provide a consumer at a reference set of prices the same utility as provided by consumption in policy change scenario. Thus, we can compare equivalent incomes in different scenarios. To compare distributions of equivalent incomes across different groups we use the Willig-Bailey (1981) criteria which compares average equivalent incomes of different cumulative population proportions for rural and urban areas and looks for stochastic dominance. These indicate that the export tariff for rice would be socially optimal at a level such that rice exports are around half a million tonne.

Should We Retain Protective Tariffs?

Retaining (imposition) of moderate protective tariffs as permissible under GATT reduces the GDP gains and welfare impacts arising from trade liberalisation. If protective tariffs are maintained at 25 per cent *ad valorem* on non-agricultural trade, GDP in year 2000 would be lower by about 0.8 per cent than under trade liberalisation with no protective tariffs. This suggests that these tariffs should be imposed only after careful consideration of benefits and costs. It may be noted that our model does not account for potential benefits (if any), of dynamic improvement in efficiency due to (infant industry) protection. In any case, a case for protection has to be made before it is granted. This should be particularly so for capital goods sectors because of the real investment benefits from trade liberalisation noted earlier.

What Would be the Impact of Capital Inflows?

If liberalisation results in additional inflow of foreign capital which is used for increasing investment then it helps in both accelerating growth and reducing adverse welfare effects. If the capital inflows rise from 1.5 per cent in 1993 (base scenario) to about 4 per cent by 1996 and maintained thereafter, GDP in year 2000 would be higher by 2.6 per cent over and above the improvements due to trade liberalisation.

Agricultural Input Subsidies Removal, Increased Investments and Safety Net Programmes: Is There a Pareto-Superior Win-Win Policy Package?

Removal of input subsidies is often advocated as a part of the reforms measures required to eliminate the distortions in agricultural prices. Removal of agricultural input subsidies, with other government expenditures being constant, would result in the release of substantial amounts of resources. These resources can be used in several alternative ways such as for tax reliefs, for enhancing investments and/or for welfare programmes.

If the savings from subsidy removal, along with trade liberalisation, are used merely to provide tax reliefs, it results in a loss in GDP by about 1.5 per cent in the year 2000 with agricultural GDP falling by about 3.5 per cent. This aggravates rural poverty though the rural rich and urban population gain from tax reliefs. However, when such savings are used for increasing investment, especially irrigation investment, the adverse effects on growth and distribution are more than offset resulting in higher growth of about 1.3 per cent. There is virtually no loss in agricultural GDP and distribution is also more equitable. Thus the conclusion that emerges is that, if agriculture is to be subsidised it is better to subsidise investment in irrigation rather than use of current inputs.

Expansion of safety net programmes such as targeted rationing or public works programmes (like the Employment Guarantee Scheme (EGS) or Jawahar Rozgar Yojana (JRY)) when financed through savings from agricultural input subsidy removal can fully protect the poor from adverse welfare effects of trade liberalisation and input subsidy removal. In fact, such measures can substantially improve their welfare over and above even the base scenario which reflects the pre-liberalisation policies.

Thus a policy package involving trade liberalisation with moderate residual tariff as per GATT and agricultural inputs subsidies removal accompanied by targeted safety net programmes along with stepped up investment in irrigation, with the expected additional foreign inflows materialising, produces a scenario that is superior from the point of growth, welfare and distribution and this can be financed without raising taxes.

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Subsidy Syndrome in Indian Agriculture

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Anil Sharma

The economy-wide analysis of input subsidies in Indian agriculture reveals that subsidies have outlived their aim and have become unsustainable. In order to release resources for higher investments in the agricultural sector, large-scale price and institutional reforms are needed to relieve the pressure of subsidies on the Exchequer. Under the circumstances, it makes much sense to improve terms of trade for agricultre and complement this by stepping up investment in agriculture through reduction in subsidies. The increased investment in agriculture appears to be a better bargain than short-sighted measures such as subsidies. This is because of the fact that cultivable land in India is in short supply and raising productivity per unit of cultivable area will require heavy investments in irrigation, rural infrastructure, research and extension. Also, investments in basic infrastructure correct for regional imbalances and promote greater equity at farm level, while subsidies tend to accentuate inequality.

OF late, the issue of subsidies in general and agricultural subsidies in particular, has assumed considerable significance. This has happened essentially because of two reasons. Firstly, the rising burden of revenue deficit had created fiscal imbalance in the central and state budgets during the late 1980s. Neglect of simple economic principles in various sectors of the economy contributed their due and the growth process increasingly relied on unsustainable financial foundation. The burgeoning burden of these subsidies was thus, questioned by policy-makers trying to correct fiscal imabalance. Secondly, this issue of agricultural subsidies was brought to the centre stage under the Uruguay round at GATT negotiations In India, this created lot of confusion, especially in the initial year of Uruguay round, whether Indian agriculture is really net subsidised or taxed, i e, aggregate measure of support (AMS) is positive or negative.

These two developments, along with our own concern pertaining to plausible impact of subsidies on efficiency in resource use and environmental degradation in general, induced us to examine the issue of agricultural subsidies from various angles. An effort, therefore, has been made to analyse agricultural subsidies with respect to their rationale, magnitude and their economy-wide impact.

The paper is organised as follows: Section I examines the rationale of subsidising agriculture. Section II analyses the issue whether Indian agriculture is net subsidised or net taxed. Section III discusses the issue whether subsidies be increased/abolished/targeted, particularly in a developing country like India. Section IV spells out various concepts of input subsidies, how to quantify them and what is the magnitude of input subsidies in Indian agriculture. Section V examines the economy-wide impact of input subsidies, i e, fiscal impact, cropping pattern impact, environmental impact, equity impact and impact on new industries. Finally, Section VI discusses the price and institutional reforms that are desirable in the area of input subsidies.

I
Rationale of Subsidising Agriculture

The subsidies in agriculture are generally rationalised in the overall economic context that they play a crucial role in stimulating development of any country through increased agricultural production, employment and investment. Also that subsidies, particularly in developing countries must be construed as more an instrument promoting risk-taking function of the farmers than anything else. More specifically, subsidies are advanced either to promote the use of new inputs or to transfer income in favour of farming community, maybe to keep them in 'parity' with non-farming communities. The use of subsidies to promote new inputs is generally the case with developing countries and transferring the income in favour of farming community is the case with developed countries. But, before we go on to discuss these issues, let us explore various alternatives which are available with the policy-makers for subsidising agriculture.

There are two most common ways of subsidising agriculture.[1] Firstly, governments may pay much higher prices for the agricultural products than what the farmers can obtain under free market environment, and secondly, by supplying the inputs at a price that is below the cost of supplying these especially in case of non-tradable inputs or below the price that would prevail in an open free trade environment (as in case of tradable inputs). Higher prices for farm products can be provided mainly by insulating the domestic markets from the world economy through a restrictive trade policy. On the other hand, vital inputs like fertilisers, irrigation water, credit, electricity used in the agricultural sector can be supplied to the farmers at prices which are below their would be open market prices. The prices of these inputs, therefore, do not reflect their true value, i e, the real cost of supplying these inputs. Of the above mentioned two alternatives, subsidies on inputs are normally preferred because it is believed that benefits of government expenditure can be derived by the farmers only in proportion to their use of inputs [Krishna 1967]. Input subsidisation also avoids raising food and raw material prices, thus avoiding the plausible adverse effect on growing industrial sector or large mass of poor living in the developing countries. However, most often, it is not just a single mechanism but a combination of both higher output prices and lower input prices which has been used to subsidise agriculture with objectives varying from the need to raise domestic production and protect incomes of the farming community. India also tinkered with both input and output prices, primarily to protect the poor and/or to stimulate the use of modern inputs.

II
Is Indian Agriculture Net Subsidised?

As mentioned above, India adopted the twin approach of input subsidisation and output price for her agriculture. To know the impact of such a complex and dual policy (i e, input subsidies and output price support) in India, one will have to work out the estimate of what is known as aggregate measure of support (AMS). AMS is the annual aggregate value of market price support, non-exempt direct payments and any other subsidy not exempted from the reduction commitment expressed in monetary terms. Thus, to estimate AMS for Indian agriculture, first one works out the level of support for each basic product (like rice, wheat, cotton and so on) that it obtains through (a) market price support, (b) non-exempt direct payments, and (c) other subsidies not exempted from reduction commitments. Support which falls under the purview of non-product specific (like various input subsidies) is totalled into one non-specific AMS expressed in monetary terms. In the product specific AMS, the market price support is calculated using the gap between a fixed external reference price (fob unit value in a net exporting country and cif value in a net importing country) and

administered price (domestic support price) multiplied by quantity eligible to receive the administered price. In the non-product specific input subsidies are determined by using budgetary outlays. However, if budgetary outlays do not reflect the full extent of subsidy, the subsidy is worked out by using the gap between the subsidised price of the inputs and a representative market price multiplied by the quantity used of inputs.

The estimates based on support prices reveal that product-specific AMS for India (for 17 products out of 22 total products for which India maintains market price support programmes) works out to be negative to the tune of (–) Rs 242 billion during the period 1986-87 to 1988-89. This forms (–) 27.74 per cent of total value of agricultural production (excluding forestry and fishery).[2] Non-product specific AMS works out to be Rs 46 billion, 5.24 per cent of total value of agricultural production. This, of course, would vary depending upon the way one measures subsidies, particularly irrigation subsidy. By adding these two one gets total AMS which stands at (–) Rs 196 billion, that forms (–) 22.50 per cent of the value of agricultural production. In fact, over the years, the AMS has increased in negative and stood at (–) Rs 341.44 billion during triennium ending 1992-93. This massive increase of 73.77 per cent in absolute value of AMS seems to be the effect of depreciation of rupee against major currencies of the world during this period as also in relative prices of different commodities. This negative support (or net taxation) is due to the fact that prices of different crops have been fixed below their international levels (barring exceptions like oilseeds and sugarcane). The calculations of taxation at farm harvest prices are also in line with those obtained on the basis of support prices, however, the degree of taxation differs. These facts clearly indicate that Indian agriculture is 'net taxed'.

These trends of domestic support are contrary to those found in the developed countries of the world [Gulati and Sharma 1994b]. Almost all countries provide positive support to their cultivators ranging from as high as 72 per cent in case of Japan, 37 per cent in case of European Community and 26 per cent in case of the US.[3] This is in sharp contrast to India which imposes tax on its cultivators.

This policy of keeping farm prices below their international prices, however, contributed to the bias against agriculture. The agricultural product prices were kept low presumably to protect the poor, but industrial prices were kept high by erecting high tariff barriers.[4] The lower prices of agricultural output have not been offset by the subsidies on inputs. The terms of trade remained much against agriculture due to government policies compared to what they would have been in a free trade environment. In addition to the low output prices, the pervasive government intervention in terms of movement restrictions, distributional controls, stocking, domestic and foreign trade, though initially designed to improve the welfare of the people, have injected inefficiencies in the entire agricultural system [Bhagwati and Srinivasan 1993]. This diverted resources away from agriculture to industry. Investment in agriculture remained stagnant during the 1980s (Figure 1).[5] This is in sharp contrast to the trends observed in investment during the 1960s and 1970s. This happened despite the fact that gross domestic capital formation increased during the 1980s. This is explained in Section V.

III
Should Subsidies Be Increased/ Abolished/Targeted?

Analysis in the previous section reveals that Indian agriculture is not net subsidised but is rather net taxed. If so, does that mean that subsidies to Indian agriculture be increased? And how — through higher output prices than what would prevail under a free open economy environment or through enhanced subsidisation of inputs? Answers to these hard questions, in our humble opinion is 'no'.[6] To justify our position with respect to subsidies, the following issues need to be explored and replied:

(i) Are subsidies the best way to achieve the intended objectives of growth, employment and investment?

(ii) If yes, then for how long the subsidies should be continued to meet the above mentioned objectives?

(iii) What is the overall long-term cost of these subsidies to the entire economy? and,

(iv) Are subsidies promoting regional equity and allocative efficiency at the national level?

These are the basic questions which should be taken into account and need to be answered before advancing a case for 'net' subsidies. Also, costs of input subsidies have to be evaluated against the loss of potential benefit if the same amount was invested in creating productive potential of agriculture. It is argued that incentives like subsidies are short-term measures [Krishna 1967] and they are not meant to be substitutes for the long-term measures in social and physical infrastructure, which alone ensures the viability of the new technology [Hayami et al 1977]. Even in the short-term a sharp rise in subsidies may cut into the resources available for productive investments and this is what seems to have happened in the Indian context.[7] Our assessment of the current situation leads us to conclude that input subsidies are cutting into the resources which could have been invested in generating new productive potentials. This is because in a country like India where resources are limited, the achievement of any particular objective usually comes at the expense of other competing objective. Thus, it follows from the above that a major chunk of the increase in resource flows is being diverted to meet the expenditure originating from high input subsidies rather than making investments in agriculture. This trend, if continues, is worrisome because if the resources which are meant to create productive investments in the long term are diverted to meet short-term measures like subsidies, the agricultural growth suffers.[8] And, history is replete with examples which clearly reveal that development of agricultural sector is essential to national growth.[9] This is due to the fact that agricultural sector plays a vital role in the economy of a developing country like India due to its large share in gross domestic product, and more so in employment, and also because of strong linkages that this sector has with the rest of the economy.

Subsidies on inputs are generally advanced on the assumption that these are temporary measures and would be withdrawn once the objectives have been achieved. But past

TABLE 1: PRODUCT SPECIFIC AND NON-PRODUCT SPECIFIC AGGREGATE MEASURE OF SUPPORT (TE 1988-89 and TE 1992-93)

(Rs billion)

Support Type	TE1988-89	TE 1992-93
Product specific AMS		
(a) Based on support prices	-242.25	-427.89
	(-27.74)	(-26.33)
(b) Based on farm harvest prices	-151.03	-295.21
	(-17.29)	(-18.17)
Non-product specific AMS	45.77	86.45
	(5.24)	(5.32)
Total product specific and non-product specific AMS		
(a) Based on support prices	-196.48	-341.44
	(-22.50)	(-21.01)
(b) Based on farm harvest prices	-105.26	-208.76
	(-12.05)	(-12.85)

Note: Figures in parentheses are percentages to the total value of agricultural production (excluding forestry and fishery).

Source: Gulati and Sharma (1994a).

experience clearly shows that it becomes increasingly difficult to reduce or abandon subsidies. In fact, there is nothing wrong with subsidies if they are well-targeted and reach the intended beneficiaries and have a definite time frame for their termination. But, there is ample evidence to suggest that the major share of these subsidies has been appropriated by fewer well developed regions and better-off sections of the farming community [Subbarao 1985] and they have spilled beyond their original schedules. Another problem associated with input subsidies is that they distort the choice of commodities and choice of techniques for each commodity [Binswanger 1974]. They lead to inefficient choice of cropping patterns and there are indications that inputs are being overused in certain pockets of the country.

The subsidies on inputs are efficient only in the initial stages of their adoption but once the farmers become aware of the inputs, there is no need to subsidise. If continued for a long time they create pressure groups and lobby which calls for continued protection and it becomes difficult to remove or reduce the subsidies [Dalrymple 1982]. The experience world over shows that continued subsidies for a long time lead to distortions in the economy, require cross-subsidies, result in inefficient use of scarce resources, become difficult to manage and execute and finally it becomes difficult to discontinue such incentives. All these apprehensions regarding input subsidies expressed in Meier (1982) have come true.

Keeping these facts in view, the objective of this paper is to measure the extent or the magnitude of subsidies on four major inputs in Indian agriculture, viz, irrigation water, electricity, fertiliser and credit. Once these estimates are available to the policy-makers, appropriate policies can be devised to cut down the size of input subsidies so that long-term growth in agriculture is not jeopardised. An attempt has also been in the present study to suggest ways to reduce or to check the ever rising input subsidies.

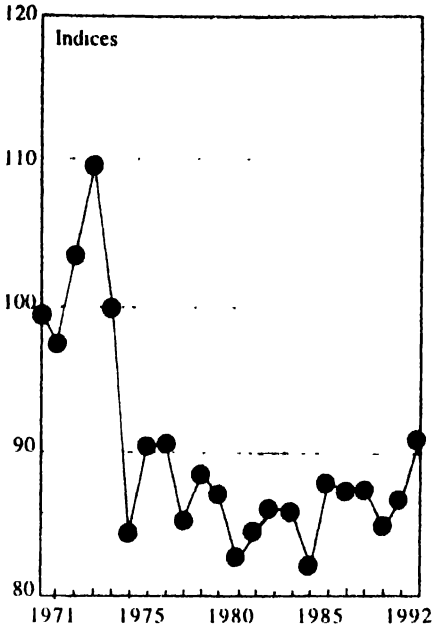
IV
Input Subsidies — Concepts and Quantification[10]

Concepts and Methodology

Considering the fact that there are implicit and explicit input subsidies in Indian agriculture, the question arises how to estimate these subsidies. Subsidies could be worked out from the farmer's point of view, from the view point of the input supplying agencies and from the society's point of view. The estimates of subsidy will differ in each of these cases because of differences in the procedures adopted.

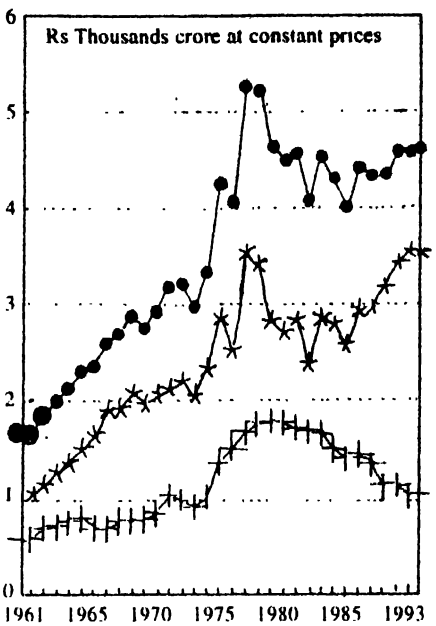
FIGURE 1

Terms of Trade (Ratio of Prices Received and Prices Paid by the Farmers)



Source Sidhu (1993)

Gross Capital Formation in Agriculture Proper (1960-61 to 1992-93)



Source CSO (1994)

(i) From the viewpoint of the farmer who is a user of inputs the subsidy could be defined as the difference between what he is willing to pay for it and what he is actually paying. In this case the maximum that a farmer would be willing to pay would be equal to the marginal value product of input use. This concept of subsidy is akin to consumer's surplus in economic theory.

(ii) From the viewpoint of input supplying agencies, the subsidy could be defined as the difference between the cost of supplying these inputs and revenue received from the farmers. This concept helps in knowing the profits or losses incurred by the supplying agencies in supplying these inputs/resources

(iii) From the society's viewpoint subsidy could be defined as the difference between true resource cost of supplying inputs measured at shadow prices and what the farmers pay for it.

In the present study the subsidies have been worked out from the viewpoint of suppliers of inputs such as water, electricity, fertiliser and credit, who help to get supplies of these inputs. Thus subsidy may be defined as the difference between the cost of supplying a particular input and the recoveries from supplies. This, however, needs a number of adjustments keeping in view the data limitations. Various components of input subsidies in Indian agriculture are described below.

(i) *Irrigation Subsidy*: It can be estimated under two alternative definitions:

(a) Estimate I — As the difference between O and M expenses and the recoveries from farmers: The underlying logic of this is that of marginal cost pricing principle for welfare maximisation, which states that pricing of a resource should be done on the basis of its marginal cost, one may think of charging only the operation and maintenance costs from the farmers. This means that irrigation works are subsidised to the extent of the difference between gross receipts and the operation and maintenance expenses incurred by project authorities.

(b) Estimate II — Subsidy on Working Expenses and Capital Outlay: The approach mentioned above estimating subsidy by deducting receipts from working expenses takes care of the operation and maintenance expenses only and leaves the entire capital cost out of its purview. This implicitly means that capital cost of various irrigation schemes should be treated as sunk But it would be preposterous to treat this capital as sunk, because money invested in various irrigation schemes has its opportunity cost which must be considered along with operation and maintenance costs One way to determine the opportunity cost of this investment would be to look at the annualised yield of capital.[11] This calls for finding out an appropriate rate of interest, and also a rate of depreciation for major and medium and minor irrigation schemes. Thus, the rate of interest (average redemption yield of government securities) was taken as 8.5 per cent which is an average redemption yield on government bonds as well as approximate cost of borrowing funds by the government And, the rates of depreciation were taken as 1 5 per cent in case of major and medium irrigation schemes

and 4 per cent in case of minor irrigation schemes to estimate the annualised cost of capital employed in irrigation works.[12]

(ii) *Electricity Subsidy:* Subsidy on electricity could be determined in two different ways. One way out is to work out the difference between the tariff charged from the agricultural sector and the shadow price of the electricity which goes towards irrigation purposes. The difficulty which arises here is to find the shadow price of electricity. Shadow price can be determined by approximating opportunity cost of the electricity consumed in minor irrigation. But the question which crops up here is: what alternative user should be considered for shadow pricing, i e, commercial, industrial or domestic. This too will not reflect the true shadow price because the tariff structure for these sectors also is distorted compared to their costs. The second method could be to find the opportunity cost of resources which are used in the generation and distribution of electricity. Tradable inputs may be computed at their corresponding cif/fob prices (depending upon whether they are importables or exportables) and non-tradables at their shadow prices. This is a much bigger task and is not attempted in this study. The alternative adopted here to estimate subsidy, however, is by taking the difference between the average cost of supplying electricity to various sectors and the tariff charged from agricultural sector and multiply this difference with the quantum of electricity used in agriculture.

(iii) Fertiliser Subsidy: Fertiliser subsidy could be estimated under the assumption that if government had not intervened in the system either through retention price scheme (RPS) or through controls on the imports of fertilisers, at what price farmers would have got fertilisers. The difference between what cultivators would have paid under that counter-factual free-trade scenario and what they are actually paying may be termed as 'economic' subsidy to farmers. Going by this approach, first, one finds per unit cif price of urea, di-ammonium phosphate (DAP) and muriate of potash (MOP) separately, and then adds to that domestic handling charges including unloading, packing in bags, transporting to various places in the country and marketing expenses involved in the process together with the dealer's margin. In India, while fertilisers were imported by Minerals and Metals Trading Corporation of India (MMTC) on behalf of the ministry of agriculture, government of India, final handling fromthe port to the farm-gate is left to a few pool handling agencies.[13] These agencies, till 1985-86 were paid charges as determined by the government on the basis of port, type of consignment (bulk or bagged), and the destination where imported fertilisers were supposed to be made available. In 1986-87, the government introduced the 'tender system' (with effect from April 1986) with the hope of cutting down handling costs. The economic subsidy on fertilisers per unit of urea (46 per cent N), di-ammonium phosphate (18-46-0) and muriate of potash (60 per cent K_2O) has been worked out. These estimates are adjusted to derive separately economic subsidy per ton of N, P and K, and then multiplied by the respective quantities of their consumption to obtain total economic subsidy on fertilisers.

(iv) *Credit Subsidy:* From the lender's point of view credit subsidy may be looked at from two alternative hypotheses. The first perceives credit subsidy to consist of two components: (a) interest subsidy that accrues to agriculture due to concessional rate of interest being charged to this sector *vis-a-*

TABLE 2: INPUT SUBSIDIES IN INDIAN AGRICULTURE

(Rs billion)

Year	Irrigation Subsidy		Electricity Subsidy	Fertiliser Subsidy	Credit Subsidy	Total	
	Estimate I	Estimate II				Estimate I	Estimate II
1980-81	3 64	14 48	3.69	2.65	5.17	15.15	25.99
1981-82	3 79	16.36	4 49	1.97	6.53	16.78	29.35
1982-83	4 32	18 66	5.85	3.17	7.49	20.83	35.17
1983-84	4 89	21 21	7 69	5.47	9.02	27.06	43.39
1984-85	5 86	24.55	9.99	10 11	10.58	36.54	55.23
1985-86	7.42	28.56	13.08	10.10	12.28	42.87	64.02
1986-87	9.71	33 61	17.09	9 95	14.02	50.77	74.67
1987-88	12.75	36 98	25 42	11.35	16.18	65.71	89.94
1988-89	10 21	35.42	30.21	16.80	18 70	75.91	101.12
1989-90	10 98	37 82	32 46	23.83	19.07	86.34	113.18
1990-91	11.75	40 22	46 21	23.03	20.64	101 62	130.09
1991-92	12 52	42.62	58 76	25.19	22 20	118.67	148.77
1992-93	13 29	45.02	73.81	30 41	23.77	141.29	173.02
TE 1982-83	3.92	16 50	4 68	2 60	6.40	17.59	30.17
TE 1992-93	12.52	42.62	59 59	26.21	22.20	120 53	150.63
Compound	*	**	*	*	*	*	*
Growth Rate@	4.82	2 29	19 90	16.37	5.48	12.61	9.12
	(1.49)	(0.97)	(0 80)	(2.41)	(0 98)	(0 88)	(0.73)

Notes Estimate I. Irrigation subsidy represents subsidy incurred on working expenses only.
Estimate II. Irrigation subsidy represents subsidy incurred on working expends plus subsidy incurred on capital outlay.
Figures in parentheses are respective standard errors
@ At 1981-82 constant prices
* Singnificant at 1 per cent level of significance.
** Significant at 5 per cent level of significance.

TABLE 3: STATEWISE AND REGIONWISE COMPOUND GROWTH RATES IN INPUT SUBSIDIES AT CONSTANT 1981-82 PRICES

States	Estimate I		Estimate II	
	Compound Growth Rate	Standard Error	Compound Growth Rate	Standard Error
Assam	10 94	1.4270	8.52	1.3274
Bihar	12.31	1.6683	7.22	1.1379
Orissa	5 04	0.6711	2.97	0.7328
W Bengal	10 51	0.7861	7.66	0.5926
Eastern Region	10.54	1.1062	6.10	0.8938
Gujarat	18.40	1.6680	13.35	1.0652
MP	13 80	0.6968	9.05	0.5864
Maharashtra	14.68	1.0502	10.34	0.8612
Rajasthan	12.97	1 2775	8.47	0.9302
Western Region	15.22	0.8419	10.51	0.6783
Haryana	13.07	0.8607	10.39	0.7130
HP	6.65	1.0063	6.62	1.1080
Jammu and Kashmir	10.07	1 3406	6.30	1.0090
Punjab	14.24	1.5937	12.08	1.3447
UP	10.12	0.8169	7.70	0.7166
Northern Region	11.63	0.9512	9.11	0.8138
AP	14.12	1.0907	9.84	0.7797
Karnataka	15.01	1.8275	10.07	1.1266
Kerala	8 25	1.2051	5.88	1.0151
T Nadu	11.13	1.2506	9.67	1.0576
Southern Region	12.87	1.0806	9.48	0.8244

Note. All growth rates are significant at 1 per cent level of significance.

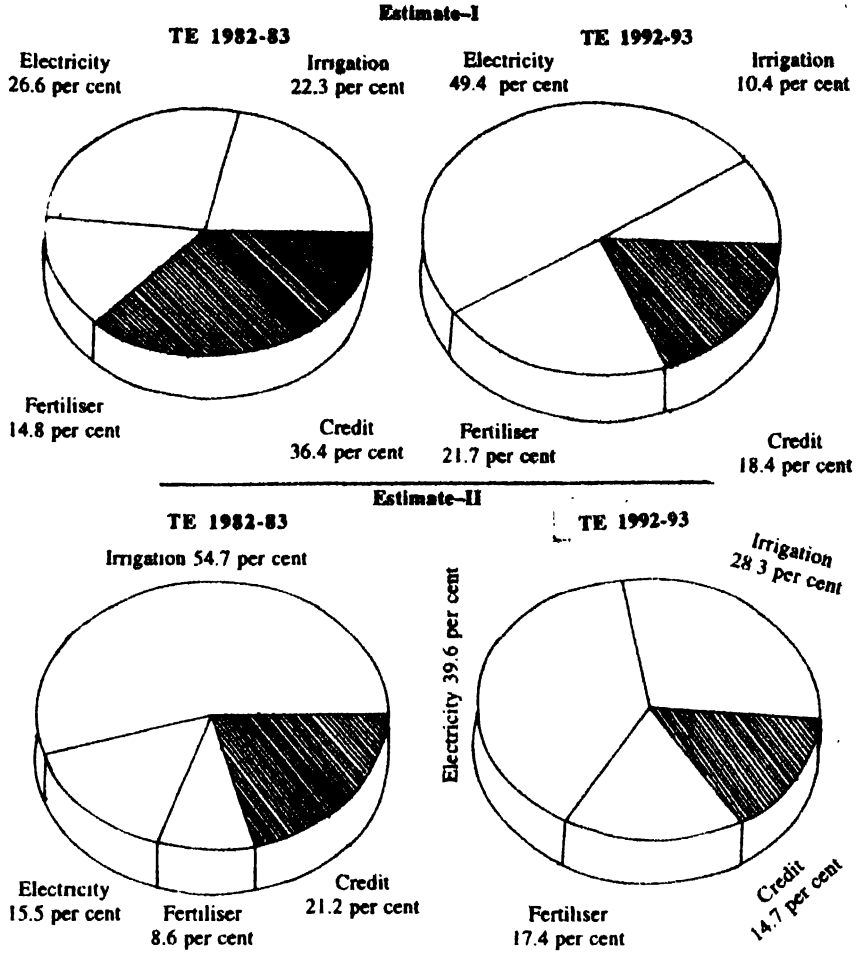
vis the other sectors of the economy; and (b) default subsidy which accrues to agriculture in the form of bad debts. Accordingly, interest and default subsidy has been calculated separately and then added to get credit subsidy to Indian agriculture. It should be mentioned that default also occurs in credit to non-agricultural sector and that therefore, strictly speaking, we should take into account only the additional default in credit to agriculture. The second concept perceives credit subsidy as the difference between cost of supplying credit to agricultural sector (including defaults) and rate of interest received from agricultural sector only. The information on the cost of supplying credit to the agricultural sector is, however, not available for all the states and because of this reason it is the first alternative which has been employed in the present study to estimate credit subsidy.

Magnitude of Input Subsidies

The entire set of input subsidies, i e, irrigation subsidy, electricity subsidy, fertiliser subsidy and credit subsidy were estimated as explained above. The resulting figures of input subsidies which flow to the Indian agriculture are presented in Table 2.[14] It is discernible from the data presented in the table that input subsidies in Indian agriculture increased at an annual growth rate of 12.61 per cent and 9.11 per cent respectively during the period 1980-81 to 1992-93, at constant 1981-82 prices, depending upon the way how one estimates the irrigation subsidy.[15] Among various components of subsidies, electricity subsidy exhibited the highest growth rate (19.89 per cent per annum at constant prices) between 1980-81 and 1992-93. Electricity subsidy was closely followed by fertiliser subsidy which marked a growth rate of 16.37 per cent per annum during the same period. These two were followed by credit and irrigation subsidies, which increased by 5.46 per cent and 4.82 per cent respectively during the same period. With this alarmingly high rate of increase in electricity subsidy, there was a significant change in the relative shares of various input subsidies in total amount of subsidies. It is clearly demonstrated by Figure 2 that during the triennium ending 1982-83, credit subsidy under estimate I and irrigation subsidy under estimate II, accounted for the highest shares of 36 per cent and 55 per cent of total input subsidies respectively. But during TE 1992-93, electricity subsidy accounted for the largest share of total input subsidies in both the situations. The relative share of electricity subsidy in estimate I was found to be 49 per cent, while in estimate II the relative share of the same works out 40 per cent respectively.

Among different regions of the country, western region exhibited the highest rate of growth of input subsidies under estimate I which was found to be 15.22 per cent per annum. Under estimate II, however, the highest growth in input subsidies was marked by the southern region which was found to be 9.48 per cent per annum.[16] Eastern region showed the lowest rate of per annum growth of input subsidies under both the estimates among the four regions of the country.

Figure 2: Relative Shares of Input Subsidies in Indian Agriculture



The western region also accounted for the highest share of 34 per cent of all subsidies in the country during TE 1992-93 amounting to Rs 40.97 billion (Figure 3). The western region was closely followed by northern region with a share of 29 per cent where the subsidies amounted to Rs 34.04 billion during the same period. In southern and eastern regions the subsidies during TE 1992-93 stood at Rs 32.13 billion (27 per cent) and Rs 12.03 billion (10 per cent) respectively. Under estimate II the relative shares of the four regions stood at 30 per cent (western region), 27 per cent (northern region), 26 per cent (southern region) and 13 per cent (eastern region) respectively during the same period.

In terms of per unit area, however, it was the southern region which topped the list with input subsidies amounting to Rs 922.15 per hectare of gross cropped area under estimate I and Rs 1,115.06 per hectare of gross cropped area under estimate II (Figure 2). The northern region ranked second with per hectare subsidy amounting to Rs 831.38 under estimate I and Rs 990.62 under estimate II respectively. The western and eastern regions occupied third and fourth position in terms of per hectare subsidy amounting to Rs 580.50 and Rs 737.68 under estimate I and Rs 372 and Rs 533.01 under estimate II respectively.

V
Impact of Input Subsidies

In this section, an attempt is made to capture different types of effects that these subsidies have on the economy. These are broadly categorised as fiscal effect, cropping pattern effect, environmental effect, equity effect and effect on new industries/ technology.

Direct Fiscal Effect

The very high figures of various input subsidies in Indian agriculture also point to the fact that input subsidies grew at a much higher rate compared to the total combined plan expenditure on agriculture, irrigation and special area programmes incurred by the centre and state governments during the 1980s. This is clearly brought out by Table 4. It is discernible from the data that input subsidies constituted around 52.56 per cent

of the total expenditure incurred on agriculture during TE 1982-83 under estimate I which during TE 1992-93 stood at 131.07 per cent, much above the expenditure incurred on agriculture.[17] And, under estimate II input subsidies constituted an even higher percentage of 90.23 during TE 1982-83 and 164.02 per cent during TE 1992-93 respectively. Even as a percentage of gross domestic product, input subsidies rose from 1.24 per cent during TE 1982-83 to 2.18 per cent during TE 1992-93 (75.81 per cent increase) under estimate I and from 2.13 per cent to 2.73 per cent (28.17 per cent increase) during the same period under estimate II. This indicates the heavy burden of input subsidies inflicted on the fiscal imbalance of the nation.

This is not surprising keeping in view the sharp increase in input subsidies per hectare of gross cropped area. Input subsidies per hectare of gross cropped area increased at the rate of 12.27 per cent per annum under estimate I and 8.78 per cent per annum under estimate II at constant 1981-82 prices.

The immediate impact of very high growth in input subsidies is that investment in agriculture remained stagnant during the 1980s (Figure 3). This is in sharp contrast to the trends observed in investment during the 1960s and 1970s. This happened despite the fact that gross domestic capital formation in the economy increased during the 1980s. With the stagnation in agricultural investment the share of the agricultural sector in gross capital formation in the economy also declined from 18 per cent in 1980-81 to 10.1 per cent in 1989-90.

It is worth mentioning that it is the public sector investment in agriculture which, in fact, declined significantly during this period after having accelerated to 9.59 per cent per annum during the 1970s from 2.54 per cent per annum during the 1960s (Table 6). And, since private sector investment is influenced by the public sector investment and terms of trade, this component also exhibited stagnation.

The stagnation in agricultural investment has continued even during the first three years of the current decade, i e, during the 1990s. The gross capital formation in agriculture (public and private combined), in fact, marginally declined from Rs 45.95 billion in 1990-91 to Rs 45.81 billion in 1991-92 and decreased further to Rs 45.67 billion in 1992-93 (at 1980-81 constant prices).[18]

Cropping Pattern Effect

Subsidy on irrigation through electricity and canal water causes distortion in cropping pattern in favour of water-intensive crops like paddy in Punjab and sugarcane in Maharashtra. In Punjab, rice acreage as a percentage of gross cropped area increased from 6.87 per cent in 1970-71 to 27.52 per cent in 1991-92. Similarly, sugarcane acreage in Maharashtra increased from 1.07 per cent (as a percentage of gross cropped area) in 1970-71 to 1.89 per cent in 1989-90.

Table 5: Trends in Gross Capital Formation at Constant 1980-81 Prices (1960-61 to 1989-90)

Period	Gross Domestic Capital Formation	Agriculture	
		Gross Capital Formation	Gross Fixed Capital Formation
1960-61 to 1969-70	3.01* (0.89)	6.48* (0.30)	6.41* (0.33)
1970-71 to 1979-80	5.81* (0.59)	7.52* (1.03)	6 07* (0.92)
1980-81 to 1989-90	5.28* (0.91)	-0.19 (0 46)	-0.17 (0.41)

Note: Figures in parentheses are respective standard errors
* Significant at 1 per cent level of significance.

Table 6: Trends in Public and Private Gross Capital Formation in Agriculture Proper at Constant 1980-81 Prices

Period	Public Sector Investment	Public Sector Investment
1960-61 to 1969-70	2.54** (0.87)	8 48* (0 43)
1970-71 to 1979-80	9 59* (1 23)	6.63* (1 16)
1980-81 to 1989-90	-4.32* (0 52)	1.29 (0.83)

Note: Figures in parentheses are respective standard errors.
* Significant at 1 per cent level of significance
** Significant at 5 per cent level of significance

Table 4. Input Subsidies and Planned Expenditure in Indian Agriculture

(Rs billion)

Year	Input Subsidies		Expenditure on Agriculture	Input Subsidies as Per cent of Expenditure		Input Subsidies as Per cent of GDP		Input Subsidies Per Hectare of Gross Cropped Area (Rs/ha)	
	Estimat I	Estimate II		Estimate I	Estimate II	Estimate I	Estimate II	Estimate I	Estimae II
1980-81	15.15	25.99	29.65	51.10	87.67	1.24	2.12	87.41	149.98
1981-82	16 78	29.35	33.36	50.29	87.98	1.17	2.05	94.77	165.79
1982-83	20.83	35 17	37 01	56.28	95.04	1.31	2.21	120.65	203.74
1983-84	27.06	43 39	42.28	64.01	102.62	1.45	2.32	150.05	240.57
1984-85	36.54	55.23	49.02	74.54	112.66	1.75	2.65	207.67	313.87
1985-86	42 87	64 02	50 65	84.65	126.39	1.83	2.74	241.76	361.00
1986-87	50.77	74.67	59 66	85.10	125.16	1.95	2.87	283 77	417.35
1987-88	65.71	89.94	67.67	97.11	132.91	2.23	3.05	380.10	520.26
1988-89	75.91	101.12	74.21	102.29	136.26	2.15	2.87	421.47	561.44
1989-90	86.34	113.18	75.35	114.58	150.20	2.11	2.77	476.62	624.79
1990-91	101 62	130 09	83.66	121.47	155.50	2.14	2.74	564.65	722.84
1991-92	118.67	148.77	91.50	129.69	162.59	2.15	2.70	657.37	824.12
1992-93	141 29	173.02	99 46	142.05	172.96	2.25	2.76	780.30	955.53
TE 1982-83	17 59	30.17	33.34	52.56	90.23	1.24	2.13	100.94	173.17
TE 1992-93	120.53	150 63	91.54	131.07	164.02	2.18	2.73	667.44	834.16
Compound Growth Rate@	* 12 61 (0.88)	* 0.78 (0.76)	* 2.87 (0.56)	* 9.47 (0.37)	* 6.07 (0.26)	* 5.84 (0.78)	* 2.55 (0.65)	* 12.27 (0.91)	* 8.78 (0.76)

Notes: Estimate I: Irrigation subsidy represents subsidy incurred on working expenses only.
Estimate II: Irrigation subsidy represents subsidy incurred on working expenses plus subsidy incurred on capital outlay at historical prices.
Figures in parentheses are respective standard errors.
@ At 1981-82 constant prices.
* Significant at 1 per cent level of significance.

Although state level averages suppress much of the information, there would be a few districts/areas where the growth in area under these crops is very high. Because of their high irrigation requirements, these crops take a larger chunk of the scarce water (electricity) available for agriculture, and therefore thrive essentially on huge subsidies on canal waters and electricity.[19]

Environmental Effect

One of the most serious effects of input subsidy is on environmental degradation and promoting growth that is likely to be unsustainable in due course. Subsidy on canal water and subsidy on electricity has led to excessive irrigation causing salinity and waterlogging in some areas and overdraft and depletion of ground water in others. There are alarming signs of decline in water table, spread of salinity and an increase in the level of fluorides in the water. For example, Singh and Joshi (1989) point out that water table in Punjab is receding at a rate of 0.3 to 0.5 metre per year. Bhatia (1992), states in case of Gujarat that if this continues at the current pace, large parts of Gujarat will succumb to the forces of desertification. Such a continuous depletion of the water table may be undesirable and as it could lead to high levels of desertification in most parts of the country.

Subsidy on fertilisers has similarly led to excessive application with adverse environmental effects. In Punjab, the average per hectare use of nitrogen during 1993-94 stood at 126.2 kgs per hectare. Since, all cultivated area under every crop hardly comes under fertiliser use, rates of nitrogen application under a few important crops like rice and wheat must have reached a very high level. This implies that the observed level of per hectare use is much higher than the dose recommended by PAU, i e, 90 to 120 kgs for wheat and rice in the region. It is important to mention in this context that a large part of nitrogen will remain unutilised in the soil and will eventually contribute to the ground water pollution. In areas where productivity is sagging, farmers often tend to compensate it by applying higher doses of fertiliser rather than managing fertiliser and other inputs more efficiently. This substitution of 'management' by higher and higher doses of cheap fertiliser can only be stopped through widespread extension and more judicious pricing.

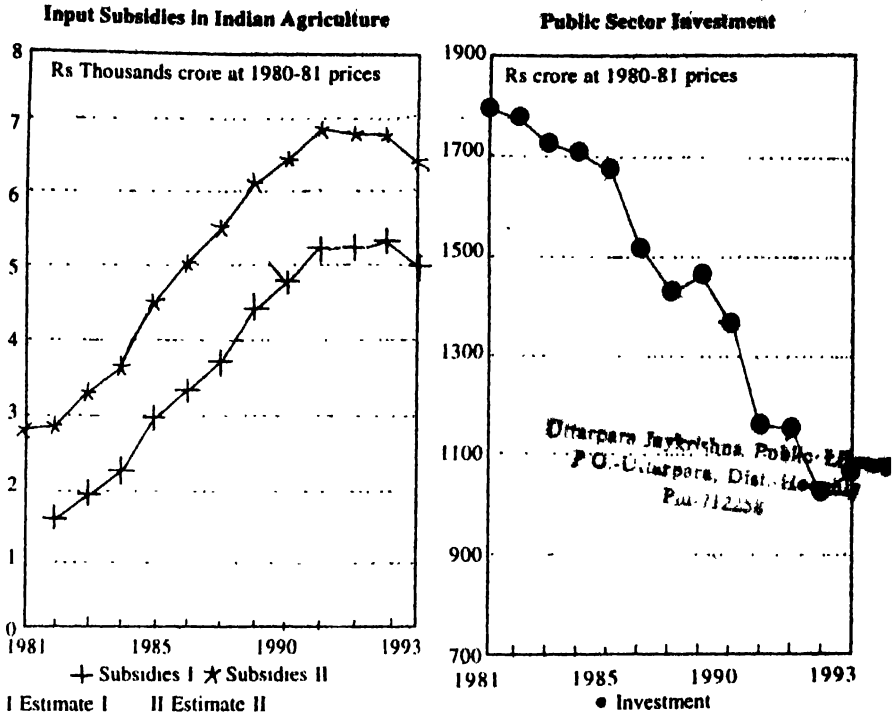
Equity Impact

The entire gamut of input subsidies also raises an equity question, i e, who benefits from these subsidies and are these promoting regional equity. It appears that the argument for continuation of input subsidies on the grounds of their distributive effects also stands invalidated. In case of fertiliser, for instance, it is estimated that not more than 52 per cent of budget subsidy goes to farmers (average figure from 1980-81 to 1992-93). The rest may be deemed to be going to either fertiliser industry or the industry that supplies feedstocks to fertiliser industry (e g, ONGC, IOC, etc) [Gulati and Sharma 1995].

Irrigation-based agricultural growth has diverted bulk of input subsidy to irrigated areas with serious implications not only for inter-crop parity but also inter-class and inter-region equity, i e, irrigated versus unirrigated farmers and irrigated versus dry land regions. It has been found that most of the share of input subsidies has been appropriated by fewer well-watered and well-developed regions [Subbarao 1985; Gulati and Sharma 1995]. This has unquestionably led to the neglect of unfavourable areas and these are the areas which need to be given priority in any developmental strategy in view of their widespread coverage and widespread poverty in these areas. For example, not charging for irrigation water is the biggest fraud on dry land areas. This is because resources get dried up in areas receiving early irrigation investments, and farmers in dry land areas have to wait much longer for their turn to have the resources percolate down to them. As far as the distribution of subsidies among different categories of farms is concerned, the general perception is that large farmers appropriate a larger chunk of the subsidy cake.

But this is not borne out by the data, once one examines it in relation to their share in total cropped area. In fact, relevant data reveal that it is the small farmers who have appropriated proportionately a larger share of subsidies. In Table 7 we have attempted to arrange the share of small and marginal farmers *vis-a-vis* large ones in case of irrigated area, number of tube-wells fitted with electric pump sets, fertiliser consumption and institutional credit. This is done with a view that if the share of small and marginal farmers in these inputs is higher than their share in total cropped area, it would be indicative of the fact that they receive proportionately a large share of the subsidies on these inputs.

Figure 3



Impact on New Industries/Technology

When the prices of inputs do not reflect their scarcity value, there is very little incentive for farmers to adopt methods which could make more efficient use of scarce resources. A rise in subsidies where prices do not reflect the scarcity value will accentuate these inefficiencies. This inhibits the growth of water saving or energy saving devices, which discourages investment in those industries which could manufacture these input saving devices. For example, large subsidies on fertilisers and irrigation make this seed-water-fertiliser technology relatively more attractive than bio-technology and thereby slows down the potential growth of the latter. Further, dry land farming remains unattractive because of cheap water in irrigation areas. Use of bio-fertilisers and organic manures remains restricted due to subsidies on chemical fertilisers. Thus, a potential revolution in these industries remains untapped.

The above discussion and empirical facts clearly demonstrate how input subsidies have eaten up the resources which could

have been used for creating productive potentials. This indicates that input subsidies are crowding out productive investments in agriculture. In addition to this, continued subsidies are sending wrong signals to the farmers, distorting their production baskets, leading to environmental degradation. Also, subsidies are not promoting regional and inter-personal equity, either. This calls for large-scale reforms in the area of input subdies, both in terms of their pricing as well as institutional framework. If these subsidies are eliminated or reduced and targeted, resources tied up in these can be reinvested for creating necessary infrastructure. This will not only raise productive potential but will also attract more private investments and agricultural sector will benefit in the long run. This will also help in choosing efficient cropping patterns which are in tune with region's resource endowments. This will help in reducing inefficiencies and checking environment degradation.

VI
What Is the Way Out?

The above analysis reveals the following:

(i) In the case of irrigation it is clear that there has been a gradual deterioration in the financial returns from major and medium as well as minor irrigation works. The escalating losses due to poor receipts which do not cover even the O and M expenses not to talk of investments made in the irrigation sector, have become unsustainable. The ludicrously low water rates are one of the reasons responsible for the deterioration of irrigation and drainage infrastructure in the country. Keeping in view the critical role of irrigation, poor recovery rates do not augur well for the development of this input.

The main reason for the widening gap between O and M costs and recovery rates is the fact that water rates are fixed at current prices and updated after a long period. Therefore, with the erosion of the value of rupee due to inflation, the recovery rates fall below ever rising working expenses. This can be taken care either by fixing recovery rates annually during the beginning of the agricultural year or by indexing the recovery rates [Gulati et al 1994]. It has also been realised that recovery rates should cover working expenses and a part of capital outlay. Rough estimates (according to the Committee — Pricing of Irrigation Water) indicate that raising the price of water to the extent needed to just cover the O and M expenses and above 1 per cent of the capital cost, works out only 6 per cent of the gross value of output per hectare of output per irrigated hectare [GOI 1992]. This committee, headed by Vaidyanathan, recommends raising the average water rates to Rs 310 per hectare from the existing level of Rs 50 per hectare.

In addition, the committee also recommended volumetric pricing of canal waters. It has been felt that water charges should be a function of volume of water used. If this type of tariff structure can be fixed, it will eliminate the need for fixing crop-specific water rates and estimating area under different crops. This is the only way of dealing with this situation because the distinction between cash and food crops is no longer valid. This can be done by supplying water to the user co-operatives or the group of irrigators. Initiatives should be taken to make farmers co-owners of the irrigation systems and transferring management of irrigation systems to farmers. At a recently held conference in the People's Republic of China on Irrigation Management Transfer (IMT), various approaches to irrigation management transfer were discussed. From the deliberations it appears that the experience of such attempts world over has been a mixed one. But it is being realised that greater involvement of users is imperative not just for financial reasons but for realising the full potential of irrigated agriculture [Vaidyanathan 1994]. This can be done by issuing 'water bonds' to the tune of say 5 per cent of the equity of the irrigation system [Pursell and Gulati 1993; Gulati et al 1994a]. As stated above, this would help in recovering some part of the capital cost, and also inculcate a feeling amongst farmers that the irrigation system in part belongs to them. This will induce them to take greater interest in managing the irrigation system.

These reforms in pricing of irrigation water as well as turning the system from 'tops down to bottoms up' will ensure a more efficient use of this scarce resource on the one hand and will also encourage better maintenance of various irrigation schemes on the other. This will help in smoothening the optimal supply of irrigation water, and make it more productive.

(ii) In case of electricity subsidy, the analysis shows that the type of administered pricing structure that is there creates a distortion in the pricing of this crucial input and is leading to depletion of public funds and posing environmental problems. A side effect of this has been the steep fall in the revenue of state electricity boards. This is acting as a deterrent to major investments in this sector of the economy by the private sector. To make it attractive the rates should be revised upward by replacing flat rate system with volumetric pricing and distribution of electricity should be privatised. To begin with, the minimum tariff rate charged from the agriculture sector should be revised to 50 paise per unit which should be revised every year.[20] Also, the SEBs must ensure better quality of power - both in terms of its availability as well as fluctuations. Given the high opportunity cost of this resource in a country like India, it must be charged at appropriate rates to ensure further expansion of the power sector on the one hand and to promote efficient use of power on the other. The scarcity value of this crucial input, therefore, should be made known to the farmers. The over-drawing of ground water is leading to ground water depletion and is creating environmental problems [Singh and Joshi 1989; Bhatia 1992]. If rational pricing mechanism is not introduced, the private sector will hesitate to invest money in power sector, regardless of the concessions offered. This could be done by selling electricity to user groups or co-operatives of farmers or private individuals and having them collect dues [Moench 1992; Pursell and Gulati 1993].

(iii) In case of fertiliser subsidy, although prices of phosphatic and potassic fertilisers have been decontrolled to check the rising burden of fertiliser subsidy, prices of nitrogenous fertilisers like urea continue to remain under control. This distorted pricing mechanism has changed the application rates in favour of nitrogen which is harmful to the health of the soil keeping in view the long-term implications of unbalanced use of fertilisers. The fertiliser consumption ratio has been badly disturbed. From already

TABLE 7: PATTERN OF INPUT USE AMONG DIFFERENT FARM SIZE GROUPS (ALL INDIA)
(percentage share)

Inputs	Farm Category	
	Small and Marginal	Medium and Large
1 Number of holdings	75.67	24.33
2 Total operational area	29.00	71.00
3 Gross cropped area	32.62	67.38
4 Net irrigated area	38.85	61.15
5 Net irrigated area by canals	39.50	60.50
6 Net irrigated area by wells	38.10	61.90
7 Number of tube-wells fitted with electric pump sets	35.30	64.70
8 Fertiliser use	33.94	66.06
9 Short-term credit	42.65	57.35

Sources: Rows 1 to 7 are from Government of India (1992), *All India Report on Agricultural Census, 1985-86*, Ministry of Agriculture, New Delhi.
Row 8 is derived from NCAER (1988-89), *Study of Fertiliser Consumption and Quality Seeds, 1988-89*, NCAER, New Delhi.
Row 9 is from Desai D K (1988), 'Institutional Credit Requirements for Agricultural Production - 2000 AD', *Indian Journal of Agricultural Economics*, Vol 43, No 3, July-September.

distorted ratio of 6:2.4:1 (N, P_2O_5 and K_2O) in the year 1990-91, the consumption ratio vitiated to 9.6:2.9:1 in 1993-94, against a desirable ratio of 4:2:1. Keeping this in view, the prices of urea too should be decontrolled and its imports decanalised. To begin with an ad hoc subsidy such as in the case of phosphatic and potassic fertilisers could be granted. This can be done in a gradual manner spreading it over two to three crop seasons. This will give enough time for farmers to get adjusted to the new market realities. This may sound like a death-knell for the new plants that were planned with retention pricing in mind. These plants can be saved by giving a one-time capital subsidy.

(iv) The continuous rise in credit subsidy points to the burden that might have been inflicted on the rural credit. This calls for revising the interest rates upwards in order to bring the rural financial institutions out of the morass of bankruptcy. This can be done in stages before bringing it to the levels of other sectors of the economy [Katula and Gulati 1992 and Gulati and Sharma 1994b]. Some of the scholars who have tried to see the credit from the borrower's angle express that defaults are mainly due to under financing and delays in the sanctions and disbursement of loans [Kahlon 1991]. These problems can be best addressed by increasing the availability of credit and reducing the time taken to advance loans. Credit could be advanced to the groups of the farmers so that each member acts as surety for the other and in case of defaults the group could be penalised [Pursell and Gulati 1993].[21] In view of the scarcity of credit and very high rates of interest charged in the informal sector, small and marginal farmers would benefit much more from easier and timely availability of credit from institutional sources than from the low subsidised rates of interest charged [Rao and Gulati 1994]. The higher interest changes and less defaults will also help in improving the viability of rural financial institutions.

(v) The above reforms in case of input prices, however, cannot be implemented in isolation of the reforms of the output prices because as is demonstrated in Section II that despite heavy input subsidies, the agricultural sector on the whole remains net taxed. This is due to the fact that barring a few exceptions like oilseeds and sugarcane, the prices of other agricultural commodities have been kept low compared to their international levels, primarily through export controls. Therefore, the reforms on input prices must be accompanied by the reforms on output prices, otherwise it will be very difficult to carry through the above-mentioned reforms in input prices. Some progress has been made in this direction in 1994, but much more remains to be done.

(vi) In the context of reforms on input and output prices it is important to take due care that funds which are tied up in input subsidies, once withdrawn are ploughed back in creating necessary infrastructure in the agricultural sector such that the possible adverse effects of corrections in pricing are minimised and this sector can be put on the path of sustainable development.

In conclusion it is worth recapitulating the main points of this paper: that Indian agriculture is not 'net subsidised' but 'net taxed'; that overvalued exchange rate and high protection to industry has discriminated against agriculture; that subsidies on key inputs have lost their rationale and are now crowding out productive investments, damaging environment, accentuating inequity and promoting inefficient cropping patterns; that raising prices of these inputs is only a partial solution to the ills of the input sectors — they must experience institutional reforms to make the system sustainable. The sequencing of reforms in agricultural subsidies must start from liberalising the output markets, opening them to exports and thereafter involving farmers in carrying out reforms in input markets — particularly for non-tradable inputs like canal water, electricity and rural credit. It is only such a comprehensive package of reforms that can contribute towards accelerated and substainable growth of Indian agriculture.

Notes

1 The third way could be to make direct payments to the farmers to produce through adverse conditions. But this is not a commonly used method of subsidising the cultivators.

2 If we work out AMS based on the value of agricultural produce of only those crops for which AMS has been calculated, the taxation would turn out to be even higher. According to Joshi (1994), AMS based on this method stood at 68.88 per cent during triennium ending 1988-89.

3 These estimates are based on Producer Subsidy Equivalents as estimated by USDA for the period 1981-82 to 1987-88. We do not have access to their AMS for the period 1986-87 to 1988-89, but it is expected that levels of AMS are in line with PSE estimates.

4 On an average, during the 17-year period, i e, 1970-71 to 1987-88, the protection level for agriculture was about half the protection level for manufacturing [Pursell and Gulati 1993].

5 It has been observed that after 1974-75, the terms of trade in general deteriorated against agriculture [Sidhu 1993]. We have not used the data on terms of trade from the *Economic Survey*, because of the inappropriate methodology being followed in that series, which does not give any weightage in accordance with the buying/selling behaviour of farmers.

6 We feel subsidies, however, would be necessary for some time, for certain targeted groups, especially those who have little surplus to sell. But certainly, what we opine is that agriculture should have a 'level playing field' with Indian industry. In other words, let the two sectors face opening up of the economy with much lower level of tariffs and almost complete freedom to export.

7 This may raise a question as to how productivity increased during the 1980s despite fall in investment. This is because there is always a lag between investment in infrastructure and realisation of the potential created, and since a large number of projects exist in pipeline, some potential from the past investments would have been realised during the 1980s [Rao 1994]. The decline in investment in the 1980s would essentially result in reducing the potential benefits in the future. Further, the data on public investment in agriculture basically comprises of investment in major and medium irrigation schemes and ignores investment in rural roads, electrification, markets, etc.

8 The impact of declining investment on agriculture has been an area of major concern of many studies conducted in the recent past. Examples include Rath (1989), Shetty (1990), Kumar (1992), Gulati and Bhide (1993) and Rao (1994).

9 To cite an example — Mundlak, Cavallo and Domenech (1989) evaluated the effects of government policies on agricultural productivity in Argentina. They found out that heavy direct and indirect taxation of the agricultural sector had detrimental effects on agricultural productivity growth.

10 This section draws heavily from an earlier work of Ashok Gulati (1989) but refines and provides updated alternative estimates of irrigation subsidy.

11 However, there can be a difference of opinion as to which cost of capital should be considered here, i e, whether historical cost or the replacement cost. While, the historical at the prices of those years in which they were incurred would set the lower limit, the upper limit would perhaps be determined by the replacement cost at today's constant prices. By definition, replacement cost is a cost at which irrigation potential can be created today. Thus, there could be one more estimate of irrigation subsidy based on this concept. However, this has not been taken up in this study.

12 The rate of interest for this purpose could either be the rate at which government borrows its funds or the average annual redemption yield of government securities. We have considered for our purpose annual redemption yield of government securities. The reason for this choice is the fact that, interest rate at which government borrows its funds has in it an element of subsidy. This hidden subsidy is in the form of low rate of interest at which government borrows its funds.

After the rate of interest has been determined that next step is to estimate the rate of depreciation in case of major and medium and minor irrigation schemes. Assuming a life span of 100 years for major projects and 50 years for medium ones, depreciation in case of major and medium irrigation schemes would be 1.5 per cent. Finding the exact rate of depreciation in case of minor irrigation schemes is, however, quite complex because minor irrigation schemes include dug-wells, tanks, shallow tube-wells, deep tube-wells, lift irrigation schemes and so on, each of which has a different life span. Nevertheless, we have taken for our purpose 4 per cent as

the rate of depreciation, which is the weighted average of the rates of depreciation of tanks, shallow tube-wells and deep tube-wells, weights being their relative shares during the Fifth Plan period. This indicates that a representative (weighted average) minor irrigation scheme has a life span of 25 years.

13 Phosphatic and potassic fertilisers have now been decanalised.

14 The estimates of input subsidies presented here (Table 2), are different from those shown in Table 1. These variations in estimates are due to the different concepts used in estimating input subsidies. The figures shown in Table 1 are based on the methodology adopted by the ministry of commerce for working out non product specific aggregate measure of support. The other reason for variations in estimates is the fact that our current estimates (Table 2) are based on the revised information which was not available earlier.

15 If one takes into account the non-recovery of operation and maintenance charges only (estimate I), the subsidy grew at a higher rate of 12.61 per cent. But, if one includes annualised cost of capital deployed in major and medium and minor irrigation schemes in non-recovery of operation and maintenance cost (estimate II), then, the growth in subsidy was found to be 9.11 per cent.

16 Growth rates discussed here are not at current prices but at constant 1981-82 prices.

17 The estimates of subsidies presented here are different from those given in Rao (1994). These differences in estimates are due to the fact that irrigation subsidy estimated here includes subsidies in minor irrigation which are excluded in those estimates which are given in Rao (1994).

18 Some may argue that total resource flows from the government budgets to agricultural sector do not show any decline during this period. But, it may be stated that retardation in the expansion of productive potential in agriculture can occur despite there being no visible reduction in the funds allocated to this sector. This is because, such outlays are getting increasingly consumed in maintaining the already established potential and financing the rising burden of subsidies.

19 This clearly shows that there is a large-scale diversion of resources in favour of those crops which are highly water-intensive. An *ex-post* survey of ten major projects in the country showed that the cropping patterns that finally emerged in the command areas of these projects were significantly different from the *ex ante* expectations of the project authorities, and that they were tilted heavily in favour of water-intensive crops like paddy and sugarcane. Since water charges are not strictly volumetric, it implies that water-intensive crops are more subsidised than other crops. This is true despite the fact that water-intensive crops have to pay higher charges than less water-intensive crops.

20 Twice the power ministers of states have decided this, but only a selected few carried it out. Tamil Nadu gives it free to rural sector. In Karnataka, farmers using up to 10 HP get free power. This is clearly undesirable and unsustainable in the long run.

21 This unique approach of advancing loans to a group of members is being followed by the Bangladesh Gramin Bank. Instead of members approaching the bank for loan, the bank identifies borrowers from the group. At the first stage loans to only two members are issued and on a satisfactory performance the remaining members would be covered in batches of two borrowers each, subject to the satisfactory repayment performance [Dadich 1995].

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Private Fixed Capital Formation in Agriculture

Some Aspects of Indian Farmers' Investment Behaviour

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Contrary trends in public and private components of fixed capital formation in agriculture sector have been construed in some quarters as lack of complementarity between the two investment components of agricultural capital formation. Such complementarity is believed to have existed in the planning period. This article raises some pertinent questions on the issue on the basis of an inquiry into the Indian farmers' investment behaviour through an analysis of survey data on the Indian farmers' total capital expenditure and the share of fixed capital formation in farm business in such expenditure.

THE planners have come a long way since the launching of the First Five-Year Plan when capital needs of Indian agriculture sector were deemed to be low, more so in comparison to the capital needs of industry sector. Today the capital needs of agriculture are well recognised for attaining sustained growth are in order to meet the steadily rising needs of food and fibre of our huge domestic population, as also make due contribution in earning foreign exchange through exports. Under such compelling circumstances, any decline in capital formation in Indian agriculture is bound to be a source of anxiety to planners and a valid cause for concern to scholars of Indian agriculture.

A disconcerting development has been the decline in real capital formation on government account in Indian agriculture in recent years. According to Gulati and Bhide (1993), the growth rate in fixed capital formation (FCF) in agriculture, measured at constant prices of 1980-81, declined during the 1980s to minus 0.9 per cent per annum, in contrast to a 5 to 6 per cent growth rate recorded during the 1970s and the 1960s. Fortunately, this decline is not accompanied by a like decline in agricultural capital formation on private account which constitutes one-third of total FCF in agriculture. In fact, the farmers continued to raise their own investments in fixed agricultural assets during the 1980s, though without offsetting the reduction witnessed in FCF on public account. Yet, there was quite a perceptible deceleration in private investment effort, as brought out by Table A giving data from Gulati and Bhide's working paper.

These contrary trends in public and private components of fixed capital formation in agriculture sector have been construed in some quarters as lack of complementarity between the two investment components of agricultural capital formation. Such complementarity – in the sense of public investments in agriculture stimulating private investments by farmers themselves – is believed to have existed in the planning period prior to the 1980s. Here, a number of pertinent questions arise. First, has the aforesaid complementarity between public and private investments in agriculture really disappeared in the recent years? If, so why? Is the contrariness in the two trends (public investment going down and private investment continuing to rise) indicative of substitutability in the two categories of investments? If so, what can account for this turn around in investment behaviour, from complementarity to substitution between public and private sector investments in our agriculture? Answers to these questions hinge *inter alia* on Indian farmers' investment behaviour, as also on the changes, if any, in such behaviour. In what follows an insight into that behaviour is offered through an analysis of survey data on Indian farmers' total capital expenditure and the share of fixed capital formation in farm business in such expenditure.

Data Base

A nationwide sample survey, known as the All India Debt and Investment Survey, was carried out in the early 1980s. Three volumes on the same were brought out by the Reserve Bank of India. One volume, entitled *All-India Debt and Investment Survey, 1981-82 Statistical Tables Relating to Capital Expenditure and Capital Formation of Households during the year ended 30th June 1982*, was released in late 1988, and provides valuable data on fixed capital formation in agriculture during 1981-82. Much of the information is given separately for urban and rural households. Whereas urban households are distinguished by 'self-employed' and non-self employed categories, the rural households are distinguished in most of the detailed Statistical Tables by 'cultivators' and 'non-cultivators' groupings. (Occasionally, the group non-cultivators is further segregated into 'agricultural labourers', 'artisans' and 'other non-cultivating' households.)

Preliminary sifting of the data reveals that bulk of the fixed agricultural capital formation on private account during 1981-82 was by cultivator households, which numbered about 72 million out of total rural households of the order of 94 million. More specifically, total FCF in farm business amounted to about Rs 14.5 billion, of which about Rs 12.7 billion is accounted by cultivators alone – the rest of the Rs 1.8 billion is split between urban households (Rs 1.5 billion) and rural non-cultivators (Rs 0.3 billion). We have a breakup of this fixed capital formation by states numbering 17, as also by eight asset-size categories namely up to Rs 1,000, Rs 1,000-5,000, Rs 5,000-10,000, Rs 10,000-50,000, Rs 50,000-1,00,000, Rs 1,00,000-5,00,000 and Rs 5 lakh and above. Additionally, fixed investments in agriculture are distinguished by the following eight item heads: (1) Reclamation of land; (2) Bunding and other land improvements, (3) Orchards and plantations, (4) Wells, (5) Other irrigation sources; (6) Agricultural implements, machinery and transport equipment etc., (7) Farm houses, barns and animal sheds and, (8) Other capital expenditure.

In this paper we are focusing our analysis on cultivator households who accounted for more than three-fourths of private fixed capital formation in Indian agriculture during 1981-82. Statewise total FCF in agriculture, alongwith the 18 components of this FCF, are shown in Appendix Table 1. The list of states, along with their proportionate share in FCF, is as in Table B.

The above 17 states account for 98.5 per cent of total FCF in agriculture. The rest

Table A

		Annual Rate of Increase/Decline		
		1960s	1970s	1980s
Fixed capital formation in agriculture.				
(i)	On public account	2.4	7.3	(-) 3.3
(ii)	On private account	8.1	4.2	0.3
(iii)	Total	6.3	5.2	(-) 0.9

Table B

		Per cent
1	Andhra Pradesh	8.3
2	Assam	0.9
3	Bihar	3.0
4	Gujarat	7.6
5	Haryana	4.3
6	Himachal Pradesh	0.5
7	Jammu and Kashmir	0.6
8	Karnataka	7.0
9	Kerala	3.7
10	Madhya Pradesh	6.8
11	Maharashtra	11.9
12	Orissa	1.1
13	Punjab	9.7
14	Rajasthan	7.0
15	Tamil Nadu	6.3
16	Uttar Pradesh	17.8
17	West Bengal	2.6

is accounted for by other states and the union territories. Uttar Pradesh, quite expectedly, accounts for about 17.8 per cent of all India FCFA. But next in importance is Maharashtra with 11.9 per cent share. Punjab is placed third with a share of 9.7 per cent. The three states, Punjab, Haryana and Uttar Pradesh together account for a little under one-third of all-India FCFA by cultivator households.

Magnitude of FCF in Agriculture per Cultivator

Fixed capital formation in agriculture (FCFA) on private account was rather low per rural household during 1981-82, amounting to about Rs 138 only. The same was somewhat higher for cultivator households for whom it averaged Rs 176, way above Rs 14 per non-cultivator household (Rs 51 per urban household and Rs 124 per self-employed urban household). One reason for this low investment activity is that during 1981-82 only a small proportion of the rural households invested in fixed agricultural capital. This proportion was 16 per cent for cultivators, and merely about 4 per cent for rural non-cultivators (as well as for urban self-employed households).

In this nation of continental dimensions inter-state disparities in most things, economic as well as non-economic, are quite striking. This is also true of FCFA per cultivator across 17 states. Statewise estimates of FCFA per cultivator household, alongwith six broad components, are shown in Appendix Table II. The extremely low level of such investment per cultivator household was reported from the eastern states of Orissa (Rs 38), Bihar (Rs 43), Assam (Rs 51) and West Bengal (Rs 54). The highest level of fixed capital formation was reported from the state of Punjab (Rs 915), followed by Haryana (Rs 652). Next in ranking is the state of Gujarat (Rs 322), which is closely followed by Maharashtra (Rs 304). The magnitudes for the remaining nine states stood as follows:

1 Karnataka	Rs 253
2 Rajasthan	Rs 234
3 Andhra Pradesh	Rs 187
4 UP	Rs 178
5 Tamil Nadu	Rs 164
6 Madhya Pradesh	Rs 151
7 Kerala	Rs 135
8 Jammu and Kashmir	Rs 113
9 Himachal Pradesh	Rs 103

Before we examine the determinants of the inter-state disparity in fixed capital formation in Indian agriculture, we may take note of the following additional facts about such capital formation. Capital resources sunk into fixed capital formation in the agriculture sector constitute a rather small proportion (one-fifth) of total capital expenditure of cultivator households. More specifically, out of total capital expenditure of Rs 823 per cultivator household incurred during 1981-82 only Rs 176 were directed towards fixed capital formation in agriculture. The most marked inclination in this regard was exhibited by Gujarat farmers who allocated nearly 43 per cent (as against 21 per cent for all India) of their capital outlay towards fixed agricultural capital formation, notwithstanding the fact that their capital outlay (Rs 743) was barely one-third of the corresponding magnitude of the Punjab farmers (Rs 2,336 *vide* Table 1). Of course, farmers in Punjab-Haryana region too reveal a rather well-marked preference to use capital resources at their disposal for enhancing fixed capital assets in farm activity. States revealing low preference in this regard were Kerala, Orissa, Jammu and Kashmir, Bihar, West Bengal, Himachal Pradesh and Assam (Table 1). For instance, Kerala farmers directed hardly 8 per cent of their total capital outlay of the order of Rs 1,671 (per cultivator) towards agricultural capital formation in the shape of fixed assets. In fact, we find that capital formation in agriculture by cultivators and their per cent allocation of total capital outlay during 1981-82 were well correlated ($r = 0.79$).

Because of skew distribution of income and wealth in rural areas, fixed capital formation too exhibits highly skewed pattern. For one, the proportion of cultivator households undertaki
tends to rise considerably with the asset position of a household. More specifically, whereas hardly 6 per cent of the cultivators with assets worth Rs 1,000 or less could undertake such investment, as much as 50 per cent of them with assets value above Rs 5 lakh (assets include land and household durables) were doing so during 1981-82. As for the skewness in the distribution of capital formation across cultivator households, the group of households in the asset group Rs one to five lakh (who constitute one-tenth of the total number of cultivator households in India) accounted for nearly half of the total fixed capital formation in agriculture (*vide* Table 2). Since land ownership as a dominant component of a farmer's assets in India, one can assert that the rising pattern in fixed capital formation in agriculture is fundamentally land size determined (Table C).

Finally all fixed capital formation amounts to just about three-fifths of total capital outlay, indicating non-agricultural fixed capital formation is far more important for farmers than agricultural fixed capital formation. More specifically, against Rs 176

Table 1: Statewise Capital Outlay Allocated to Fixed Agricultural Capital Formation

Sl No	State	Total Capital Expenditure Per Cultivator During 1981-82 (Rs)	Fixed Capital Formation in Agriculture Per Cultivator (Rs)	Col 4 as a Per Cent of Col 3
1	2	3	4	5
1	Punjab	2336	915	39
2	Haryana	1772	652	37
3	Kerala	1671	135	8
4	Jammu and Kashmir	1357	113	8
5	Karnataka	1261	253	20
6	Rajasthan	985	234	24
7	Maharashtra	975	304	31
8	UP	865	178	21
9	HP	829	103	12
10	Andhra Praesh	841	187	22
11	Gujarat	743	322	43
12	Tamil Nadu	732	164	22
13	MP	640	151	24
14	West Bengal	496	54	11
15	Bihar	414	43	10
16	Orissa	450	38	8
17	Assam	363	51	14
18	All-India	823	176	21

Table 2 Asset Groupwise Farmer's Participation and Shares in Total Fixed Capital Formation in Agriculture, 1981-82

S No	Asset Group	Per Cent Cultivators in an Asset Group (Per Cent)	Per Cent Cultivators Participating in Fixed Capital Formation in Agriculture (Per Cent)	Per Cent Share of Cultivators in Total Fixed Capital Formation in Agriculture (Per Cent)
1	Upto Rs 1000	1 5	5.7	Negligible
2	Rs 1 – 5000	11.3	8.5	1.1
3	Rs 5 – 10000	13.4	9.4	1.6
4	Rs 10 – 20000	20.7	12.6	5.4
5	Rs 20 – 50000	28.9	16.7	16.2
6	Rs 50 – 100000	14.0	22.7	18.4
7	Rs 1 – 500000	9.7	30.3	47.4
8	Rs 500000 and above	0.4	50.0	9.9
9	All asset groups	100.0	16.1	100.0

TABLE C

Amount of fixed capital formation in agriculture per cultivator household	Asset Group
Rs 3	Up to Rs 1000
Rs 16	Rs 1000 - 5000
Rs 21	Rs 5000 - 10000
Rs 45	Rs 10000 - 20000
Rs 99	Rs 20000 - 50000
Rs 233	Rs 50000 - 100000
Rs 863	Rs 100000 - 500000
Rs 3909	Rs 500000 and above
Rs 176	Rs 31000

going into fixed capital formation in agriculture an average cultivator household in India spent about Rs 245 on capital in residential housing, and about Rs 47 in non-farm business capital. While we do not know the rate by which stock of fixed agricultural capital (excluding land) rose as a result of fresh addition of Rs 176 worth of fixed capital formation in agriculture, the same for all fixed capital formation (agricultural plus non-agricultural) for all rural households did touch a level of about 4.45 per cent in 1981-82, up from 3.98 per cent observed ten years earlier as per the RBI Debt and Investment Survey of 1971-72 (Source: Table IV, p 52 of RBI volume of 1988).

Main Components of FCFA

In Appendix Tables III and IV are listed the six main components of FCF in agriculture for each state, in absolute as well as in relative terms. The six main components are derived from the basic 18 components of Appendix Table I as follows. (1) Land improvements cover investment in land reclamation and in bunding and other land improvements, that is, columns 1+2+3 in Appendix Table I. (2) Orchards stands for 'orchards and plantations', that is, columns 4+5 in Appendix Table I. (3) Irrigation covers both wells and other private irrigation sources, that is, columns 6+7+8+9. (4) Agricultural implements comprises columns 9+10+11+12. (5) Farm buildings comprise columns 13+14+15. (6) Others comprise columns 16+17+18.

Fixed capital formation in agriculture is quite a varied basket of investment goods. Though 'agricultural implements, machinery, transport equipment, etc', is the single most important item in such capital formation - accounting for Rs 82 out of Rs 176 of fixed capital formation in agriculture (*vide* Appendix Table II), this in itself, as the heading suggests, is far from a homogeneous item. Irrigation-related capital formation is covered under two heads, namely, wells and other irrigation sources, both together accounting for about Rs 46 per rural cultivator household. That is to say, private irrigation investment constituted at least one-fourth (25 per cent) of total fixed capital formation in agriculture during 1981-82. (The rider 'at least' here reckons with the possibility that pumpsets, oil engines and electric motors used for irrigation might have been recorded under the head of agricultural machinery referred to above).

Once again, this preference for irrigation investment *vis-a-vis* other agricultural items of fixed capital formation has a regional angle to it. This is clear from statewise data listed in Table 3. We find that both in high rainfall states (Assam, West Bengal, Orissa) and in hilly states (Himachal Pradesh and Jammu and Kashmir) farmers' preference for irrigation works is rather weak when compared to their counterparts' in low rainfall states of western India (Rajasthan and Gujarat), medium rainfall states of southern India (Andhra Pradesh and Tamil Nadu), and Maharashtra in south-western India (this state tops the list, with 45 per cent allocation to irrigation alone). Probably, a more pertinent indicator of farmers' preference for irrigation development could be the irrigation outlay as a proportion of total capital outlay. This proportion was just about 5 per cent at all-India level, i e, Rs 5 out of Rs 100 of capital expenditure by cultivators were directed into irrigation works (including major repairs). According to this criterion, some reordering in state rankings occurs, whereby Gujarat cultivators come on par with Maharashtra cultivators in the matter of allocative preferences for irrigation investments. The farmers in these two states put almost Rs 14 out of Rs 100 of their capital expenditure towards enhancing their irrigation cover.

As land size rises, one expects a rise in the magnitude of fixed capital formation in irrigation. This is well borne out by the national data in Table 4.

Investment in agricultural machinery (including implements, transport equipment, etc), the single-most important item of fixed capital formation in agriculture, is taking place at a sizeable rate. At the commencement of the RBI survey of 1981-82, 90 per cent of the cultivators reported ownership of assets in the shape of agricultural machinery - the lowest percentage was from Kerala cultivators among whom such ownership was reported by 70 per cent farmers. On the whole, the value of owned agricultural machinery amounted to Rs 1,153 per cultivator (Rs 46 per non-cultivator and Rs 368 per urban self-employed household). To this stock the cultivators added about Rs 82 worth of machinery during 1981-82, resulting in about 7 per cent increase in this class of agricultural capital asset. This rate of rise is well above the corresponding rate of increase in total assets of the rural households, namely, 1.25 per cent (0.94 per cent a decade earlier). No wonder, then, the relative share of agricultural machinery in total assets of the farmers shows an upward increase. This increase in share is a continuation of a past trend: between 1971 and 1981 this share rose from 1.8 to 2.6 per cent

TABLE 4. IRRIGATION INVESTMENT IN RELATION TO TOTAL ASSETS AND LAND VALUE AT ALL INDIA, 1981-82

Total Value of All Assets in 1981	Value of Owned Land in 1981	Fixed Capital Formation in Irrigation during 1981-82
	(Rs Per Cultivator)	
599	130	
3,050	1,136	1
7,433	3,521	2
14,605	7,734	14
32,076	18,682	28
69,982	44,154	71
182,231	125,608	205
760,042	575,366	653
Average 44,524	28,536	44

TABLE 3: STATEWISE PREFERENCE FOR PRIVATE INVESTMENT IN IRRIGATION BY CULTIVATOR HOUSEHOLDS IN 1981-82

State	Irrigation Investment Per Cultivator (Rs)	Fixed Capital Formation in Agriculture Per Cultivator (Rs)	Irrigation Investment as a Percentage of Total Fixed Capital Formation in Agriculture
Andhra Pradesh	68	187	36 (7.7)
Assam	3	51	5 (0.6)
Bihar	12	43	27 (2.3)
Gujarat	108	322	34 (14.2)
Haryana	156	652	24 (8.8)
HP	Negligible	103	0
J and K	Negligible	113	0
Karnataka	49	253	19 (3.8)
Kerala	18	135	13 (0.1)
MP	54	151	36 (8.2)
Maharashtra	139	304	46 (14.0)
Orissa	4	38	9 (0.4)
Punjab	94	915	10 (3.9)
Rajasthan	90	234	39 (9.1)
Tamil Nadu	64	164	39 (8.1)
UP	24	178	13 (2.5)
West Bengal	3	54	5 (0.2)
All India	46	176	26 (5.3)

Note: Figures in parentheses show irrigation investment as percentage of total capital expenditure by cultivator households.

of all assets of cultivators -- no change was observed in the case of rural non-cultivator households. In proportionate growth terms, farmers acquired somewhat more of durable consumer goods than agricultural machinery as per the data available on change in composition of cultivators' assets between 1971 and 1981 (*vide* Table 5).

Across states, there exists a positive association between irrigation investments and investments in agricultural machinery by farmers (r = 0.61). This is indicative of some degree of jointness in these two categories of FCFA.

Role of Borrowed Funds

The Indian farmer is known to be heavily dependent on borrowed funds for meeting his needs of fixed capital, working capital, and special consumption requirements (like weddings, litigation, etc). Total borrowings during 1981-82 amounted to about Rs 525 per average Indian cultivator which financed almost two-thirds of his total capital outlay of Rs 823 in that year. This proportion becomes almost three-fourths when the borrowings are related to the cash component of the capital outlay of Rs 726 per cultivator, excluding thereby non-cash or in-kind capital expenditure. Thus, when we relate FCFA in to farmers' borrowings we find a strong relationship of the following type across states for cultivator households:

$$FCFA = -15.66 + 0.38\ LOAN, \quad (8.16)$$

$R^2 = 0.815$, n = 17

This relationship is still stronger when we consider only institutional borrowings only, which did account for 56 per cent of total borrowings by cultivators.

$$FCFA = 9.99 + 0.56\ CREDIT \quad (9.40)$$

$R^2 = 0.854$, n = 17

As mentioned earlier, farmers' preference for FCFA *vis-a-vis* other kinds of capital expenditures has a positive bearing on FCFA in agriculture (r = 0.79). Bringing in this preference variable improves the above relationships as follows.

$$FCFA = -.116 + 0.28 LOAN + 7.87 PREF \quad ...(1)$$
$$(6.67) \quad (3.83)$$

$R2 = 0.91$, n = 17

$$FCFA = -.90 + 0.43 CREDIT + 7.30 PREF \quad ...(2)$$
$$(8.13) \quad (4.13)$$

$R^2 = 0.93$, n = 17

where: FCFA stands for fixed capital formation in agriculture per cultivator (Rs). LOAN stands for total borrowings per cultivator during 1981-82 (Rs), CREDIT stands for borrowings from institutional sources (Rs), PREF stands for per cent share of FCFA in total capital expenditure per cultivator (per cent).

Every one rupee borrowed by an Indian cultivator during 1981-82 went into FCF in agriculture to the extent of 28 paise only. This very fraction in the case of loan funds provided to him by Indian financial institutions (co-operatives, commercial and regional rural banks, government, etc) was higher at about 43 paise per rupee of institutional loan during 1981-82. These fractional values are suggested by our multiple regression equations (1) and (2), and are thus obtained on the *ceteris paribus* condition that cultivators' preference for FCFA *vis-a-vis* other capital expenditure options (like building a residential house) are held constant (i e, not taken into account).

Determinants of FCFA

The magnitude of FCF in agriculture per cultivator shows positive association not only with external financing available from institutional and non-institutional sources but with several other factors. As already pointed out, it is positively related to farmers' preference for FCFA *vis-a-vis* other capital expenditure options. Other noteworthy factors having positive bearing on FCFA are: (1) Rate of technical progress experienced in agriculture sector (r=0.75). (2) Extent of irrigation development as connoted by gross irrigated area as a per cent net sown area of a state (r=0.79). (3) Extent of public canal irrigation development as connoted by net canal irrigated area as per cent of net sown area (r=0.65). (4) Rate of agricultural growth.

Among the negative factors are normal rainfall of a state (r=minus 0.54) and interest rate (r=minus 0.02). Thus farmers located in low rainfall states tended to have higher FCFA per cultivator than their counterparts in high rainfall states. Factors behind this inverse relationship need to be probed in depth. The very weak relationship between FCFA and interest rate on borrowings by farmers that has emerged in our own empirical analysis needs to be taken with great circumspection. We could not obtain firm data on interest rates on borrowings of cultivators during 1981-82. Our estimational effort in this regard yielded estimates with rather low variability across states (coefficient of variation = 14 per cent on a mean interest rate of 15.66 per cent per annum).

When we do multivariate analysis, we find following interesting multiple regression equations.

$$FCFA = -108.73 + 0.38\ CREDIT \quad (-3.53) \quad (7.47)$$
$$+ 5.96\ PREF + 32.76\ TP, \quad ...(3)$$
$$(3.50) \quad (2.13)$$

$R^2 = 0.9513$, n = 17

$$= -114.75 + 0.32\ CREDIT \quad (-4.24) \quad (6.10)$$
$$+ 7.21\ PREF + 1.676\ GIA \quad ...(4)$$
$$(5.18) \quad (3.12)$$

$R^2 = -.9625$, n = 17

$$= -133.66 + 0.33\ CREDIT \quad (-4.84) \quad (6.65)$$
$$+ 6.47\ PREF + 39.57\ GR \quad ...(5)$$
$$(4.81) \quad (3.48)$$

$R^2 = 0.9660$, N = 17

$$= (-)123.03 + 0.35\ CREDIT \quad (-4.26) \quad (7.1)$$
$$+ 7.60\ PREF + 4.62\ CANAL \quad ...(6)$$
$$(-5.30) \quad (2.92)$$

$R^2 = 0.9603$, n = 17

Where: TP is rate of technical progress in agriculture during 1960-80 (per cent); GR is annual rate of growth of crop sector during 1960-80 (per cent); GIA is gross irrigated area as per cent of net sown area in 1980-81 (per cent); CANAL is net canal irrigated as per cent of net sown area in 1980-81; (Other variables are defined as before in equations 1 and 2).

Thus total irrigation development in a state plays a significant role in FCF in agriculture by cultivators. Canal irrigation by itself also stimulates private investment in fixed agricultural capital. Since this category of irrigation is practically under public sector in India, one can say public sector investments in canal irrigation have e beneficial impact on fixed capital forma-

Table 6: Reduction in Public Investments in Irrigation during 1980-90

State	Per Cent Decline Per Annum
Haryana	6.3
Gujarat	3.8
Tamil Nadu	3.7
Punjab	3.4
Orissa	3.2
Kerala	3.0
Rajasthan	2.0
Uttar Pradesh	1.7
Karnataka	1.4
Maharashtra	1.1
Andhra Pradesh	0.9
Madhya Pradesh	0.8
Assam	0.7
Bihar	Negligible
All India	1.7

Table 5 Changing Distribution of Assets of Cultivator Households in India, 1971-81

Type of Asset	Percentages for Various Assets 1971	1981
I *Assets showing rise in share:*		
1 Agricultural machinery	1.8	2.6
2 Durable household goods	4.2	6.6
3 Transport equipment	0.8	0.9
4 Financial assets other than shares	0.8	0.9
II *Assets undergoing decline in share*		
5 Land and building	85.5	83.6
6 Livestock and poultry	6.5	5.0
7 Shares	0.2	0.1
8 Dues receivable	0.2	0.1
III *Assets showing constancy in share:*		
9 Non-farm business equipment	0.2	0.2
Total assets	100.0	100.0

tion in private account. Thus the slow-down in canal irrigation development during the 1980s could have *ceteris paribus* slowed down private investment in fixed capital in our agriculture in the same period. According to Hanumantha Rao, practically all states in India experienced decline in public investments in irrigation (*vide* Table 6).

We tried to assess the role of interest rate on borrowed funds on FCFA. Addition of this variable to the regression equation nos (5) and (6) showed that it had very weak, though negative, role in FCFA (the t-value of its coefficient was around 0.6). Its role appears in a somewhat better strength when we replace institutional credit (CREDIT) by total borrowings (LOAN) in these two equations (the t-value rises to around minus 1.75), as shown below:

$$\begin{aligned} FCFA &= 39.66 + 0.23\ LOAN \\ &\quad (0.36)\quad (5.68) \\ &\quad + 8.06\ PREF + 5.00\ GIA \\ &\quad (4.85)\quad\ (2.66) \\ &\quad 12.01\ INTEREST \qquad \ldots (7) \\ &\quad (-1.78) \\ &\quad R^2 = 0.9499,\ N = 17 \end{aligned}$$

$$\begin{aligned} FCFA &= 41.08 + 0.21\ LOAN \\ &\quad (0.38)\quad (4.68) \\ &\quad + 7.65\ PREF + 1.81\ CANAL \\ &\quad (4.70)\quad\ (2.79) \\ &\quad -11.40\ INTEREST \qquad \ldots (8) \\ &\quad (-1.73) \\ &\quad R^2 = 0.9518,\ n = 17 \end{aligned}$$

As already pointed out, irrigation and agricultural machinery are two important main components of FCFA. In fact, we find FCFA per cultivator across 17 states is well correlated with these two components. Whereas the coefficient of correlation between FCFA and irrigation investment component is 0.72, the same between FCFA and agricultural machinery is still higher, namely, 0.98. The complete matrix of correlation is listed in Appendix Table V. It is found that while institutional borrow-

Appendix Table I: Fixed Capital Formation in Farm Business by Rural Cultivators 1981-82

(000 Rs)

State	Land Reclamation	Building and Other Land Improvement		Orchards and Plantations		Wells		Other Irrigation Resources	
	New Land Brought under Cultivation	Major Repairs and Alterations	Additions and New Constructions	Normal Annual Replanting	Plantations and Additions	Major Repairs and Alterations	Additions and New Constructions	Major Repairs and Alterations	Additions and New Constructions
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Andhra Pradesh	37453	93402	10240	1404	18003	216166	116934	15724	28249
Assam	4134	7946	4108	14300	7216	4688	314	456	221
Bihar	51093	39055	25026	2919	1680	73666	7340	9259	12943
Gujarat	19406	47177	28798	1162	1191	73758	193475	34321	21365
Haryana	7121	14978	4934	455	1567	26753	187	71887	32719
Himachal Pradesh	909	5210	7218	3320	2015				5
Jammu and Kashmir	497	3927	3608	1633	1537			67	15
Karnataka	141168	118360	44499	24561	24787	57503	101801	4937	6502
Kerala	21828	61018	23838	41237	147488	21051	31671	1136	4632
Madhya Pradesh	20333	62153	23273	4076	793	75358	162627	13386	41614
Maharashtra	60255	214378	37828	14955	14993	329631	239321	72356	45709
Orissa	21343	33656	3601	6846	1356	2742	4833	514	4566
Punjab	46005	32567	23522	378	3673	14025	24585	56010	30955
Rajasthan	44250	30257	20863		948	158785	53908	45617	83358
Tamil Nadu	41336	89273	11995	14476	14733	200119	52403	45180	13306
Uttar Pradesh	44695	37753	15824	1282	13372	35284	22249	81623	165434
West Bengal	10787	25577	11753	9341	18890	1870	9302	4078	2327
All India	586238	982845	309932	155455	285805	1293525	1022513	459119	498316

Appendix Table I (*Contd*)

(000 Rs)

	Agri Implements, Mach, Transport Equipment			Farm Houses, Barns Animal Sheds, etc			Others			Total
	Major Repairs and Alterations	New Purchases	Own Production of Implement	New Purchases	Major Repairs and Alterations	Additions and New Constructions	New Purchases	Major Repairs and Alterations	Additions and New Constructions	
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Andhra Pradesh	217626	212338	4696	3568	23348	29260	7542	12043	425	1048520
Assam	6857	8306	3625	2508	16301	17400	3911	4521	1451	108359
Bihar	26982	90347	688	98	15997	9517	6689	2500	2582	378607
Gujarat	200547	315390	4891		2708	4893	1609	1812	6748	959258
Haryana	68118	299844	1334	3236	2540	8090	5992			549795
Himachal Pradesh	732	32674	531		1452	14686	79	75	49	68988
Jammu and Kashmir	5305	27895	297	58	2457	24748	1039	175	467	74264
Karnataka	102581	172182	14620	598	6036	32710	21759	743	6115	881470
Kerala	10031	37282	27	555	14095	10348	1662	6887	855	435649
Madhya Pradesh	106360	280873	5967	1005	2554	18298	711	52	1216	820752
Maharashtra	169486	226060	4394	1501	8292	19757	35282	13164	2550	1509756
Orissa	6396	24050	1518		3388	15229	2284	1031		133362
Punjab	313520	490777	40489	4552	10549	96487	5731	669	31217	1226084
Rajasthan	81493	293095	1253	586	5934	37501	22566	4704	1744	886853
Tamil Nadu	108076	170085	114	34	4610	20254	9524	1383	287	798857
Uttar Pradesh	259561	1283377	2634	7500	35259	227318	7878		18346	2259656
West Bengal	26824	99596	6054	1938	22774	62544	5352		10362	329376
All India	1716804	4082395	93752	28370	182670	661838	152539	55362	88552	12659493

APPENDIX TABLE II: PER CULTIVATOR VALUES OF DIFFERENT COMPONENTS OF FCFA, 1981-82

State	Land Improvements	Orchard	Irrigation	Agri Implements	Farm Buildings	Others	Total
Andhra Pradesh	25	3	68	78	10	4	188 (187)
Assam	8	10	3	9	17	5	51
Bihar	13	1	12	14	3	1	44 (43)
Gujarat	32	1	108	175	3	3	322
Haryana	32	2	156	439	16	7	653 (652)
Himachal Pradesh	20	8	0	51	24	0	104 (103)
Jammu and Kashmir	12	5	0	51	42	3	113
Karnataka	88	14	49	83	11	8	254 (253)
Kerala	33	59	18	15	8	3	135
Madhya Pradesh	19	1	54	72	4	0	151
Maharashtra	63	6	139	81	6	10	305 (304)
Orissa	17	2	4	9	5	1	39 (38)
Punjab	76	3	94	631	83	28	916 (915)
Rajasthan	25	0	90	99	12	8	234
Tamil Nadu	29	6	64	57	5	2	165 (164)
Uttar Pradesh	8	1	24	122	21	2	179 (178)
West Bengal	8	5	3	22	14	3	54
All India	26	6	46	82	12	4	177 (176)

Note: Figures in parentheses are values in the RBI report whereas our values are derived ones obtained by dividing reported (estimated by RBI) values of FCF in agriculture in a state b cultivators by the number of cultivator households in the state

APPENDIX TABLE III: STATEWISE BROAD COMPOSITION OF FCF IN AGRICULTURE, 1981-82

State	Number of Cultivators ('000)	Land Improvements	Orchard	Irrigation	Agri Implements	Farm Buildings	Others	Total
Andhra Pradesh	5582.8	141095	19407	377073	434660	56176	20010	1048421
Assam	2109.5	16188	21516	5679	18788	36209	9883	108263
Bihar	8645.5	115174	4599	103208	118017	25612	11771	378381
Gujarat	2977.4	95381	2353	322919	520828	7601	10169	959251
Haryana	842.0	27033	2022	131546	369296	13866	5952	549715
Himachal Pradesh	666.3	13337	5335	5	33937	16138	203	68955
Jammu and Kashmir	655.9	8032	3170	82	33497	27263	1681	73725
Karnataka	3473.0	304027	49348	170743	289383	39344	28617	881462
Kerala	3225.4	106684	188725	58490	47340	24998	9404	435641
Madhya Pradesh	5430.5	105759	4869	292985	393200	21857	1979	820649
Maharashtra	4951.0	312461	29948	687247	399940	29550	50596	1509742
Orissa	3427.6	58600	8202	12655	31964	18617	3315	133353
Punjab	1338.6	102094	4051	125575	844786	111588	37617	1225711
Rajasthan	3789.2	95370	948	341648	375841	44021	29014	886842
Tamil Nadu	4843.3	142604	29169	311008	278275	24898	11194	797148
Uttar Pradesh	12651.4	98272	14654	304590	1545572	270077	26224	2259389
West Bengal	6074.4	48117	28231	17577	132474	87256	15714	329369
All India	71553.4	1879015	441260	3273473	5892951	872878	296453	12656030

ings continue to have a positive impact on irrigation investments (IRRIINVEST) on private account, normal rainfall (RAIN) emerges as a negative factor. The two variables together explain 58 per cent of the variance in FCFA through the following equation:

$$\text{IRRINVEST} = 79.24 + \underset{(3.21)}{0.06}\ \text{CREDIT} - \underset{(-2.73)}{0.41}\ \text{RAIN}, \quad \ldots(8)$$

$R^2 = 0.5804$, n = 17

This equation suggests that farmers in low rainfall states tend to improve their irrigation status much more than their brethren do in high rainfall states, and as much as 6 paise out of one rupee of institutional loan raised during 1981-82 by them went into irrigation development.

Investment in agricultural machinery (including implements, transport equipment, etc) bears positive relation with total borrowings (r=0.85), institutional borrowings (r=0.87), farmers' preferences for FCFA (r=0.73), rate of growth in agriculture, and technical progress in crop sector, as also (r=0.76), with irrigation investment (r=0.61) as already pointed out. Again, this component too bears a negative relation with rainfall variable – but it turns out with a statistically insignificant (and positive too) coefficient in multiple regression analysis. Two noteworthy equations are as follows:

$$\text{AGMACHIN} = -140.64 + \underset{(-2.12)}{0.15}\ \text{CREDIT} + \underset{(2.60)}{4.74}\ \text{PREF} + \underset{(4.12)}{2.37}\ \text{GIA} + \underset{(0.17)}{0.05}\ \text{RAIN} \quad \ldots(9)$$

$R^2 = 0.9325$, n = 17

$$= -152.92 + \underset{(-2.02)}{0.19}\ \text{CREDIT} + \underset{(2.59)}{5.32}\ \text{PREF} + \underset{(3.47)}{6.28}\ \text{CANAL} + \underset{(0.19)}{0.06}\ \text{RAIN} \quad \ldots(10)$$

$R^2 = 0.9186$, n = 12

Our attempt to relate agricultural machinery investment (AGMACHIN) to irrigation investment of the same year does not reveal

APPENDIX TABLE VI: STATEWISE VALUES OF TWELVE VARIABLES

State	(X1)	(X2)	(X3)	(X4)	(X5)	(X6)	(X7)	(X8)	(X9)	(X10)	(X11)	(X12)
Andhra Pradesh	187	906	386	22	1267	2.42	19.1	89	68	78	40	15.8
Assam	51	29	8	14	1714	1.00	18.1	252	3	9	15	2.1
Bihar	43	129	56	10	921	0.81	16.1	129	12	14	44	13.2
Gujarat	322	526	360	43	1033	2.76	12.7	74	108	175	24	3.8
Haryana	652	1136	860	37	1355	3.84	14.0	70	156	439	92	32.2
Himachal Pradesh	103	324	217	12	946	1.55	11.4	140	0	51	16	0.7
Jammu and Kashmir	113	435	220	8	1345	3.77	12.7	120	0	51	44	15.7
Karnataka	253	625	409	20	926	2.34	14.5	82	49	83	17	5.5
Kerala	135	960	656	8	2146	0.78	15.4	275	18	15	17	4.8
Madhya Pradesh	151	388	183	24	604	0.91	18.4	123	54	72	13	5.5
Maharashtra	304	884	656	31	994	1.76	14.4	91	139	81	14	2.3
Orissa	38	219	154	8	888	-0.31	14.7	157	4	9	28	13.1
Punjab	915	2397	1567	39	2270	4.39	16.9	59	94	631	138	34.1
Rajasthan	234	681	241	24	445	1.82	18.5	49	90	99	25	6.2
Tamil Nadu	164	686	332	22	1676	1.57	16.9	99	64	57	61	16.6
Uttar Pradesh	178	415	213	21	1215	2.76	16.6	108	24	122	66	18.5
West Bengal	54	238	110	11	1453	0.93	15.9	150	3	22	31	17.3

Note. The variables are the same as in Appendix Table V.

complementarity but substitution between the two in multiple regression framework. Together these two major components show the following behavioural relations:

$$\text{IRRMACHIN} = -168.83 + \underset{(4.71)}{0.21}\ \text{CREDIT} + \underset{(6.83)}{8.81}\ \text{PREF} + \underset{(4.21)}{5.99}\ \text{CANAL} \quad ...(11)$$

$$R^2 = 0.96,\ n = 17$$

$$= -104.48 + \underset{(3.32)}{0.18}\ \text{CREDIT} + \underset{(6.08)}{8.37}\ \text{PREF} + \underset{(3.87)}{2.09}\ \text{GIA} - \underset{(-0.60)}{3.37}\ \text{INTEREST} \quad ...(12)$$

$$R^2 = 0.96,\ n = 12$$

Main Conclusions

Indian farmers allocate a rather small proportion of their total capital funds – self-owned plus borrowed ones from institutional and non-institutional sources – towards fixed capital formation in agriculture (FCFA). Though there is a marked difference across states, we find the inter-state disparity in FCFA per cultivator, high as it is (CV = 100 per cent), is well correlated (r=0.79) with farmers' allocative preference for FCFA to other capital expenditure options like investment in housing, purchase of land, and acquisition of household durables.

This allocative preference for fixed capital formation in agriculture is in turn positively influenced by a host of factors, notably the condition of agriculture in terms of technical progress in the state crop sector (r=0.61) and availability of institutional credit in the countryside (r=0.61). Among the negative influences is high rainfall of a state (r=minus 0.66), but we must hasten to add that this needs to be interpreted with caution. For one, states having high rainfall have experienced slower technical progress during 1960-80 (r= minus 0.59), have less development of institutional funding sources for farmers (r = minus 0.32), have had much less development of public canal irrigation (r = minus 0.39) in particular and total irrigation (r = minus 0.42) in general. Thus we cannot affirm with certainty that farmers in high rainfall states *ceteris paribus* tend to invest less in FCFA than do their brethren in low rainfall states.

Across states, variations in the level of FCFA per cultivator household are well understood in terms of inter-state differences in availability of institutional credit, the coefficient of correlation being as high as 0.92. Thus, private capital formation in agriculture is highly dependent on the availability of funds to cultivators from co-operative societies, co-operative or rural regional and commercial banks government departments, etc. In point of fact, such institutional financing accounted for Rs 525 out of total capital expenditure (in cash terms) of Rs 726 per cultivator during 1981-82. Thus, nearly three-fourths of the capital resources expended by farmers originated from institutional sources.

Fixed capital formation in agriculture is found to be positively associated with public investments in canal irrigation, when such investments are viewed in cumulative terms. This is suggested by the existence of a fairly high correlation (r=0.65) between FCFA during 1981-82 and the canal irrigation development in a state by 1980-81. In view of this fact the absolute decline in real public investments in Indian irrigation sector in practically all the Indian states during the 1980s must have *ceteris paribus* diminished FCFA on private account in the same period. Since public investments in irrigation do constitute a lion's share in total public investment in agriculture in India reduction in their magnitude could explain the deceleration in FCFA on private account during the 1980s - the annual rate of increase in FCFA on private account dipped from the sizeable level of 4 per cent during the 1970s to merely 0.4 per cent during 1980-88.

The upshot of our analysis is that the thesis of complementarity between public and private investments in agriculture cannot be given up in favour of the substitutability thesis being suggested on the basis of recent data from the National Accounts Statistics of the CSO.

Appendix Table IV: Statewise Per Cent Share of Components of FCFA, 1981-82

State	Land Improvements	Orchard	Agricultural Irrigation	Agricultural Implements	Farm Buildings	Others	Total
Andhra Pradesh	13.46	1.85	35.97	41.46	5.36	1.91	100.00
Assam	14.95	19.87	5.25	17.35	33.45	9.13	100.00
Bihar	30.44	1.22	27.28	31.19	6.77	3.11	100.00
Gujarat	9.94	0.25	33.66	54.30	0.79	1.06	100.00
Haryana	4.92	0.37	23.93	67.18	2.52	1.08	100.00
Himachal Pradesh	19.34	7.74	0.01	49.22	23.40	0.29	100.00
Jammu and Kashmir	10.89	4.30	0.11	45.44	36.98	2.28	100.00
Karnataka	34.49	5.60	19.37	32.83	4.46	3.25	100.00
Kerala	24.49	43.32	13.43	10.87	5.74	2.16	100.00
Madhya Pradesh	12.89	0.59	35.70	47.91	2.66	0.24	100.00
Maharashtra	20.70	1.98	45.52	26.49	1.96	3.35	100.00
Orissa	43.94	6.15	9.49	23.97	13.96	2.49	100.00
Punjab	8.33	0.33	10.25	68.92	9.10	3.07	100.00
Rajasthan	10.75	0.11	38.52	42.38	4.96	3.27	100.00
Tamil Nadu	17.89	3.66	39.02	34.91	3.12	1.40	100.00
Uttar Pradesh	4.35	0.65	13.48	68.41	11.95	1.16	100.00
West Bengal	14.61	8.57	5.34	40.22	26.49	4.77	100.00
All India	14.85	3.49	25.86	46.56	6.90	2.34	100.00

Appendix Table V: Estimated Correlation Matrix of Variables (N=17)

	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10	X11	X12
X1	1	.90	92	.79	37	75	-.02	-.54	72	98	79	65
X2		1	97	.60	53	64	.10	-.39	.58	85	74	.60
X3			1	.61	.55	63	-.04	-.32	60	87	72	.58
X4				1	02	61	02	-.66	89	.73	45	.31
X5					1	28	06	39	.06	39	52	44
X6						1	-.18	-.59	50	76	68	58
X7							1	03	03	-.01	.10	.12
X8								1	-.64	-.51	-.42	.39
X9									1	61	34	27
X10										1	86	.74
X11											1	.93
X12												1

X1 = Fixed capital formation per cultivator in agriculture in 1981-82 (Rs);
X2 = Total borrowings per cultivator during 1981-82 (Rs);
X3 = Institutional borrowing per cultivator during 1981-82 (Rs);
X4 = Share of X1 (FCFA) in total capital expenditure per cultivator during 1981-82 (per cent);
X5 = Value of land productivity during 1980-83 (Rs per ha);
X6 = Annual compound rate of growth in land productivity of crop sector during the two decades of 1960s and 1970s (per cent);
X7 = Interest rate on interest-bearing borrowings in 1981-82 (per cent);
X8 = Normal rainfall of a state (cm);
X9 = Irrigation investment per cultivator in 1981-82 (Rs);
X10 = Investment in agricultural machinery in 1981-82 (Rs);
X11 = Total gross irrigated area (GIA) as per cent of net sown area (per cent);
X12 = Net canal irrigated area as per cent of net sown area (per cent).



DISCOUNT AND FINANCE HOUSE OF INDIA LIMITED

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Statement of Shri S. S. Tarapore, Chairman of the Board of Directors of Discount And Finance House of India Limited at the Seventh Annual General Meeting held at Bombay on September 22, 1995

I have great pleasure in welcoming you all to this Seventh Annual General Meeting of the Company.

Performance during 1994-95

The report of the Directors and the audited accounts of the Company for the year ended March 31, 1995 have already been circulated and, with your permission, I shall take them as read. I would, however, like to outline the salient developments in regard to the Company's performance during the year under review. When the Company was established in 1988-89, the Mission given to it was to promote secondary market activity in the short-term money market and in particular to develop the treasury bill market. During the financial year 1994-95, the secondary market turnover of the Company in treasury bills was Rs. 30,921 crore or 54 per cent higher than that during the preceding year. The bulk of the turnover in treasury bills was however, under 'repo' transactions, which stood at Rs. 26,538 crore or 86 per cent of the total turnover in treasury bills. A large part of the repo transactions by the Company were undertaken mainly during January-March 1995 with a view to stabilising conditions in the money market. With the distinctly large volume of repos in treasury bills, the Company's turnover in the call money segment, which aggregated Rs. 5,22,154 crore, was somewhat lower than the turnover of Rs. 5,84,048 crore in the previous year. Correspondingly, the Company's daily average call lending stood somewhat lower at Rs 1,431 crore in 1994-95 as against Rs. 1,600 crore in the preceding year. The turnover in Government dated securities in the secondary market aggregated Rs. 12,488 crore as compared with Rs. 14,388 crore registered in the previous financial year. Notwithstanding a steep drop in the overall volume of 'eligible' Commercial Bills outstanding in the system during the last few years, the Company's turnover registered some increase at Rs. 332 crore as against Rs. 32 crore achieved in the previous year.

The Company's profit before depreciation and taxation during 1994-95 stood at Rs. 83.96 crore as against Rs. 125.28 crore in 1993-94. Net profit for the year worked out lower at Rs. 44.26 crore as compared with Rs. 58.51 crore registered in the previous year. The lower profit for 1994-95 is to be viewed in the context of higher income received in 1993-94 due to recovery of outstanding dues of the erstwhile Bank of Credit and Commerce International, tighter liquidity conditions in the second half of the year leading to higher cost of funding stocks carried by the Company for its normal trading operations and higher depreciation. Your Directors have proposed the appropriation of the net profit of Rs. 44.26 crore as under:

Transfer to General Reserve	Rs. 14.26 crore
Dividend	Rs. 30.00 crore
	Rs. 44.26 crore

Your Directors have recommended a dividend of 15.00 per cent (subject to tax) for the year ended March 31, 1995, i.e. the same rate as in the last year. The track record of the performance of the Company over its seven years of operations is set out in the following table:

Year (Ended March 31)	Net Profit after depreciation and taxation (Rs. crore)	Dividend (Percentage)
1989	5.25	5.00
1990	12.14	10.00
1991	26.97	11.50
1992	40.92	12.50
1993	45.17	15.00
1994	58.51*	15.00
1995	44.26	15.00

* Includes recovery of old dues of the erstwhile BCCI.

Taking into account the proposed appropriation, the net owned funds of the Company would be Rs. 289.82 crore or equivalent to 10.15 per cent of the Company's total assets. An institution like the DFHI has to recognise the uncertainties in the money and securities market and the endeavour should be to gradually build up the net owned funds to a level equivalent to say 25 per cent of its balance sheet.

Review of Operations during the Current Financial Year

During the current financial year so far (upto September 8, 1995), the turnover of the Company has been as under:

(Rs. in crore)

	1995-96 (Upto Sept. 9, 1995)	1994-95 (Upto Sept. 9, 1994)
Call/Notice/ Term Money	2,22,987	2,46,419
Treasury Bills	9,051	7,238
	(8,363)	(4,486)
Commercial Bills	96	48
Certificates of Deposit		
Commercial Paper		
Government Dated Securities	12,775	1,375
	(12,642)	(1,095)

(Figures in bracket indicate turnover under repo)

These figures bring out the comparative performance of the Company for the first half of the current financial year (upto September 8, 1995). It will be seen that the aggregate lending by the Company in the call/notice/term money market at Rs. 2,22,987 crore was somewhat lower as compared with the turnover of Rs. 2,46,419 crore achieved during the corresponding period of the preceding year. An underlying factor for the subdued level of activity in the call and notice money market could be the preference shown by the banks for 'repo' deals in permissible Government dated securities and auction treasury bills, basically as a means of hedging against volatility in call rates and to ensure availability of funds over elongated period

time rather than on a daily basis, to comply with the cash reserve requirement, with effect from January 7, 1995 of maintaining at least 85 per cent of the average CRR on each day of the first 13 days of the fortnight. Over a period of time this is expected to reduce the volatility in intra-fortnight volume of call money transactions.

In regard to the treasury bills segment, the turnover in the current financial year so far at Rs. 9,051 crore is higher by 25 per cent than the level of Rs. 7,238 crore recorded in the corresponding period last year, though the proportion of repo transactions has risen. The Company's turnover at Rs. 12,775 crore in Government dated securities has been substantially higher than the turnover of Rs. 1,375 crore in the corresponding period of the last year, but here again repos account for almost the entire turnover.

Your Company has been participating in all the treasury bills and Government dated securities auctions held by the RBI. Its success ratio at the auctions (i.e. the ratio of cumulative amounts allotted to amounts bid), during the current financial year so far upto September 8, 1995, was 44 per cent in case of the treasury bills and 42 per cent for Government dated securities which clearly meets the ratios stipulated in the Primary Dealer guidelines.

The implicit cut-off yields in respect of both 91-day and 364-day treasury bills auctions, which were on the increase from December 1994 onwards till the end of the last financial year, maintained their northward trend. In the case of 91-day treasury bill the yield touched a peak of 12.97 per cent in the auctions held on July 14 and 21, 1995. Similarly, the implicit cut-off yield for 364-day treasury bills rose to a peak of 13.16 per cent in the auctions held on July 18, 1995 and August 2, 1995. With the easing of conditions in the money market, in the subsequent auctions there was a gradual softening of cut-off yields coupled with a broadening of market participation, both in the case of 91-day and 364-day treasury bills.

The net borrowing of the Central Government during the current year through various market instruments has been placed at a little over Rs. 27,000 crore, the gross borrowing being a little below Rs 41,000 crore. In view of the large size of the borrowing requirements, Government had to tap the market more frequently during the current financial year and this has put a pressure on interest rates. In recent months however, the interest in Government paper has revived and the last four floatations have received a good response.

Concluding Observations

In the second half of 1994-95 institutions like the DFHI were able to provide massive liquidity support to the short term money market essentially because the Reserve Bank of India in turn provided support to these institutions. In the current financial year the increase in RBI credit to Government has been very large and it is clear that the Reserve Bank will not provide as large a support to the money market in the second half of 1995-96 as was provided in the second half of 1994-95. Thus, market participants should so order their operations that they avoid large asset-liability maturity mismatches. While the DFHI would endeavour to fulfil its assigned role it can do so only within the limits of resources available to it.

The Primary Dealer (PD) system is expected to be operationalised shortly and your Company has applied for being accredited as a Primary Dealer. The PD system would need a run in phase as PDs acclimatise themselves to their functions, obligations and prerogatives. The development of a secondary market in Government securities cannot end with the setting up of a PD system. Ultimately, for a secondary market with depth to develop what is required is a series of layers of satellite dealers right up to the retail level of individual investors. It is only by radiating out to successively larger number of dealers that the market would acquire depth. How these successive layers are to be developed is going to be a crucial issue in the ensuing period. While market structures need to be evolved, I would like to stress a few essential aspects. First, in a healthy securities market there is a need to have participants with different perceptions and different liquidity needs. Secondly, while repos are useful for providing an element of liquidity, the security market cannot develop exclusively on the basis of repo transactions. Repos can at best be only a modest segment in a market which essentially has to develop in outright purchases and sales. Thirdly, competition among PDs and their satellites will emerge and this will put a pressure on margins and your Company will endeavour to achieve a qualitative improvement in the efficiency of its operations. Fourthly, the Government securities rate is emerging as a reference rate in the system and as such it is necessary that there should be a modicum of stability exhibited by these rates. While the size of the Government's borrowing programme is an important factor determining the movements in Government security interest rates, market participants must recognise that these operations should eschew from extremely sharp interest rates movements as witnessed in the past two years wherein both the fall and rise of interest rates have been disproportionate to what was warranted by fundamentals. Fifthly, there is a need to move rapidly to a fully marked to market system for valuation of Government securities and this will foster a larger volume of secondary market transactions.

It may be recalled that at the last Annual General Meeting of the Company, I had indicated that it was time for the Reserve Bank of India to divest in a phased manner, part of its share holding in DFHI in favour of other share holders. In the first phase of the divestment process, the share of the RBI in the total paid-up capital of the Company was reduced from 51 per cent to 36.7 per cent. In the next round of divestment, the Reserve Bank has offered, on a proportionate basis, to sell its shareholding to reduce the Reserve Bank's share to 26 per cent. Furthermore, the Reserve Bank has offered to sell additional shares to other participants so as to enable the Reserve Bank's share to come down significantly below 26 per cent. The response has been encouraging and when the present round of divestment is completed, the share of the Reserve Bank is expected to be small. The DFHI after seven years of existence has grown into a strong and effective organisation and as envisaged by its founding fathers, the time is now apposite for the Reserve Bank of India to hand over the baton to other participants. Accordingly, after the present divestment is completed the Reserve Bank of India will relinquish the Chairmanship of the Company.

Acknowledgement

Before I conclude, I must express our deep sense of sorrow at the sad demise of Shri S. S. Nadkarni, who was one of the founder Directors of the Company. Shri Nadkarni played a pivotal role in the setting up of the DFHI and provided great encouragement to the Company by his unstinted support and sagacious advice.

Sarvashri N Vaghul and T N Anantharam Iyer, who were reappointed as Directors by the Members at the Fifth Annual General Meeting are retiring by rotation at this Annual General Meeting and have expressed a desire not to be considered for re-election. Shri Vaghul was the Chairman of the Working Group on the Money Market which recommended the setting up of the DFHI and he was one of the first Directors and he contributed significantly towards the Company's growth and development during its initial years. Shri Iyer as the first Managing Director of the DFHI from 1988-91 was instrumental in building up the DFHI and subsequently the DFHI was privileged to have the benefit of his continuing advice as a member of the DFHI Board. On behalf of the Company, the Board of Directors and on my own behalf, I wish to record our gratitude to Sarvashri Vaghul and Iyer.

I take this opportunity to sincerely thank the Government of India, the Government of Maharashtra, the Reserve Bank of India, the commercial and co-operative banks and all-India financial institutions for their wholehearted co-operation and support. I would like to place on record my appreciation of the painstaking efforts of the Company's dedicated team of officials for the good performance of the Company for the seventh year in succession.

Consequences of Crossbreeding Programme in India

S V N Rao
V Venkatasubramanian
Jan De Wit

Crossbreeding with exotic dairy cattle has been extensively adopted since 1963. This paper reviews the crossbreeding programmes and analyses its desirable and undesirable consequences.

CONSEQUENCES are the changes that occur to an individual or to a social system as a result of the adoption or rejection of an innovation/technology. The technologies are often introduced into the system with the expectation that the consequences will be desirable, direct and anticipated. However, adoption of such technologies may result in some unanticipated consequences which can be indirect and undesirable for the members of the system [Rogers 1983]. Crossbreeding technology is no exception to this. Through this paper, an attempt is made to analyse both desirable as well as undesirable consequences as a result of the implemen-tat.on of crossbreeding programme in India

Crossbreeding with exotic dairy breeds in cattle was introduced in the country to increase milk production through rapid improvement in the germ plasm of our native breeds. Though, introduced in India in the beginning of this century it was implemented on a large scale with the introduction of Intensive Cattle Development Project (ICDP) in 1963 as a part of Special Development Programme in Third Five-Year Plan period.

Currently crossbreeding is being implemented through a number of artificial insemination (AI) centres under the state animal husbandry departments, milk federations, voluntary organisations and organised dairy farms and universities It was reported that every year about 12.75 million inseminations with exotic bull semen were being done by all the AI centres in the country. All these efforts led to the production of about 8.8 million crossbred cattle and the contribution of these animals to the milk pool was not as significant as it was expected [Nair 1989]. However, Dhas (1991) reported that the proportion of crossbred cows in the milch animal herd as one of the factors which played a dominant role in rapid increase in the milk production of Kerala.

The information on crossbred cattle population was made available for the first time through quinquennial livestock census conducted in 1982. The census figures (Table 1) indicated that crossbred population constitute about 4.6 per cent of the total cattle population in the country. Two states, Uttar Pradesh and Kerala account for about 50 per cent of the country's total crossbred population It is fascinating to observe that a large number of indigenous cattle were replaced by crossbreds in Kerala up to the tune of 46 per cent which was further increased to 56 per cent by 1990

Crossbreeding Policies

Crossbreeding programme has generated lot of controversy since its inception. The literature is full of arguments in favour and against implementation of this sensitive programme in India. It used to be at the crossroads on a number of occasions whenever the programme was slated for discussion. For almost a century our planners tried to find answers for the two questions: (i) Whether crossbreeding is to be implemented on a mass scale and if so in which regions; (ii) What type of B taurus breed is to be used and what should be the most optimum level of exotic inheritance?

The Royal Commission of Agriculture (RCA) appointed by the then government of India in 1926 recommended that the state departments not take up experiments on crossbreeding and confine themselves to the improvement of milking qualities of indigenous breeds like Sahiwal, Sindhi or selected strains of breeds like Hariana. The animal husbandry wing of the board of agriculture and animal husbandry in India (1940 and 1941), though feeling the urgent need to increase milk production, did not recommend crossbreeding with European breeds. The Indian Council of Agricultural Research (ICAR) based on the recommendations of Gosevasangh in 1949 recommended to develop large non-descript population into dual purpose animals combining draft and milk qualities in an optimum manner. Though the crossbreeding of Indian cattle was introduced as early as 1875, it has attracted the attention of our policy-makers and planners in the year 1961.

Large scale crossbreeding was opposed by various experts in the past [Oliver 1938; Peparali 1947]. Later in 1953, Zal R Kothavalla in the 10th meeting of animal husbandry wing recommended crossbreeding not as a policy for universal adoption, but as a policy to be adopted in areas where the improvement of indigenous cattle through grading was not possible and in areas where there was great scope for augmenting the milk output

In 1961 the committee set up by the Central Council of Gosamvardhana recommended that crossbreeding of cattle to be taken up intensively using two or more exotic breeds in three selected areas one each in plateau, plains and hills Similarly, Intensive Cattle Development Projects (ICDPs) were started in 1964 as a part of the special development programmes in later half of the Third Five-Year Plan. Crossbreeding of bovines through AI technique by introducing exotic breeds like Jersey, Holstein Friesian, Brown Swiss, etc, to augment the milk production and to improve the breeding efficiency of bovine was given the prime importance under ICDP.

After thoroughly reviewing the cattle breeding policy the scientific panel on animal husbandry in 1965 recommended that bulk of the exotic inheritance should be obtained through Jersey and crossbreeding with Brown-Swiss and Holstein-Freisian should be tried on a limited scale. Similar recommendations were made by the National Commission on Agriculture (NCA) in 1976. Experimentation on crossbreeding of different indigenous breeds with different exotic breeds in different parts of the country was initiated to develop a crossbred cow to suit to our requirements. As a result a number of crossbreds were evolved with different levels of exotic inheritance including triple crosses. But the systematic efforts in a few places led to the development of new breeds such as Jersind (Allahabad Agricultural Institute), Karan Swiss and Karan Fries (National Dairy Research Institute, Karnal), Sunandini (Kerala). Despite all these efforts and loss of valuable time it is a pity that most of the states have no well defined breeding policy even now, regarding areas where crossbreeding is to be taken up, exotic breed to be used and optimum level of exotic inheritance [Acharya 1989a].

Consequences

With a view to develop a clear-cut breeding policy a number of studies were conducted to compare the performance of different crossbreds with varying levels of exotic inheritance and indigenous breeds of cattle

on the basis of data obtained from organised herds maintained in different agro-climatic zones.

After a thorough review on cattle and buffalo breeding, Bhattacharya (1984) concluded that crossbred cows are more suited for high milk production than buffaloes and the former not only produce more milk than the indigenous cattle breeds and buffaloes, but are more efficient in converting feed into milk, and thus have lower cost of milk production per litre. Similarly, Acharya (1989) on the basis of the performance data available on crossbreds in different regions remarked that crossbreeding in cattle resulted in increased milk production and helped to a great extent in rural development.

A number of studies were conducted in the past to analyse and compare different crosses with different indigenous breeds of cattle on various parameters. Most of these studies were based on the data obtained from the organised herds. A detailed review on dairy cattle crossbreeding in the tropics is available in Cunningham and Syrstad (1987). However, there are a few studies aimed at comparing the performance of crossbreds with non-descript cattle under field conditions and this article limits its discussion only to these studies. In addition it does not appreiciate the differences within the crossbreds as well as within the indigenous cattle. Similarly, the differences between HF cross and Sahiwal cows are smaller compared to indigenous cows but it was attempted to compare crossbreds and indigenous cows to facilitate presentation.

The data reported by various workers on comparative performance of crossbreds and indigenous cattle was compiled and presented in Table 2a,b and c. A glance at this table revealed that crossbreds came into first heat at an early age which ranged from 25 to 33 months compared to 38 to 41 months in indigenous cattle. Pandey and Mishra (1985) observed that about 80 per cent of the crossbreds came into first heat between two to three years as against only 50 per cent in indigenous heifers.

The conception rate through AI in crossbreds was higher than in the indigenous cattle as reported by Katpatal (1977) and Staempfli et al (1984). The literature convincingly indicated that the age at first calving of crossbred heifers under field conditions was around one year less than their indigenous counterparts [Pandey and Mishra 1985; Singh et al 1986(a) and Staempfli et al, 1984].

The avearage dry period in indigenous cows was more than six months whereas it was less than four-and-a-half months in crossbreds [Patel et al 1980 and Vanduc and Taneja 1984]. With reference to the average calving interval substantial difference between crossbreds and indigenous cows could not be observed though the former had lesser calving intervals. All these parameters discussed above lend credence to the fact that crossbreds are superior milk producers than indigenous cows. The average figures on lactation length as reported by Patel et al (1980), Vanduc and Tancja (1984) and Singh et al (1986a) showed that crossbreds were at least two months more in milk than indigenous cows. The difference in the average lactation yields of crossbreds and indigenous cows was quite substantial revealing thereby that crossbreds were high milk yielders compared to indigenous cows. Similar observations were made earlier by McDowell (1984) based on the data obtained from a number of countries on the performance of the crossbred animals.

Crossbred cows are more profitable to maintain than indigenous cows. Probably because of this the farmers (in places where there is emphasis on crossbreeding) value crossbred females much more than indigenous females. They also take more care and feed the crossbred cows better. There are reports that the farmers in Operational Research Project (ORP) area of Karnal earned about Rs 14 million through the sale of crossbred animals [Singh 1991]. For this reason farmers like to possess and maintain crossbred heifers and cows for sale rather than for milk production in Haryana. The reverse argument holds good for farmers of Karnataka and Maharashtra where organised remunerative market and increased demand for cow milk are available. The reasons attributed by George and Nair (1990) for the spectacular success achieved in implementing the crossbreeding programme in Kerala were a growth in demand for milk, increased returns from milk production, decline in the requirements of work animals in agriculture and expansion of the market for beef.

All these field studies reviewed clearly indicate that crossbred cows outdo the indigenous cows on various reproduction and milk production parameters. Though there are no reportsindicating the extent of contribution of crossbred cows in total milk production, crossbreds must have contributed to some extent in increasing the milk production which is a desirable consequence. Vaidyanathan (1989) remarked that crossbreeding technology may contribute to increase in milk production, but it will be at the expense of draught power availability in the small and marginal farms and increased application of fossil fuel to the agricultural sector.

Researchers had attempted to compare the draught power of crossbred bullocks with that of indigenous bullocks on various parameters such as draught power, speed output, ploughing ability, physiological

TABLE 1: PERCENTAGE OF CROSSBREDS TO TOTAL CATTLE

State	Crossbreds	Indigenous	Total	(Per Cent) Crossbreds
AP	173	13047	13220	1.31
Assam	145	6605	6750	2.15
Bihar	151	16062	16213	0.93
Gujarat	53	6941	6994	0.76
Haryana	266	2076	2342	11.36
HP	124	2050	2174	5.70
J and K	163	2162	2325	7.01
Karnataka	538	10762	11300	4.76
Kerala	1453	1644	3097	46.92
MP	66	27051	27117	0.24
Maharashtra	492	15670	16162	3.04
Manipur	62	685	747	8.30
Meghalaya	18	532	550	3.27
Nagaland	31	120	151	20.53
Orissa	227	12703	12930	1.76
Punjab	NA	NA	NA	NA
Rajasthan	39	13466	13505	0.29
Sikkim	33	140	173	19.08
Tamil Nadu	885	9480	10365	8.54
Tripura	36	644	680	5.29
Uttar Pradesh	3252	22900	26152	12.43
West Bengal	554	15103	15657	3.54
Union Territories				
A and N islands	2	34	36	5.56
Arunachal Pradesh	0	168	168	0.00
Chandigarh	2	4	6	33.33
D and N Haveli	1	44	45	2.22
Delhi	4	48	52	7.69
Goa, Daman and Diu	3	129	132	2.27
Lakshadweep	1	2	3	33.33
Mizoram	3	46	49	6.12
Pondicherry	25	68	93	26.88
Total	8802	180386	189188	4.65

Source: Livestock Census, 1982.

responses, work efficiency, feed conversion efficiency and their performance under different climatic conditions (Table 3).

The studies [Nagpaul et al 1984; Upadhyay and Madan 1985; Sreekumar and Thomas 1990] were indicative of the hypothesis that crossbred bullocks were inferior to indigenous bullocks in terms of draught power, ploughing ability and work efficiency. Crossbred bullocks showed distress with increased loads and they had less heat adaptability than indigenous bullocks [Thomas and Pearson 1985 and Sreekumar and Thomas 1990]. The indigenous animals were reported to be superior to crossbreds in their work efficiency and rate of recovery from stress caused by work. Similarly crossbreds were observed to show distress symptoms in carrying increased loads [Nagpaul et al 1984 Upadhyay and Madan 1985 and Bhosrekar and Mangurkar 1989] With increased duration of work hours crossbreds showed more distress symptoms than indigenous bullocks [Acharya et al 1979; Gattewar 1983, Bhosrekar and Mangurkar 1989 and Sreekumar and Thomas 1990]. However, Acharya (1989) was of the view that most of the crossbreds, especially halfbreds, performed better than the indigenous males because of their size

Farmers were also of the view that crossbred male calves do not become good bullocks [Patel et al 1980]. Probably because of this feeling crossbred male calves were neglected after birth resulting in their poor growth, pot belly condition, rough hair coat, and the majority of them were eliminated through natural death George and Nair (1990) reported that all holdings surveyed in Kerala sold their male calves This explains to some extent the reason behind fewer crossbred male calves in less than one year and one to two-year categories. There is no denying the fact that crossbred male was an unwanted calf but because of religious considerations the farmers, instead of culling it through slaughter, wait for its natural death or leave it in public places The same thing holds good for the 'desi' calves as well. In the process the country is losing a number of crossbred males without them contributing anything to Indian economy

It is true that as a whole there is a decline in the draught animals, may be because of the decline in the average size of landholding as was the case in Tamil Nadu [Dhas 1989] and Kerala [Vaidyanathan 1989] or to the increased intensity of agricultural mechanisation in states like Punjab and Haryana.

Comparative studies on draught power clearly revealed that crossbred bullock is no match for indigenous bullock in heat, adaptability and draught potential in summer and hot humid climates. There were no definite indications on other parameters As the crossbred male is neglected right from the birth there may be less opportunity for

TABLE 2: COMPARISON OF CROSSBREDS AND INDIGENOUS COWS ON PRODUCTION PARAMETERS

Age at First Heat Months		Conception Rate through AI Per Cent		Average Age at First Calving (Months)	
X Bred	Indigenous	X Bred	Indigenous	X Bred	Indigenous
25	38[c]	51	29[b]	36.0	46.0[a]
31	38[c]	37	34[k]	48.0	60.0[c]
				47.7	64.0[c]
				41 0	51.5[a]
				27.0	36.7[i]
				33.2	51.3[d]

Average Dry Period (Months)		Average Calving Interval (Months)		Average Lactation Length (Months)	
X Bred	Indigenous	X Bred	Indigenous	X Bred	Indigenous
2 8	6 6[c]	15 2	16.7[c]	12.4	10.1[c]
3.8	6.5[c]	8.0	18.5[b]	11 0	8.6[k]
				15.1	12.8[i]
2 8	5 0[i]	17 7	19.9[i]	11.1	10.0[i]
2.2	4.9[i]	18.4	19.2[a]	10 2	7.8[i]
5 2	6 6[g]	14.3	15 0[c]	10.1	10.0[g]
4.4	8.1[d]	12.4	12 7[i]	11 3	9 0[i]
		15.3	16.6[a]		
		15 7	17.1[d]		

Average Lactation Yield (Kg)		Cost of Milk Production (Rs/Kg)		Net Income/Day (Rs)	
X Bred	Indigenous	X Bred	Indigenous	X Bred	Indigenous
2931	1134[c]	1 40	2.31[j]	8.31	2 76[c]
1330	457[i]	1 17	1 76[k]		
2440	1830[b]	2.41	3.16[g]		
1964-2521	949[i]				
3846	1582[i]				
1558	567[i]				

a-Jose (1988), b-Katpatal (1977), c-Pandey and Mishra (1985), d-Patel et al (1976), e-Patel et al (1980), f-Prasad et al (1991), g-Rao (1981), h-Sahota and Gill (1990), i-Singh et al (1986), j-Singh and Singh (1991), k-Staempfli et al (1984), l-Vandec and Taneja (1984).

TABLE 3 COMPARISON BETWEEN CROSSBRED AND INDIGENOUS BULLOCKS ON DRAUGHT CAPACITY PARAMETERS

Parameter	Crossbreds Superior	Crossbreds Inferior	No Difference
Draught Power	Anand and Sundaresan 1974, Acharya et al 1979	Nagpaul et al 1984 Upadhyay and Madan 1985, Sreekumar and Thomas 1990	Roy et al 1972; Bhosrekar and Mangurkar 1989.
Ploughing Ability	Roy et al 1979	Sreekumar and Thomas 1990	Roy et al 1974; Nagpaul et al 1984
Heat Adaptability		Thomas and Pearson 1986, Sreekumar and Thomas 1990	
Draught Potential in Summer		Bhatnagar et al 1977, Upadhyay and Madan 1985, Nagpaul 1987.	
Work Efficiency		Upadhyay and Madan 1985, Sreekumar and Thomas 1990.	Roy et al 1972, Nagpaul et al 1984
Draught Potential in Hot Humid conditions		Sreekumar and Thomas 1990.	Rao et al 1979.

TABLE 4 HERD STRENGTH OF CATTLE AT NDRI, KARNAL

Breeds	1965	1976	1980	1988	1990
Sahiwal	318	98	79	111	108
Tharparkar	376	67	9	0	23
Red Sindhi	91	12	20	0	0
Crossbreds	111	1340	1186	971	854
Total	896	1507	1294	1082	985

Source Annual Reports NDRI, Karnal.

the crossbred bullocks to prove their worth. The poor demand for crossbred bullocks could be explained by the fact that they consume more water and are unable to bear heat stress. There were isolated cases where the farmers changed their system of ploughing by shifting to early morning and evening hours for utilising the services of crossbred bullocks the price of which is very much lower than indigenous bullock pairs. Hence, evolution of crossbred males as a sequel to the implementation of cross-breeding programme is a negative or undesirable consequence especially when viewed against the fact that bullock power continues to be the mainstay for agricultural operations in the years to come.

It is often argued that crossbred animals are susceptible to diseases and hence need more care. Studies reflecting this feature under field conditions are scanty. On the basis of field data Venkatasubramanian and Rao (1991) concluded that crossbreds were more prone to diseases than indigenous cattle. The studies conducted on organised herds revealed that the incidence of gastrointestinal disorders, FMD, Pox and eye problems were reported to be high in crossbreds as compared to Red Sindhi, Sahiwal and Tharparkar breeds [Singh et al 1986b]. Sharma and Jain (1984) observed that crossbreds suffered higher prenatal calf losses than purebred zebu. The incidence of theileriosis was observed only in crossbreds and not a single case is reported either in indigenous cattle or buffaloes [Rao and Sohal 1985; Venkatasubramanian and Rao 1992]. As a result the crossbred cattle owners have to get their animals vaccinated against various diseases which include foot and mouth, rinder pest, theileriosis, etc. or get them treated if affected with the disease which is very expensive

However, if proper care is taken through regular vaccinations the mortality rate in crossbreds can be checked to a great extent as was the case in the adopted villages under ORP of Karnal. The mortality rate would have been more than that of the local zebu cattle had there been no difference between crossbreds and local cattle in their management, feeding and health care [Patel et al 1980]. Despite the fact that NDRI herd is being maintained under excellent management conditions the incidence of retained placenta and metritis was more in Karan Fries cows than in Sahiwal cows [Annual Report NDRI, 1985].

These reports confirm the fear that if proper steps are not taken poor but resistant local cattle in due course of time will be replaced by disease-prone crossbreds which is certainly an undesirable consequence. At the same time it is also possible to exploit the potentiality of crossbreds by providing proper health care and management.

It is argued that with the implementation of crossbreeding programme in India much of the indigenous germ plasm is being lost. It is true to a great extent in many organised herds in the country, which were up to then, having some of the best indigenous cows. For instance at NDRI, Karnal there used to be quite a good number of indigenous breeds of animals during 1965. With the emphasis on crossbreeding gained momentum these animals were replaced by crossbreds. It is clear from Table 4 that Tharparkar and Red Sindhi had vanished from the herd by 1988. Of late, few Tharparkar animals were injected into the herd. At this juncture it is apt to quote Hermitte (1989) who stated in unequivocal terms that "the pressure to provide the farmers with more productive breeds in third world countries could be harmful. It is indeed tempting to import cattle, transfer embryos into surrogate females, increase inseminations (which are not well supervised) and to carry out crossbreeding (that might erase the qualities of both breeds). The unfortunate result is that a poor but resistant type of livestock could be replaced within a few generations by a totally unadapted one." He also remarked that crossbreeding as well as substitutions of certain breeds for others may mean destroying the local ones although they are still needed. Similar views were also expressed by Acharya (1989b). Cross-breeding, therefore, resulted in a negative genetic development of these indigenous breeds, which is certainly an undesirable consequence.

Crossbred can produce more milk but they need more feed to exploit this potential. Pandey and Mishra (1985) estimated an average cost of feed of Rs 2 for indigenous cows and Rs 6.8 for crossbreds. This, however, depends heavily on the (variable) prices of the various feeds Crossbreds need more and better feed not only because they produce more milk but also due to their higher body weight which increases their maintenance requirements. Compared with a non-decrepit cow of 250 kg, a crossbred of 350 kg needs per day around 0.6 kg of TDN and 0.1 kg of CP more just to maintain its body functions, which equals about 1.2 to 1.6 kg of milk (based on NRC, 1989 assuming equal maintenance requirements per kg. Crossbreds also need higher quality feeds because the intake of feed is not increased to the same magnitude as the increased requirements. The plus point for the native cattle is that they can eat and survive on more of poor quality roughages while exotic breeds of cattle might lose weight or even starve [Orksov 1964].

The economic feasibility of feeding of high quality feeds, like concentrates, depend upon their availability and prices in relation to output prices. As a rule of thumb, feeding of concentrates is beneficial if the prices of concentrates to milk are in the ratio lower than 1:1.25, assuming that 1 kg of concentrate is of sufficient quality for producing 2 kg of milk, while roughages can meet the maintenance requirements. Because cross-breds have higher requirements for good quality feeds, and because they seem beneficial only if this ratio is lower than 1:1.25, assuming that little high quality fodders are available. In any case the demand for concentrate feeds is bound to increase with increase in the female crossbred population. With the increase in the total demand for milk products projected at 4.3 per cent per annum in the next two decades in India [Radhakrishnan 1991] there will be an induced demand for feeds as well as fodders.

The crossbreeding programme could not create the desired impact on dairy development because of various constraints such as lack of clear-cut breeding policy, implementation of crossbreeding programme irrespective of its applicability/suitability to the area, lack of AI and veterinary aid facilities, repeat breeding, ban on slaughter of cattle in almost all the states. Even the provision of AI facilities does not gaurantee the adoption of crossbreeding programme by the farmers as reported by Dhas (1991). McDowell (1984) opined that marginal to sub-marginal returns are a serious impediment to the adoption of breeding systems designed to increase genetic potential for milk yield. India is no exception to his contention that large AI programmes have been launched for crossbreeding without consideration of farmer priorities.

Conclusions

Crossbreeding technology helped in increasing the milk production though the extent of contribution of crossbreds to this is not clear and varies across India. Though the impact of crossbreeding programme on milk production is not as substantial as expected, there is no point in discontinuing it, rather it should be examined for its failure and success. It is unfortunate that much time and resources have been lost in the process of experimenting with crossbreeding in cattle to increase the genetic potential for milk production. It is high time for the planners and policy-makers to review the breeding policy and activities in the country with earnest consideration to the existing farming systems and farmer priorities.

The increased number of crossbreds induces an increased need for, especially high quality feeds, medicines and vaccines. Undesirable consequences of this crossbreeding technology are decrease in availability of draft animals, while in the process sturdy local cattle are getting replaced by comparatively more susceptible crossbreds, though at a slower pace.

Despite expending huge amounts of money on crossbreeding technology in addition to the supply of almost free of cost supply of

semen to the farming community, this technology has shown its impact only in a few farming systems, probably mainly due to differences in conditions in farming systems. For successful implementation of this controversial crossbreeding technology it is necessary to ascertain beforehand the conditions conducive for the technology. It is better to implement the crossbreeding programmes with vigour only in the potential promising areas rather than wasting resources in implementing the programme throughout the country. Important conditions influencing the successful implementation of crossbreeding include an increased demand for cow milk or young stock resulting in a remunerative market, low demand for draught animals, accessibility of veterinary assistance to farmers, and low prices of high quality feeds relative to milk prices.

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Farmer Management of Public Tubewells in West Bengal

D S K Rao

West Bengal has a large number of state-owned tubewells, catering to the needs of the vast number of marginal and fragmented landholdings. However, their poor management resulted in erratic water supplies and eroded farmers' faith in the system. The government, therefore, decided to hand-over all the shallow tubewells constructed under the World Bank scheme to local panchayat samitis.

The democratic setup of the panchayati raj system was fully involved in the entire process from the allotment of tubewells to management of them. The study reveals that the overall performance of the tubewells was encouraging with the beneficiaries paying water charges on regular basis. However, delay in energisation and lack of adequate power supply during the peak requirement season led to some underutilisation of tubewells.

WEST BENGAL state is endowed with good groundwater potential, of which barely one-fifth has been tapped so far. This level of exploitation of groundwater resource is well below the national average of one-third, and much less than that of Punjab-Haryana region. This could be attributed mainly to the predominance of marginal and fragmented holdings on which individual wells and pumpsets are not a viable investment. Dhawan (1982) observed that the development of tubewell irrigation in the Gangetic plains diminishes when traced from western Uttar Pradesh to West Bengal. This trend, according to him, is on account of several factors, such as, progress in land consolidation, spread of rural electrification and institutional finance, besides the size of landholdings and their fragmentation in space. While no district in West Bengal suffers from over-exploitation of groundwater resource, Nadia and 24 Paraganas (N) districts attained a level of 56 per cent exploitation (*vide* Appendix Table 1).

In view of the above, the West Bengal government invested heavily in groundwater development and created irrigation facilities for small and marginal farmers through state-owned tubewells. Nearly 4,000 deep tubewells and 12,000 shallow tubewells were constructed during the last three decades. Water charges under these tubewells are kept at the level of highly subsidised canal water rates. In spite of low water rates, utilisation under the state tubewells has been extremely low. This could be attributed mainly to poor power supply and inefficient management. As a consequence, water supply under these tubewells is erratic causing the farmers to lose faith in the system. The officials of the minor irrigation department attribute the above dismal performance to lack of accountability. Each cluster of 12 government shallow tubewells is maintained by a single operator who is unable to give attention to the maintenance of any of the tubewells. Many of these tubewells are also lying idle because pumpsets are frequently stolen.

I
World Bank Scheme

In 1985-86, the West Bengal government launched a massive scheme for constructing dug wells, shallow tubewells, deep tubewells and river lift irrigation with World Bank assistance of US $ 99 million. Execution of work under the above scheme started in the year 1988-89 and was completed in March 1994. It was originally envisaged that these tubewells would also be under the management of the state minor irrigation department. However, the World Bank and the state government had their misgivings about the efficiency of management under the state sector and therefore decided to hand them over to panchayat samitis. Under the World Bank scheme shallow tubewells, low duty tubewells and medium and heavy duty tubewells were constructed depending upon the suitability of the hydrogeological conditions of a particular area, the design, cost and other parameters adopted for different structures are given in Table 1.

The average command area of a heavy duty tubewell is 40 hectares, which is twice that of a medium duty tubewell. In all, 1,200 heavy duty and 400 medium duty tubewells were constructed by September 1994. These tubewells are provided with pipe distribution system. Heavy duty tubewells have 15 outlets, each serving 2.5 hectares as compared to 10 outlets for the medium duty tubewells, each catering to 2 hectares.

Shallow tubewells and low duty tubewells have similar depth and discharge. However, in areas where water levels are shallow and drawdown is less, shallow tubewells are installed with centrifugal pumpsets. Low duty tubewells are essentially shallow tubewells, but installed with submersible pumpsets because of deep water levels. Altogether 5,583 shallow tubewells and 2,596 low duty tubewells were constructed by September 1994 as against the total target of 8,640 structures. Shallow/low duty tubewells are invariably constructed in clusters, shallow/low duty tubewells are invariably constructed in cluster of 5 to 7 structures. In view of the small command area (4 to 6 hectares), pipe conveyance is not provided and farmers are encouraged to construct field channels on their own.

In view of their small command area and easy management, all the shallow and low duty tubewells were to be handed over to the panchayat samitis. Medium and heavy duty tubewells continued under the management of the state government because their operation and maintenance demands skill and organisation. However, as an experiment, 2 to 3 deep tubewells per district were to be handed over to panchayat samitis.

Under the World Bank scheme, selection of tubwell sites and consequently, the beneficiaries, has been done involving the three tiers of panchayat raj system, viz, zilla parishad, panchayat samiti and gram panchayat. Initially, districtwise targets of tubewells were finalised at the state level by taking into consideration the potential for groundwater development, proportion of small and marginal farmers, etc. Sabhadhipati of the zilla parishad, in consultation with the site selection committee (SSC) distributed the tubewells allotted to the district to different panchayat samitis. The SSC includes two officials of the State Electricity Board, one geologist and one irrigation engineer besides one official from the agriculture department as members with the sabhadhipati as the chairman. At panchayat samiti level, the standing committee for agriculture, irrigation and co-operation further allotted the tubewells to the gram panchayat.

The concerned gram pradhans called a meeting of the elected village panchayat members and decided the villages in which the wells were to be located. Elected members of the village panchayats convened a meeting of all the villagers to discuss the siting of tubewells. While finalising the location of tubewells the following criteria were observed: (i) distance from the high tension line (the State Electricity Board releases priority electric connections to wells located within 1,500 metres from the high tension line), (ii) spacing between wells (minimum spacing of 200 metres is maintained between

two shallow/low duty tubewells as compared to 1,000 metres for medium/heavy duty tubewells), (iii) proportion of small and marginal farmers (at least 80 per cent of the beneficiaries under the tubewell have to be small and marginal farmers), (iv) scope for multiple cropping, and (v) willingness of the farmers to donate a piece of their land for constructing tubewells.

After finalising the location of tubewells, the village panchayat delineated the tentative command area of the cluster. An undertaking was obtained from the farmers willing to donate their land for tubewell construction. Another undertaking was obtained from all the farmers included in the command, to the effect that they would purchase water supplied by the panchayat tubewells. The village panchayat forwarded the above details to the gram panchayat, which in turn forwarded them to the panchayat samiti.

The Chart shows the involvement of the panchayat raj system in the process of tubewell allocation and site selection.

Though the above procedure is very elaborate and time consuming, it is probably the best way to ensure farmers' involvement in the planning process. Besides, it ensures commitment of the farmers to the tubewell management.

After tubewells were constructed and pumpsets energised, they were handed over by the minor irrigation department to the panchayat samitis which had the overall responsibility of running them. The most important function of the panchayat samiti is to constitute beneficiary committees for the operation and maintenance of tubewells besides fixing the water rates. The panchayat samitis also have the responsibility of maintaining the profit-loss account of individual tubewell clusters.

Day to day working of tubewells is looked after by the beneficiary committee, which generally includes a beneficiary representative of the panchayat samiti and of gram panchayat. All the tubewell operators are also members of the beneficiary committee.

The main function of the beneficiary committee is to ensure watch and ward of the tubewells, besides their operation and maintenance. The committee is also required to maintain proper records of tubewell running, water rates charged and the revenue realised.

II
Irrigation Management

The mounting costs of operation and maintenance of irrigation structures and lack of commensurate revenue from them due to extremely low water rates have prompted many governments the world over to transfer irrigation management to farmer groups. In India, the idea of farmer participation in irrigation management has grown since the last one decade. This idea has arisen from the need for better returns from the massive investments made in irrigation [Kanwar 1988].

West Bengal is the first state in the country where large-scale transfer of irrigation management has taken place during the last 3 to 4 years. Hundreds of tubewell clusters constructed under the World Bank scheme are handed over to panchayat samitis. It was decided to conduct a systematic study of the management of tubewells under the panchayat samitis in West Bengal and evaluate its success.

The main objective of the present study is to examine the quality of tubewell management by the panchayat samitis. To enable the author to draw meaningful conclusions on the above, the following aspects were studied in detail: (i) quality of design, construction and maintenance of tubewells, (ii) utilisation of tubewells, (iii) role of panchayat samiti and the beneficiary committee in tubewell management, and (iv) attitude, response and involvement of farmers in tubewell management.

The present study focused mainly on the management of shallow/low duty tubewell clusters because large-scale transfer of these has taken place as compared to deep tubewells (Table 2). Under the World Bank scheme shallow/low duty tubewells were constructed in 16 districts. However, only Nadia and Hooghly districts were selected for the present study because of high concentration of shallow tubewells and low duty tubewells respectively in the above two districts. Besides, transfer of tubewells to panchayat samitis has also taken place more vigorously in these two districts. Two blocks were selected in Hooghly (Singur and Chaunditala II) and Nadia (Haringhata and Ranaghat II) districts. Five tubewell clusters (Jonai, Baksa and Babur beri in Hooghly district and Dhauntala and Parmajdia in Nadia district) and 40 beneficiary farmers were selected on a random basis for the study.

Data collected from the tubewell clusters included information on tubewells (design, yield, command area and utilisation of the structures) and particulars of the farmers (land owned, cropping pattern, crop yield, and net income before and after the construction of tubewells), perception of the beneficiaries on the adequacy, timeliness and equity of water supplied was also obtained.

Hooghly and Nadia districts have high proportion of the geographical area under cultivation (81 and 72 per cent, respectively). Both the districts are characterised by high rainfall (1,500 mm), 80 per cent of which occurs between June and October. The area has fertile Gangetic alluvial soils. Rice, jute, wheat, mustard, pulses, potato and vegetables are the major crops. Groundwater and canals are the major sources of irrigation in Hooghly district, whereas Nadia district is irrigated mainly through groundwater. Heavy dependence on groundwater for irrigation has led to high stage of groundwater development in Nadia district (Table 3).

III
Design, Construction and Utilisation of Tubewells

In designing the tubewell assembly it is essential to determine the length of the housing pipe carefully because inadequate length may reduce the life of the tubewell whereas longer pipe than necessary will enhance the cost without increasing the yield. Optimum length of the housing pipe under the World Bank tubewells was determined after taking into consideration the depth to water level, drawdown and water level trends. A case in point is the two tubewells in Baksa cluster, where inadequate housing pipe has resulted in decline of discharge, particularly in the late 'rabi' and 'boro' seasons. In such situation the only solution is redrilling of tubewells and providing deeper housing pipes.

The shallow/low duty tubewells studied in the field were developed by both compressor and pump for adequate duration. Discussion with the engineers also revealed that selection

TABLE 1: TYPICAL DESIGN, COST AND COMMAND AREA OF DIFFERENT STRUCTURES UNDER THE WORLD BANK SCHEME

Type of Tubewell	Cost (Rs Lakh Per Tubewell)	Command Area Per Tubewell (ha)	Minimum Spacing (m)	Design Parameters
Heavy duty tubewell	8.0	40	1000	150 m depth, 56 litres per second discharge PVC pipe distribution.
Medium duty tubewell	5.6	20	1000	150 m depth, 28 litres per second discharge PVC pipe distribution
Low duty tubewell	1.2	4.6	200	60 m depth, 8 litres per second discharge (installed with submersible pumpset)
Shallow tubewell	0.85	4.6	200	60 m depth, 8 litres per second discharge (installed with centrifugal pumpset)

Source: Office of the Chief Engineer, Minor Irrigation Department, West Bengal.

of slot size for the strainer and the gravel was made after careful analysis of the granular samples. The study showed that with the exception of two tubewells in Baksa cluster, tubewell designing in general has been made in a scientific manner.

Drilling of tubewells was generally completed within about one month for a cluster of six tubewells. Deep tubewells were drilled by the minor irrigation department using rotary/reverse rigs. Shallow and low duty tubewells were drilled by private contractors using hand boring sets. Though tubewell construction was completed at brisk pace, there was considerable delay in the energisation. Under the World Bank scheme, 8,179 shallow/low duty tubewells were drilled and developed by September 1994 but hardly 2,640 were energised because of slow release of electric connections by the electricity board. Energisation took about two years after the tubewell construction (Table 4) which resulted in enormous loss of production.

Energisation delay was compounded by delay in commissioning of tubewells. This was inevitable because constitution of beneficiary committee took 3 to 4 months. All the tubewells in a cluster are interconnected so that if any structure is out of order, its command area is covered by operating the other tubewells for longer duration. In Baksa cluster, to compensate for the reduced discharge of two tubewells, the remaining ones are operated for longer duration. However, this arrangement is not fully satisfactory because of poor power supply during the peak season.

Soon after tubewell construction is completed, pending commissioning, the structure is protected by covering with a metallic plate. Under the Dhauntala cluster one tubewell was not properly covered and the villagers choked it by dumping trash and stones into it. This resulted in permanent damage to the structure. In the same cluster one motor remained out of order for more than two years. The third tubewell has recorded reduced discharge in the summer season because of decline in water levels. Five tubewells out of thirty studied have developed problems in a short span of 3-4 years. Unless repairs are promptly attended to the problem is going to be severe in the future.

Though the government envisaged that shallow tubewells would run for about 1,600 hours per annum, in actual practice, most of them worked for lesser period (Table 5). Average annual running for the four clusters for which data is available worked out to 878 hours per tubewell. The above underutilisation was because of poor design (Baksa) and maintenance (Dhauntala). The other major reason for underutilisation is the inadequate availability of power during the peak requirement season. However, performance of the above panchayat tubewells is far superior to government tubewell cluster. This is reflected in Dhauntala and Ranaghat II panchayat samitis wherein tubewells under government clusters averaged less than 100 hours per annum.

IV
Panchayat Samiti Management

Successful management of tubewells depends to a great extent on the involvement of the panchayat samiti, beneficiary committee and the tubewell operators. An attempt has been made to evaluate their performance in relation to tubewell clusters studied in the field.

Panchayat samitis are given considerable autonomy in the management of tubewells. However, in respect of the five tubewell clusters and one heavy duty tubewell studied, role of the panchayat samiti did not go beyond the constitution of beneficiary committees and appointment of operators. Sustained efforts to monitor the tubewells and take prompt corrective measures were lacking. Panchayat smitis have neither maintained the accouns of tubewell clusters nor made efforts to improve the accounting system of the tubewell operators. Excess reliance on tubewell operators for collecting water charges, besides maintaining accounts and registers, with lax supervision may lead to unwarranted practices

CHART . PROCESS OF TUBEWELL ALLOCATION AND SITE SELECTION

Secretary, Irrigation
Chief Engineer, Minor Irrigation

Districtwise allocation of tubewells

(Chief Engineer obtained the approval of the government and ordered the concerned executive engineers to take up the work)

Zilla Parishad

(Sabhadhipati, in consultation with the site selection committee, allotted tubewells to panchayat samitis)

Zilla Parishad

(District site selection committee further discussed the suitability of tubewell sites)

Panchayat Samiti

(Sabhapati, in consultation with the standing committee on agriculture, irrigation and co-operation allotted tubewells to gram panchayats)

Panchayat Samiti

(Verified if all the norms, such as spacing, distance from the HT line, proportion of small and marginal farmers and scope for multiple cropping pattern were followed)

Gram Panchayat

(Pradhan, in consultation with the elected members of the village panchayats, selected the villages in which tubewells could be located)

Gram Panchayat

Forwards the recommendations of the village panchayat to the panchayat samiti

Village Panchayat

(Elected member of the village panchayat convened a meeting of all the villagers and decided the location of tubewells.)

Village Panchayat

(Tentative command delineated. Undertaking obtained from farmers willing to donate a piece of land for tubewells. Undertaking from all the beneficiaries that they would purchase water from the panchayat tubewells).

TABLE 2 PHYSICAL PROGRAMME OF VARIOUS GROUNDWATER STRUCTURES UNDER THE WORLD BANK SCHEME

Type of Tubewell	Status of Tubewell Construction (September 94)				
	Target	Selection of Sites	Constructed	Energised	Wells Handed Over to Panchayat Samitis
	(no)	(no)	(no)	(no)	(no)
Heavy duty tubewell (HDTW)	1205	1047	1020	683	6
Medium duty tubewell (MDTW)	510	500	426	207	2
Low duty tubewell (LDTW)	2940	2674	2596	945	812
Shallow tubewell (STW)	5700	5672	5583	1695	1184

Source: Office of the Chief Engineer, Minor Irrigation Department, West Bengal.

Beneficiary committees have the direct responsibility of tubewell mangement. Though the state government had decided that the beneficiary committee shall consist of 7 to 8 members, all the 5 tubewell clusters studied had larger committees, with membership ranging from 10 (Parmajdia cluster) to 13 (Jonai cluster). It is significant to note that the beneficiary committee of Parmajidia cluster, which is comparatively small and compact, is working efficiently. Unlike the remaining four clusters, beneficiary committee meetings of Parmajdia are held regularly, with minutes recorded properly and follow-up action initiated promptly.

In all the clusters studied, tubewell operators are beneficiary farmers who are members of the beneficiary committee. They are generally marginal farmers whose land under the tubewells ranged from 0.1 to 0.6 hectares. It is noteworthy that no special favour or representation is given to large farmers in the committee. The convenor of the beneficiary committee is either a beneficiary farmer (Jonai heavy duty tubewell) or tubewell operator (Dhauntala cluster) or an employee of the panchayat samiti (Babur beri, Baksa, Jonai and Parmajdia clusters) as decided by the sabhapati. The government had envisaged an active role to the convenor in the managerial functions. However, in practice, convenors were generally passive with the operators managing the tubewells

All the beneficiary committees have done well in the watch and ward of the tubewells. No theft of pumpsets or their accessories was reported from any of the tubewells. In comparison, government managed tubewells have fared badly. Theft and pilferage have rendered many government tubewells infructuous (personal communication, chief engineer, minor irrigation department). Yet, it is unfortunate that none of the beneficiary committees has acted with a vision: they have not looked beyond the watch and ward of and operation of tubewells The committees have neither rectified the existing sick tubewells nor built up resources to replace the pumpsets and tubewells after their economic life (pumpset has an economic life of 9 years as compared to 25 years of a tubewell: however tubewells may need replacement much earlier if their design is not proper).

Role of Tubewell Operators

The number of operators under tubewell clusters is varying. Parmajdia cluster is looked after by two operators. Dhauntala, Jonai, Baksa and Babur beri clusters have six operators, one for each tubewell. For the shallow tubewell clusters, operators are invariably those farmers who have donated a piece of their land for the construction of tubewell. Operators of Jonai, Baksa and Babur beri clusters receive a monthly salary of Rs 200 to 250, as compared to commission of Re 1 per hour of tubewell operation under Dhauntala cluster. Only under Parmajdia cluster, operators are not paid salary and are expected to work voluntarily.

It is observed that operators have, in general, relatively higher education levels. Out of 26 operators working on the 5 clusters, 15 are matriculates. A few among them have also undergone training in pump maintenance. The operator of Jonai heavy duty tubewell is a ITI trained pump technician. He is a full time employee (not a beneficiary farmer) and receives monthly compensation of Rs 1,000.

In the tubewell clusters studied, operators are performing the following duties: (i) operate pumps and allocate water to farmers, (ii) supply water to farmers outside the command when surplus capacity is available, (iii) maintain individual registers for farmers and tubewells, recording the number of hours tubewells run, crops grown, area covered, and (iv) prepare individual bills and collect water charges.

It may be seen that the operators have wide range of duties. Collection of water charges and maintenance of accounts can be taken over by the convenor of the beneficiary committee so that operators are left free to run the tubewells and maintain the records.

Cropping Pattern and Farm Income

Out of the 40 farmers interviewed under the five clusters, 36 (90 per cent) are small and marginal farmers with landholding less than 2 hectares. Farmers owning less than 1 hectare amount to 73 per cent. Thus, the tubewell clusters are catering predominantly to marginal farmers, who were depending on unirrigated farming or purchasing water from neighbouring farmers at exorbitant rates before commissioning of the panchayat samiti tubewells.

Before joining the tubewell cluster the cropping pattern adopted by the farmers was rainfed paddy or jute during the kharif and pulses in the rabi season. Wherever scope existed for purchase of water, farmers cultivated groundnut or other oilseeds. With the introduction of tubewells, cropping pattern shifted in favour of irrigated paddy during the kharif and boro seasons. Boro paddy is the most popular crop in the study area because of higher yields and better returns.

In view of the erratic nature of monsoon, yields of rainfed kharif paddy and jute were low and averaged 1,200 and 500 kgs/ha, respectively. With the introduction of tubewell irrigation, kharif paddy yield increased to 2,500 kgs/ha. Boro paddy yields are as high as 4,600 kgs/ha. The net income under tubewell cluster was, on average Rs 14,000 per hectare for the two crops of kharif and boro paddy. Many farmers are also deriving good income by cultivating potato and other vegetables during the rabi season. The vegetable crops, under irrigated conditions are yielding a net income of Rs 12,500 per hectare. The post-development cropping pattern under tubewells is remunerative. With high cropping intensity (minimum of 200 per cent) and the benefit of assured irrigation, farmers are deriving good income.

Water Charges and Cost Recovery

In all the tubewell clusters studied the water rates were fixed after discussing the issue in a general body meeting of the beneficiary farmers. Jonai, Babur beri and Baksa clusters have fixed annual water rates on area basis (Rs 1,125 to Rs 2,000 per hectare), whereas Parmajdia and Dhauntala clusters follow hourly basis @Rs 5 per hour).

Under both area and time norms, water rates work out to be nearly the same. As the tubewell discharge is about 7 litres per second, for water rate of Rs 5 per hour, the cost of one cubic metre water worked out to Rs 0.20. Even for water rates of Rs 2,000/hectare/year the cost of one cubic metre of water worked out Rs 0.20 (assuming that farmers purchase about one hectare-metre water in a year amounting to 10,000 cubic metres for an area of 1 hectare). Jonai cluster is charging substantially lower rates because of light

Table 3: Details of Groundwater Development in the Study Area (as on September 1994)

District/ Block	Groundwater Balance (Hectare Metres)	Stage of Groundwater Development (Per Cent)
Hooghly	87225	32
Chaunditala II	2115	25
Singur	6879	30
Nadia	74511	56
Ranaghat II	3278	72
Haringhata	1534	78

Source: National Bank Regional Office, Calcutta.

Table 4: Delay in Energisation of Tubewells in the Study Area

Name of the Tubewell Cluster	Date of Tubewell Construction	Date of Energisation
Babur beri	February 1990	August 1992
Jonai	February 1991	December 1992
Jonai (HDTW)	June 1990	February 1993
Baksa	February 1990	August 1992
Paramajdia	January 1990	September 1991
Dhauntala	January 1990	August 1991

Source: Office of the Executive Engineer, Minor Irrigation Department, Hooghly and Nadia Districts.

Table 5: Utilisation of Shallow/ Low Duty Tubewells

Name of the Tubewell Cluster	Average Annual Running Hours Per Tubewell
Baksa	1085
Babur beri	1160
Dhauntala	289
Parmajdia	1098

Source: Office of Executive Engineer, Minor Irrigation Department, Hooghly and Nadia Districts.

irrigated crops cultivated by the farmers.

In Nadia and Hooghly districts, farmers without irrigation facilities purchase water from neighbouring farmers at Rs 12 per hour (Rs 20 per hour if tubewells are operated by diesel engines). For tubewell discharge of 7 litres per second the charges work out to Rs 0.48 per cubic metre (Rs 0.79 per cubic metre in case of diesel engines) which are much higher than Rs 0.20 per cubic metre paid by panchayat tubewell beneficiaries.

It is noteworthy that in all the tubewell clusters visited (including the Jonai heavy duty tubewell) there was no problem of collection of water charges. Farmers are billed two to three times a year, at the end of each crop season and the payment of water charges by farmers is very encouraging. In hardly about 10 per cent of the cases payment is deferred to the next crop season, but none of the farmers has defaulted beyond that.

Though four out of the five tubewell clusters have generated surplus, their financial position is not sound. Unless panchayat smitis manage funds efficiently, they will not be able to meet the cost of tubewell maintenance from the revenue earned from the tubewells. The Dhauntala cluster is in a precarious position, with the expenditure far exceeding the income. The income is low because two tubewells are out of order and the remaining four could not be run for longer duration because of short supply of power of adequate voltage during the peak season. Though tubewells were not utilised optimally, the electricity bills had to be paid fully, on a flat rate, which is a drain on the meagre income of the cluster. It will be more beneficial for this cluster to pay the electricity charges on meter basis

However, the cluster has reduced the operation cost substantially by paying the salary of the operators on commission basis (Re 1 per hour of tubewell operation). Jonai cluster is characterised by light irrigated crops. Hence, the water rate is only Rs 1,125 per hectare, which is far less than Rs 2,000 per hectare charged under the nearby Babur beri and Baksa clusters. At the same time, the tubewell operators are paid salary of Rs 200 per month. Electricity charges are also paid on a flat rate. It will be prudent to pay salary to the operators on commission basis, as in the case of Dhauntala cluster. As all the tubewells under this cluster are yielding uniformly good discharge of 6 to 7 litres per second, there is need to promote irrigation intensive crops, such as, vegetables which will not only utilise the available water potential of the tubewells but also enhance farmers' income substantially, enabling them to pay higher water charges.

The position of Babur beri, Baksa and Parmajdia clusters is comparatively better. They have generated surplus income, ranging from Rs 19,800 to 21,700 per year (Table 6). It is natural that in the initial years such surplus is generated because the structures are new and there is hardly any cost in the maintenance of tubewells and pumpsets. However, considerable expenditure will be involved after a few years when the pumpsets are to be replaced and the tubewells are to be redrilled existing surplus will not be able to meet such expenditure. None of the panchayat samitis has given any serious thought to the above situation.

The author strongly feels that those tubewell clusters having surplus income must invest their profits prudently. If investments are made in fixed deposits or Indira Vikas Patras or any other scheme, there will be regular flow of enhanced income after 5 to 6 years, which will be useful in meeting the maintenance demands arising out of the older pumpsets and tubewells. All the sabhapatis with whom the author discussed, appreciated the above point and assured that they would consider investing the income generated from the tubewells.

Discussions with the beneficiary farmers also revealed that they were willing to pay higher water charges, up to Rs 8 per hour of tubewell operation, if the profit generated from the tubewells is invested properly. It may be noted that at present farmers who do not have access to irrigation are paying Rs 12 to Rs 20 per hour for purchasing water from private shallow tubewell owners.

Management Transfer: Degree of Success

Some of the key parameters to evaluate the quality of tubewell management by the panchayats are: (i) participation of farmers, (ii) distribution of water, and (iii) realisation of water charges. Analysis of data collected from the five tubewell clusters and one heavy duty tubewell, besides 40 beneficiary farmers on the above aspects is presented below.

Farmers participated actively in the selection of tubewell sites. Selection was made in an open meeting of all the villagers after thorough deliberations on the norms, such as, minimum spacing, distance from the high tension line, composition of small and marginal farmers, etc. The entire process was transparent and ensured fair selection. Soon after the beneficiary committee was constituted, the issue of water charges was discussed in a general body meeting of the beneficiaries. The water charges levied by the panchayats was thus a collective decision and the beneficiaries were committed to it. However, farmers had no say in the design of tubewells and pumpsets and the alignment of irrigation channels. These decisions were taken, correctly so, by the engineering department on technical considerations.

Quality of water distribution could be judged from the angle of equity, reliability, efficiency and sustainability of the supply.

Equity: Analysis of the data on water charges paid by the farmers and discussions with a cross-section of them brought out clearly that water supplied was directly proportional to the land owned by them under the tubewell cluster. Caste and status of the farmers had no influence on the quantum of water supply. A notable feature is that equity is ensured between the head and tail-end farmers. This is achieved by supplying water for proportionately longer duration to fields away from the tubewells to compensate for seepage losses, at no extra cost.

Reliability: Under Jonai, Babur beri and Parmajdia clusters, the requirement of all the beneficiaries, even during the peak period, are being met. The dischare of the heavy duty tubewell in Jonai was also found to be adequate to meet the peak requirements of all the farmers. However, Baksa cluster is facing problem during the late rabi and boro seasons because of decline in water levels and consequently the discharge in respect of two tubewells. Under Dhauntala cluster also reliability of supply is affected because of damage to one tubewell and one pumpset.

Efficiency: The cost of tubewell operation includes expenditure on slary of the operators, electricity charges and repairs to pumps. There is scope for reduction in the tubewell operation cost. Instead of engaging six operators, paying Rs 200 to 250 per month to each of them, the panchayat could employ two operators, each looking after 3 tubewells, for a monthly salary of about Rs 400. Two operators of Parmajdia cluster are able to manage all the six tubewells successfully and efficiently. Economy could also be effected by switching over to metered electricity charges, wherever tubewell utilisation is poor as in the case of Dhauntala cluster in which tubewells are running on average for only 289 hours per annum. For such tubewells, instead of flat rate of Rs 1,800 per annum (@ Rs 50/BHP/year for 3 HP motors), they could pay metered tariff which works out to only Rs 420 (for power tariff of Rs 0.55 per Kwh and motor efficiency of 85 per cent) per annum. Efficiency and equity could also

TABLE 6: ANNUAL EXPENDITURE AND REVENUE UNDER TUBEWELL CLUSTERS

Tubewell Cluster	Net Area Commended (ha)	Water Rate (Rs ha)	Water Charges Collected Per Year (Average for the Period 1992-94)	Operation Cost Per Year (average for the Period 1992-94)
Jonai	24.3	1125	27338	26400
Babur beri	26.0	2000	46173	29988
Baksa	27.7	2000	55400	33700
Parmajdia	36.6	Rs 5 /hour	32940	12000
Dhauntala	36.7	Rs 5 /hour	8670	13000

be improved by providing pipe conveyance and distribution under tubewells.

Sustainability: Sustainability was found to be affected by two factors, viz, declining groundwater levels and lack of resources to replace the sick tubewells/pumpsets. In respect of water levels declining below the housing pipe, there is no alternative than redrilling and providing deeper housing pipes. Expenditure on such remedial measure will be almost equal to the cost of a new tubewell. Though the above problem is existing for more than two years, the Baksa panchayat samiti has not taken any action. It also took more than two years to get one motor under the Dhauntala cluster repaired. Unless adequate resources are built up, proper maintenance and sustainability in supplies cannot be assured.

It was observed that farmers were satisfied with the water supply on all counts (in the questionnaire, farmers' perception was rated on a four-point scale of very good, good, satisfactory and poor regarding equity, reliability and sustainability of water supply). Nearly 75 per cent of the farmers responded with good and very good for the above three parameters. The exceptions were in Baksa and Dhauntala clusters, where farmers were demanding more water for the boro paddy.

Role of Credit

Though the state minor irrigation department has transferred the tubewells, complete in all respects, to the panchayat samitis, there is scope for further investments to improve the efficiency and sustainability of tubewell irrigation.

A cluster has, on avearage, six tubewells which are operated by six pumpsets. If any one pumpset is out of order during the peak requirement season, the entire schedule of water supply goes awry. This problem is more for submersible pumpsets because repairs to them is a time consuming process as compared to centrifugal pumpsets. One spare pumpset for each cluster, as a standby, is essential which can be covered under institutional credit.

Institutional credit could also be extended to pipe conveyance and distribution. At present the entire distribution is through unlined channels. If the channels are replaced with underground pipeline, about 5 per cent of the area which is presently lost to channels and about 20 per cent of seepage losses could be saved. Investment on pipeline is thoroughly viable and will also help more equitable distribution of water between the head and tail-end farmers. Bank loan could also be useful for redrilling damaged tubewells and redevelopment of sick tubewells. In Dhauntale and Baksa clusters, altogether three tubewells need to be redrilled for which bank loan could be extended.

At present, farmers under tubewell clusters are only members of informal groups. The informal group could be registered as a society and bank loan given to the society or alternatively, banks could finance individual farmers, providing loan in proportion to the land owned by them under the cluster. In respect of individual loans, the number of loan accounts will be very large because of the predominance of marginal farmers. Financing a society may be a better option to the banks.

VI
Conclusions

Despite good groundwater potential in many districts, West Bengal state has not been able to achieve a breakthrough in private investments on wells and pumpsets. This is mainly because of the predominance of marginal and fragmented landholdings on which private wells and pumpsets are not viable investments. To overcome the above situation the state government and managed large number of tubewells catering to groups of marginal farmers. However, poor management has led to gross underutilisation of these structures imposing heavy financial burden on the state government. The state government, therefore, decided to hand-over all the shallow tubewells and a few deep tubewells constructed under the World Bank scheme to panchayat samitis for their management.

Thoroughly democratic process, involving the well established panchayati raj system in the state was followed in the distribution of tubewells to different districts, blocks and villages. Involvement of farmers was ensured in the selection of tubewell sites and fixation of water rates. Design of tubewells and pumpsets was done by the engineering department and was in order excepting Baksa cluster where in respect of two tubewells housing pipe should have been longer. Inadequate power supply has resulted in the underutilisation of a few tubewells.

Farmers are prompt in paying the water charges. Overdues and defaulting farmers are rare. Farmers are not unwilling to pay higher water rates, say Rs 8 per hour, 60 per cent more than the existing Rs 5 per hour if adequacy and reliability of irrigation supply are improved. Tubewell clusters charging water rates on area basis may also switch over to hourly rates, which is bound to improve water use efficiency.

Institutional credit can play an important role in improving the efficiency and reliability of water supply. Panchayat samitis and beneficiary committees are not acting with a vision. Long-term planning to raise resources for the replacement of tubewells and pumpsets after their economic life is not being made. If panchayat samitis take more interest and monitor the performance of the beneficiary committees closely it would be possible to sustain and expand tubewell irrigation under their management.

Appendix

Table 1 Groundwater Potential (District-wise) in West Bengal
(As on September 30, 1994)

District	No of Blocks		Net Ground-water Recharge (ham)	Net Ground-water Draft (ham)	Stage of Development (Per Cent)
	Total	Assessed for Groundwater Potential			
Bankura	22	22	93112	17446	19
Birbhum	19	19	133086	20324	15
Burdwan	33	33	242957	60855	25
Cooch behar	12	12	227395	6150	3
Darjeeling	10	2	20596	588	3
Hooghly	18	18	128934	41709	32
Jalpaiguri	13	13	449571	3018	1
Malda	15	15	81831	24815	30
Midnapur	54	38	223357	60587	27
Murshidabad	26	26	165709	81988	49
Nadia	17	17	132220	74510	56
Purulia	20	20	72134	5197	7
24 Paraganas (N)	22	17	100497	56219	56
24 Paraganas (S)	30	2	8782	4681	53
West Dinajpur	16	16	114727	26482	23
Howrah	14	5	31586	2515	8

Note ham = hectare-metres
Source National Bank for Agriculture and Rural Development, Regional Office, Calcutta

[This paper is an abridged version of a larger paper, entitled 'Transfer of Management of Irrigation Tubewells in West Bengal, India'.

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Who Borrows? Who Lends?

Changing Structure of Informal Credit in Rural Haryana

Surinder S Jodhka

Much of the literature on 'rural credit' in the post-independence period has been centred around the 'development questions' and is largely quantitative in nature. Based on a qualitative field study in three villages of a green revolution district of Haryana, this paper attempts to explore the sociology of informal credit with a specific focus on understanding the changing structure of informal credit market and the emerging patterns of debt dependencies in the light of (a) the agrarian transformation experienced with the success of the green revolution; and (b) increasing availability and growing popularity of the institutional sources of credit.

> The class struggle of the ancient world took the form chiefly of a contest between debtors and creditors which in Rome ended in the ruin of the plebian debtors... In the middle ages, the contest ended with the ruin of feudal debtors, who lost their political power together with the economic basis on which it was established [Marx 1954:135].

THE crucial mediating role that debt and credit play in the reproduction of dependency relationships in 'pre-capitalist' agrarian structures is a widely recognised fact. Apart from the historical literature on economic changes during the colonial period of Indian history, this aspect of rural society has been well-documented by the official agencies and the economists studying agrarian change during the post-independence period. In the historical literature on subjects like commercialisation of agriculture, land alienation and peasant discontent and mobilisation, questions of changing credit relations and growing debt dependencies of the small peasants, tenants and landless labourers have been discussed at great length.[1] Even in the theoretical formulations of the agrarian social structures, such as, 'patron-client' reciprocal relationships [Srinivas 1955; Breman 1974], 'interlocking' of agricultural markets [Bhardwaj 1974; Bardhan 1984; Bhaduri 1984; Srivastava 1989; Sarap 1991], or the 'semi-feudal' mode of production [Prasad 1974; Bhaduri 1984], the nature of debt related dependencies are considered to be the defining features of such relationships. Debt is supposed to play an important role in sustaining and reproducing these 'traditional' structures.

However, unlike the historical literature or conceptual frameworks of the 'pre-capitalist' agrarian structures, much of the literature on 'rural credit' in post-independence India has been centred around the 'development questions' and is largely quantitative in nature [RBI Reports 1969; Thorner 1964; Karkal 1962; Hough 1966; Huchappi 1968; Jodha 1971; Basu 1979; Wadhwa 1980; Roth 1983; Sarap 1991]. Most of the studies and surveys have focused on questions such as demand and supply of various forms of credit, the shift from informal to institutional sources of credit, extent and nature of indebtedness of various categories of rural society, performance of institutional sources of credit or determinants of interest rates in the informal credit market. While such quantitative data help us in understanding the economic aspects of agarian changes in contemporary India, it does not view the informal credit market or institutional credit as a network of social relationships. Also, it says very little about the impact that the changes in the structure of credit markets might have had on the institutionalised relationships of dependency and inequality referred to so frequently in the historical literature on rural credit.

However, even though 'credit' has been predominantly studied as an 'economic fact', there are some economists who have tried to argue that the relations of credit are more than purely economic phenomena. Bhaduri, for example, views 'forced commercialisation' and 'distressed sale' in backward agriculture, caused by credit dependencies of small peasants, as "a system of relations that are essentially social rather than technical in nature" [Bhaduri 1984:51]. Similarly Bhardwaj discussing the structure of backward agrarian economy argues,

> The character of markets reflect and to a significant extent is determined by the local patterns of power .. The relative bargaining strength (reinforced by forces of tradition, custom, social mores) determines access to resources, the terms on which they can be obtained and fields of feasible choices open to the individual in the various markets [Bhardwaj 1982:27].

Some of the studies and surveys on rural indebtedness carried out by individual economists and by official agencies have also been sensitive to sociological questions. The question of differential availability of institutional credit to the different strata of agrarian society and the crucial role that it plays in perpetuating relations of domination and exploitation, has been a central concern for many studies [Rudra 1975; Platteau et al 1980; Bandyopadhyay 1984; Sarap 1991; RBI Survey Reports 1969].

For sociological studies on rural society and agrarian change, the questions of credit and debt have at best been of a marginal concern. With the exception of a few studies [Malamoud 1983], references to credit and debt are made only in passing, usually as an aspect of a social process being studied, such as, patron-client relationships [Srinivas 1955; Epstein 1962] village economy [Beteille 1969], factional politics [Lewis 1958], production relations [Gough 1955 and 1960; Breman 1974; Brass 1990] or peasant discontent and mobilisations [Desai 1979; Dhanagare 1983].

II
Introduction

Based on a field study of three villages selected from a green revolution district (Karnal) of Haryana state,[2] this paper attempts to explore the sociology of informal credit with a particular focus on understanding the changing structure of the informal credit market and the emerging patterns of debt dependencies in light of (a) the agrarian transformation experienced with the success of the green revolution; and (b) increasing availability and growing popularity of the institutional sources of credit.

The specific questions that the paper attempts to deal with are (i) what kind of changes have come about in the structure of informal credit market during the post-independence period, specifically after the green revolution?; (ii) what happened to the traditional moneylenders and how have their relations changed with other caste groups in rural Haryana?; (iii) who borrowed from whom and for what kinds of needs in the informal credit market?; (iv) what is the nature and extent of indebtedness of the various categories of the agrarian society to institutional and informal sources of credit; and finally (v) how did credit mediate and institutionalise relations among various categories of the rural society specifically in the sphere of production and local power structure?

III
Agrarian Structure and Credit Relations in Study Villages

As in the rest of Haryana, economy in the study villages during the colonial period was backward and subsistence-oriented. Productivity of land was low and mostly a single crop was grown. Most of the land was owned by the middle level caste groups such as jats, rors and gujjars. The bigger landowners leased out part of their land to 'low caste' landless tenants. A tenant received two-thirds to one-half share of the yield. 'Sajhis', the attached labourers, who received one-fourth or one-fifth share were generally employed by the bigger landowners. 'Jajmani' type of relations also existed where 'kamins' worked for their jajmans and received payment according to the norms of the caste system.

A network of credit relations was the life-line of this system. It was locaiy known as 'sahi-sammi' system. Sah or 'shahukar' was the professional moneylender who belonged to the 'bania' caste. The sammi (meaning a client) was the peasant. Every peasant, including the big landowners, had a shahukar who was the source of credit throughout the year. The peasants needed credit for payment of land revenue, at the time of weddings or some other functions in the family, for visiting the nearby village or town, and at times, even for consumption

The landless menials who worked as labourers or sharecroppers had an indirect relationship with the bania or the sah. The bania did not lend them directly unless they offered some collateral security which they rarely had. So, most of them had their accounts along with the account of a landowning peasant with whom they worked as attached labourer or tenant or promised to work for at the time of harvesting. Some of the tenants, particularly those from upper castes and with substantial holdings, also had direct access to the bania. Those menials who worked as kamins, i e, performed their caste occupations, depended on the jajman for their credit needs while the jajman himself might borrow from bania.

Banias supplied almost all the commodities required by their sammis. Even at the time of weddings and other social functions, it was the sah who arranged all the provisions and cash required for the function or for the dowry. The obvious source of recovery of his loans was the peasant's yield from the land. In fact it was a customary duty of the banias to scale the entire yield of the peasants They were perhaps the only people in the village who knew elementary mathematics and could do the scaling. After distributing the respective shares to tenants, sajhis and kamins, they themselves took away a substantial part of the yield in order to clear-off their accounts. And if there was still some surplus left, over and above the consumption requirements of the peasant's family, it was generally purchased by them. At times the banias did not leave enough for the consumption requirements of the peasant. This happened particularly with the smaller peasants whose standing debts often exceeded the surplus produced on land.

Peasants also sold ghee (clarified butter) to the banias. Since most of the peasants kept buffaloes and milk was rarely sold, the peasants made ghee out of the surplus milk and sold it to the bania who generally sold it in the town. At times banias took away the cattle in order to clear off the debts. Also, there were cases of land mortgages to the banias – a phenomenon extensively reported in the literature on agrarian change during the colonial period. In village-I a bania had even bought 12 acres of land.

The interest rate charged by the banias was not very high. All the aged respondents belonged to different social groups reported that they charged a monthly interest of one paisa for a rupee (64 paise added up to a rupee). Following Marx's distinction between the usurer and merchant moneylenders [Marx 1971], one can say that the object of the bania merchant-moneylender was not to earn interest as such, "but to control prices of purchase and sale, and ensure regular channels for the supply and disposal of commodities. Since rural traders could not always determine the price at which they sold their stocks to wholesalers in 'mandis', they attempted to exercise their control at the point of supply in the village" [Bhattacharya 1985:307].

Apart from the banias, there were some big landowners who lent money, usually against a collateral security or by mortgaging in land. They were usually those who owned big holdings and generally gave their land to tenants for cultivation. They also lent to their tenants and labourers with the objective of tying them. They generally charged higher interest rates compared to the banias. The other terms of their credit were also more stringent.

Along with the big landowners, the banias enjoyed a position of power in the village society which has been slowly eroded during the last four or five decades. The perpetual indebtedness of the majority of the peasants gave them a position of authority that could not be easily questioned. They rarely needed to use any coercive methods to recover their loans. However, the relations between banias and the peasants were often marked by tensions and mistrust. They were seen as exploiters and cheats by the peasants. The banias reported that their houses were often robbed by the local gujjars.

Along with the sahi-sammi system, another customary practice relevant here, was the 'neota' system. A wedding in a family is an occasion where a considerable amount of cash is required. Neota was a communal arrangement to meet the expenses on weddings and it functioned within the extended kinship network locally known as 'biradari'. The neotis were generally from within the caste of a person but the network of neotis, transcended village boundaries. All the biradari members were invited at the time of a wedding and it was obligatory for every member of the biradari to give some amount in cash to the host family. This payment of money was called the neota. The records of neotas received and paid was maintained by both the parties. The neota amount would be paid back, generally with an additional sum, when the other family had a wedding to celebrate. Even where one could not attend the wedding, it was considered obligatory to send neota through some other villager who was going to attend the wedding. In most of the weddings, particularly among the menial castes, the amount received as neota used to be enough

TABLE 1: AVERAGE STANDING DEBT OF VARIOUS CATEGORIES OF RESPONDENTS TO INSTITUTIONAL AND INFORMAL SOURCES

Category	Village-I		Village-II		Village-III		Combined		
	Insti-tutional	Infor-mal	Insti-tutional	Infor-mal	Insti-tutional	Infor-mal	Insti-tutional	Infor-mal	Total
Attached labourers	778 (17.5)	3,678 (82.5)	1,242 (18.1)	5,633 (81.9)	222 (2.7)	8,100 (97.3)	797 (12.1)	5,787 (87.9)	6,584 (100)
Casual labourers	2,594 (51.5)	2,444 (48.5)	2,333 (37.0)	3,967 (63.0)	1,321 (33.0)	2,679 (67.0)	2,111 (41.1)	3,024 (58.9)	5,135 (100)
Small and marginal farmers (less than 5 acres)	1,867 (23.9)	5,933 (76.1)	2,786 (31.5)	6,071 (68.5)	1,625 (27.1)	4,375 (72.9)	2,162 (27.7)	5,649 (72.3)	7,811 (100)
Middle farmers (5-10 acres)	9,000 (65.2)	4,800 (34.8)	18,625 (84.5)	3,375 (15.5)	9,667 (70.2)	4,111 (29.8)	12,773 (76.2)	4,000 (23.80	16,773 (100)
Big farmers (10-25 acres)	6,833 (62.6)	4,084 (37.4)	18,583 (82.3)	4,000 (17.7)	21,857 (73.9)	7,714 (26.1)	14,774 (75.2)	4,871 (24.8)	19,645 (100)
Very big farmers (more than 25 acres)	9,000 (93.1)	667 (6.9)	26,000 (87.2)	3,383 (12.8)	12,500 (87.0)	1,875 (13.0)	15,500 (88.1)	2,100 (11.9)	17,600 (100)
All categories together	4,087 (51.95)	3,781 (48.05)	9,207 (66.55)	4,628 (33.45)	6,790 (59.77)	4,570 (40.23)	6,745 (60.9)	4,323 (39.1)	11,068 (100)

to cover nearly all the expenses of the wedding.

A related system of credit that existed along with the neota-system was the 'bisi-ikkisi' system. While the neota was received at the time of the marriage, the expenses on dowry and the wedding had to be made in advance. Under the bisi-ikkisi system, a bania shahukar or a landlord financed the entire wedding and, after the wedding, for every Rs 20 ('bees-bisi') advanced he was paid Rs 21 ('ikkis-ikkisi') rupees from the money received as neota. If the neota was not enough to clear the entire debt, the balance was converted into a regular loan and the prevailing rate of interest was charged on it.

IV
Agrarian Changes and Emerging Patterns of Informal Credit

The neota system declined during the late 1950s and early 1960s. This was a result of the broader process of agrarian transformation experienced during the post-independence period. Development of capitalist relations in agriculture weakened the sense of 'community' that the 'biradaris' had. Some got employment outside the village. Some others did not need neota any more to finance a wedding. After the green revolution, some of the smaller farmers too could save on their own and did not need to depend on neotas for a wedding. Alternative sources of finance also became available. Once a few members defaulted, the whole system crumbled.

Surprisingly, the neota system had weakened even among the landless labourers though most of them continued to depend on credit for financing weddings. When asked 'why did you not continue the system?' they often reported, 'it is very difficult to keep the system going. One cannot afford to waste a day's labour for attending a wedding in a far-off village just for the sake of neota.' Some reported that 'others did not bother to return the standing neota amount so why should we keep paying'. However, the neota was not completely out, though it had lost its significance. Bisi-ikkisi system declined along with the neota system and so did the sahi-sammi relations.

The rise of a 'landlord class' under the leadership of Chottu Ram of the Unionist Party in early 20th century and the passing of the Land Alienation Act of 1901 had started weakening the position of the banias in relation to the big landowners in the local society. However, in the absence of alternative sources of credit, the sahi-sammi system continued without much change for a while and most of the peasants continued to depend on the banias for all kinds of credit needs. A major blow to the system came with the initiation of developmental processes during the 1950s. The success of green revolution during the 1960s and a simultaneous development of marketing networks where the surplus yield could be sold at competitive prices, led to a near complete transformation of the closed system of 'credit-production-trade' network. The sahi-sammi system was almost completely out by the late 1960s or early 1970s.

Initially the bigger landowners and gradually all categories of farmers, started taking their surplus yield to the new marketing centres locally known as 'mandis'. The surplus yield was either sold to the traders or to the official agencies through the 'arhtias' (commission agents). The central government started fixing a minimum procurement price. The market could no more fluctuate much. If the traders did not buy, the official agencies bought at the minimum procurement price. This took care of any possibility of 'distress sales'. In order to consolidate their business, the arhtias started advancing money to the cultivators for financing the crop provided the farmer promised to sell his surplus yield through the creditor arhtia. Thus, the new marketing network also provided an altenative source of credit. Simultaneously the Primary Agriculture Credit Societies (PACSs) came up and started advancing credit at cheap interest rates.

Once the villagers went out of the village to sell their farm yield, they also started purchasing from the mandis some of the commodities that had so far been supplied by the banias. Gradually the dependence of the peasantry on the banias declined. The banias started losing their business and faced redundancy.

The introduction of adult franchise and democratic institutions led to changes in the power structure at the local and regional levels. This further marginalised banias in the village society. On the other hand, increase in the productivity of land strengthened the economic position, particularly, of the big and the very big landowners. The introduction of *Panchayati Raj* provided them with the required institutional power as well.

Not only were there alternative sources of credit available, some of them did not need credit any more. The big/very big farmers could advance money to the labourers from their own savings. One consequence of this was a near complete erosion of the authority that banias enjoyed over the peasants. Some

TABLE 2 CATEGORYWISE NO OF RESPONDENTS FREE FROM VARIOUS FORMS OF DEBT

Category	No Institutional Credit Standing	No Informal Credit Standing	No Credit Standing Institutional or Informal	Total Respondents
Attached labourers	21	1	1	N=30
	(70 0)	(3 3)	(3.3)	
Casual labourers	17	10	5	N=45
	(37.8)	(22.2)	(11.1)	
Small and marginal farmers	13	4	4	N=35
	(37.1)	(11 4)	(11.4)	
Middle farmers	6	8	2	N=24
	(25.0)	(33 3)	(8.3)	
Big farmers	10	11	3	N=29
	(34 5)	(37 9)	(10.3)	
Very big farmers	7	14	5	N=22
	(31 8)	(63 9)	(22.7)	
Total	74	48	20	N=185
	(40.0)	(25.9)	(10 8)	

TABLE 3: CATEGORYWISE NEEDS FOR WHICH MAXIMUM AMOUNT BORROWED FROM INFORMAL SOURCES BY RESPONDENTS DURING LAST FIVE YEARS

Category	Consum-ption	Investment in Land/some Other Asset	House Const-ruction	Wedding	Illness in Family	NA	Total
Agricultural labourers	13	3	16	34	9	0	75
	(17 3)	(4.0)	(21.3)	(45.3)	(12.0)	(0)	(100)
Small and marginal farmers	4	15	5	8	1	2	35
	(11.4)	(42.9)	(14.3)	(22.9)	(2.9)	(5.7)	(100)
Middle farmers	2	9	3	4	0	6	24
	(8.3)	(37.5)	(12.5)	(16.7)	(0)	(25.0)	(100)
Big farmers	0	14	2	2	0	11	29
	(0.0)	(48.3)	(6.9)	(6.9)	(0)	(37.9)	
Very big farmers	0	7	0	1	0	14	22
	(0.0)	(31.8)	(0)	(4.5)	(0)	(63.6)	(100)
Total	19	48	26	49	10	33	185
	(10.3)	(25.9)	(14.1)	(26.5)	(5.4)	(17.8)	(100)

of the farmers even started challenging the banias. Incidence of the defaults of bania loans multiplied. The farmers would still buy things from the banias but would not give them the surplus farm yield and at times would not bother to even clear their accounts. In the emerging power structure, at the local and state level, dominated by the landowning castes, the banias could rarely expect the state agencies or police to help them if the cultivators defaulted.

The response of the banias was predictable. Over the years they had accumulated enough wealth to be able to shift to the emerging marketing centres, towns and cities. Some opened arhtia shops, some others started new businesses and still others took up government jobs. By the mid-1970s most of the bania families had migrated to urban centres. Those who did not migrate were the ones who were comparatively poor amongst them.

Out of some 20 bania families in the early 1950, only five were left in village-I. In village-II also, out of 22, only four bania families were left. One of them was a petty shopkeeper and the rest had their bread-winners employed as school teachers in schools around the village. In village-III, six out of 15 [illegible] still in the village. Three of them were petty shopkeepers and in the case of the other three, the earning members of the family commuted daily to the nearby town where they were employed. One of the bania petty shopkeepers in village-II reported, "it is becoming increasingly difficult to do business in the village. The villagers, particularly the landowning farmers, are bad customers. They purchase from us on credit but refuse to clear their accounts". His two sons were already settled in Delhi and he too was planning to join them soon.

Nature of Indebtedness

In the literature on agrarian indebtedness, an important distinction is made between the institutional and informal sources of credit. It is generally postulated that, with the process of development, institutional sources of credit tend to replace the informal sources. This change is supposed to indicate a substantive transformation in the agrarian structure. While indebtedness to institutional sources is viewed as an indicator of participation in the process of development, indebtedness to informal sources is seen to imply 'backwardness' and, if it is a dominant form of credit, such an economy is characterised as a pre-capitalist one where exploitation still takes place predominantly through usury [Bhaduri 1984; Prasad 1974].

Though 'informal credit' is not a homogeneous category and not all types of informal debt imply backwardness, this distinction can be a useful starting point for understanding the changing relations of credit and debt.

The literature on rural credit tends to suggest that the access to institutional credit in rural India is directly related to the landownership patterns. While the bigger landowners have, by and large, been able to monopolise the institutional sources, the smaller cultivators and landless labourers have continued to depend upon the informal sources of credit, indicating their non-participation in the process of development [Thorner 1964; Herring 1977; Frankel 1971]. While the data collected from the three study villages tends to support this thesis to an extent, the existing situation was far more complex than it would seem at first glance.

Out of the 185 respondents from different categories, there were 52 who had never borrowed from an institutional source and, among them, as many as 41 were either agricultural labourers or those farmers who owned less than five acres of land. Another 31 respondents from these categories had availed loans only under IRDP schemes. In contrast, out of 75 respondents who owned above five acres of land, as many as 64 (85.33 per cent) had been regularly borrowing from commercial banks or PACSs.

Table 1 provides information about the average indebtedness of the various categories of respondents to institutional and informal sources of credit in the three study villages. As far as indebtedness in absolute numbers is concerned, it was the big farmers (and not the very big farmers) who had maximum outstanding debt while the casual labourers were the least indebted category. But to take this fact at its face value would be extremely misleading. It is the source of credit, which also indicates the uses that the debt is put to, that is crucial. And here, it was the very big farmers who, on an average, managed to get maximum institutional credit. The attached labourers had the minimum standing debt to institutional sources. In contrast, the attached labourers, even in absolute numbers, had the maximum average informal debt while the very big farmers had the minimum.

Proportionately, the attached labourers (87.9 per cent) and marginal and small farmers (72.3 per cent) depended the most on informal sources of credit. Among casual labourers, this dependence was a little less (58.9 per cent). On the other hand, the very big farmers had borrowed only 11.9 per cent from informal sources. The other categories of farmers (middle and big) too had borrowed less than one-fourth of their credit requirements from informal sources.

The data pertaining to the number of respondents free from different types of debt also reveals, more or less, a similar pattern (Table 2). In general, the number of respondents had no informal debt (25.9 per cent). However, categorywise, out of a total of 30 attached labourers, 21 had no institutional debt while there was only one who was not indebted to an informal source. While among the big and very big farmers, only 17 out of 51 did not have a standing loan with an institutional source, the number of those in the category who had not borrowed from informal sources was also quite high (25 out of 51).

Though the data on the extent and nature of indebtedness to different sources could be a useful starting point, perhaps more important would be to understand the emerging patterns in the rural credit market and ask questions, such as, who borrows from whom?, for what kinds of needs? and, on what conditions? What is the nature of emerging relations in the credit market and how do these relations mediate or influence relations in the sphere of production, marketing and politics?

Needs for Credit

Though the source of credit does indicate the needs for which credit is required, the dependence on informal sources itself was of a different nature for different categories of resondents. As shown in Table 3, for the agricultural labourers, the most compelling reasons that made them borrow from informal sources were the weddings, followed by needs for house renovation/construction, daily consumption and illness in the family.

Table 4: Major Informal Sources of Credit Available to Various Categories of the Respondents

Category	Arhtias	Local Farmers	Petty Shop-keepers/ Local Money-lenders	Relatives/ Friends	Do not Need Informal Credit	Total
Attached labourers	0	29	0	1	0	30
Casual labourers	0	28	15	2	0	45
Small and marginal farmers	15	12	5	2	1	35
Middle farmers	19	1	0	1	3	24
Big farmers	25	0	0	0	4	29
Very big farmers	12	0	0	0	10	22
Total	71	70	20	6	18	185

Only three of them reported to have borrowed for some productive investment. In contrast, most of the cultivating farmers had borrowed for productive investments in land even when they borrowed from informal sources. While most of big/very big farmers rarely borrowed for any other needs, the small/marginal and middle farmers often needed to borrow for weddings, house construction and, at times, even for consumption.

Surprisingly, not many respondents needed to borrow for consumption requirements. Only some agricultural labourers and a few small/marginal farmers reported that they had to regularly borrow for the daily consumption needs. Two factors seem to be responsible for this. First, the success of the green revolution led to an increase in the income of different strata of the society and so most of them could take care of their consumption requirements.[3] Second, consumption goods were easily available from the local petty shopkeepers on a six-monthly credit basis for which no interest was charged. Therefore, it was rarely reported as a debt by the respondents.

One of the critical needs for which respondents, particularly the labourers and smaller farmers, had to depend upon informal sources was a wedding. Dowry and a social function being necessary parts of a wedding, it involved a considerable amount of expenditure. Though dowry was still not a very serious problem among most of the social groups in the study villages, it was considered essential.

The success of the green revolution has promoted a consumption culture at least amongst those who have the surplus. A growing tendency to give consumer goods as part of the dowry among the richer farmers could be easily observed. But its extent was still much lesser than amongst their urban counterparts. The total expenditure on a wedding varied between Rs 5-15,000 among labourers and marginal farmers. Among other categories it went up to 50,000 or at times even up to Rs 75,000.

While labourers and smaller farmers often borrowed for unproductive expenditure, the middle and bigger farmers generally borrowed for investments in land. Out of 77 farmers (including small/marginal farmers) who reported having borrowed regularly or occasionally from informal sources, in 45 cases, they had borrowed the maximum for investment in land or for purchasing some productive asset. In most of these cases, the amount was borrowed for short-term investments on crop.

Sources of Informal Credit

Broadly speaking, there were five categories of moneylenders in the informal credit market. They differed in terms of their social background, the kinds of loans they advanced and their clientage. These were, first, the petty moneylenders who were generally small and marginal farmers; second, the petty shopkeepers; third, the big/very big farmers; fourth, the arhtias and fifth, the relatives and friends (if they can be described as a category of moneylenders).

Table 4 shows the source of credit available most easily to the different categories of respondents. While for agricultural labourers the main source available was the local big/very big farmers, for the farmers, in general, and for the middle to very big farmers in particular, it was the arhtias in the mandis. Out of the 92 respondent farmers who occasionally or regularly borrowed from infomral sources, for 71 (77.2 per cent), arhtias were the main source. However, a majority of the small and marginal farmers depended upon the local informal sources because arhtias did not advance them enough to meet their credit requirements.

A detailed discussion of the different categories of informal credit, their clients, nature of their credit and the kind of obligations it involved may help in developing a clearer understanding of the structure of the informal credit market.

Petty Moneylenders

Though not of much significance, the petty moneylenders existed as a qualitatively distinct category of moneylenders. Most of them were small or marginal landowners who could be self-cultivating or leasing out their lands to other farmers. Some of them were aged persons with a small or no family. One of them was also a widow. They usually lent small amounts — ranging between Rs 100-150 and the total capital they operated with was not much either. It varied between Rs 5,000-Rs 30,000 or in some cases a little more.

Their clients were understandably from the lower strata of the village and most of them were personally known to the moneylenders. If the current was new or the moneylender did not trust him, he was rarely advanced a loan without a collateral security. The collateral security was usually ornaments. There was also a case where a moneylender had advanced Rs 10,000 to a marginal farmer against mortgage of an acre of land.

Unless against a collateral security, petty moneylenders advanced loans for short periods only — ranging between two months to six months. Generally, the amount was returned after the harvest and in case the borrower was unable to pay the entire sum, he paid the interest while the principal amount kept standing till the next harvest.

Petty moneylenders' loans were generally costlier than other sources. The minimum interest they charged was 2 per cent monthly though very often up to 3 or even 5 per cent monthly rate was charged. They rarely lent without taking signatures or thumb impressions of the borrowers in their account books. In some cases they also sought a witness. Though it did not have any legal value, it helped the moneylenders in realising the amount. In case of default, the 'agreement' could be used to put social pressure on the borrower including through the panchayat. Making a case of default harmed the status of the borrower and he lost his creditworthiness in the local market.

Petty Shopkeepers

The decline of the sahi-sammi system on the one hand, and growing purchasing power in the rural society on the other, gave rise to a new economic activity, i e, petty shopkeeping. Though some of the farmers bought consumption goods from the mandi or the nearby town, there were many who did not have enough surplus for buying everything from the urban market. The petty shopkeepers fulfilled this gap. Their shops were like mini departmental stores where items ranging from green vegetables to sugar and shoes and, in some cases, even clothes were available.

Though, like the traditional shahukars, they also sold on credit, their primary interest was in the profit from sales and not in securing control over the farm yield of the borrower.[4] Thus they were very different from the traditional shahukars. Village-I had 25 such shops while village-II and III had 15 and 10 respectively. Petty shopkeepers came broadly from three different social categories. First were the banias, some of whom were themselves shahukars earlier. Second were the Punjabi aroras, who came from western Punjab at the time of the

Table 5: Monthly Interest Rates Usually Paid on Informal Debt by Different Categories of Respondents

Category	1	2 (Per Cent)	3	5	No Interest Paid	NA	Total
Attached labourers	0	22	3	0	5	0	30
Casual labourers	0	32	9	2	2	0	45
Small and marginal farmers	0	22	5	0	7	1	35
Middle farmers	1	16	2	0	2	3	24
Big farmers	0	15	0	0	10	4	29
Very big farmers	0	8	0	0	4	10	22
Total	1	115	19	2	30	18	185

partition and settled in the region and third, a relatively new category, was that of the marginalised landowners who found their holdings unviable and opened such shops for additional income.

Petty shopkeepers were quite an important category in the local credit market. They advanced two types of credit. One, in-kind credit, i e, the consumer goods sold on credit; and two, cash credit. Most of the households had their account with at least one of the petty shopkeepers in the village and bought goods of daily consumption on credit. Depending upon the past experience and economic status, a petty shopkeeper advanced between Rs 100-Rs 2,000 worth of goods to a single family The accounts were generally cleared at the time of harvesting and only in a few cases did it go beyond a six-month period.

Most of the customers cleared their debts with cash payments from the money received after selling their surplus yield in the mandis. A few small/marginal farmers and labourers also paid them partly 'in-kind'. They gave them paddy or wheat (farm surplus/in-kind wages) to clear their standing debts. However, this was very different from the traditional sahi-sammi system. The shopkeepers was paid in-kind because it was convenient. The prices for farm products that the shopkeeper paid was at par with the prices in mandis and it saved the farmer the trouble of taking the yield to a mandi. Being marginal in the local power structure, these shopkeepers could rarely, if ever influence the prices.

For the petty shopkeeper, more important was the fact that his account was cleared. He did not mind payment in kind. Some of them even had the economic position to be able to store wheat or paddy and sell it when the prices went up.

The second category of their credit, i e, cash loans, were not very different from the loans of 'petty moneylenders'. They too lent small amounts of cash, generally to agricultural labourers and small/marginal farmers. The range and conditions of their cash loans were quite similar to those of the petty shopkeepers. However, they also advanced, what can be described as 'arranged credit', or what Bhalla calls 'managed borrowing' [Bhalla 1976]. This is an arrangement between three parties — the borrower who is generally an agricultural labourer, the lender, i e, the shopkeeper and a third party guarantor who is generally a big landowner who does not want to lend to a labourer because he himself is not sure of being able to recover the debt and yet would like to oblige the labourer

Moneylending by Big Farmers

Crediting by big/very big farmers was more than just another form of moneylending. In most cases, they did not lend merely for earning interests. Their loans carried other obligations that influenced the social relations of production and the village politics. These loans played important mediating role in reproducing relations of dependency between landowning farmers and the labourers [Breman 1974; Brass 1990; Jodhka 1994].

The prosperity ushered in by the green revolution was not equally shared by every one. On the contrary, capitalist development in agriculture widened the gaps, particularly between the landless labourers and the substantial landowners. Though demand for labour went up, labourers still had only subsistence level of income. So, whenever, there was an additional expenditure, such as on a wedding or renovation of a house, or in case of a serious illness in the family, this category of villagers often had to borrow. Since employment in agriculture was not available throughout the year, agricultural labourers often had to borrow for meeting consumption requirements itself.

As mentioned above, in most cases the only source available to the labourers were the big/very big farmers. As shown in Table 4, for 50 out of 75 labourers interviewed, they were the main source of credit. Even for the small/marginal farmers, they were an important source of credit

Development of agriculture has, on the one hand, helped the bigger farmers generate enough surplus to be able to lend but, on the other hand, the practice of sowing multiple crops and high yielding varieties has also made them look for assured and timely labour supply. Crediting helped them tie labour. It also helped them in the village politics. Out of the 58 farmers who regularly lent money, as many as 41 reported that the primary reason for lending was either exclusively to tie the labourers (23) or with a dual interest of earning interest and tying labour (18). Only eight of them reported that they lent just for earning money.

There were broadly two types of labour-tying-credit advanced by the farmers. First, for peak season labour-tying to the casual labourers and second, to the attached or permanent labourers to keep them committed to the farmer for the whole year or, at times, even longer. While attached labourers 'mortgaged out' their labour power for a whole year against an interest free credit in the form of advance wages [Jodhka 1994], the casual labourers promised to work, generally with their families, for the crediting farmer during the peak seasons such as during harvesting or paddy transplantation.

The amount lent for the peak season labour tying depended upon the labour requirements of a farmer and family size of the labourer. If the labourer had a large family to work in the fields, he could get more loans. Similarly, a smaller farmer lent lesser amount because their need for labour was limited. They lent between Rs 50 to Rs 200 whereas the bigger farmers lent up to Rs 500 to a single family and in total up to Rs 2,000 for this purpose. This credit was generally advanced two weeks to three months before the peak season. However, if the amount was more than Rs 50 interest was usually charged at the rate of 2 per cent monthly. A farmer in such cases lent up to a maximum of Rs 10,000.

Though some of the small/marginal farmers also lent money for tying labour, most of them could not do so very effectively. A majority of the big farmers lent to tie labour. This resulted in selective employment preferences by labourers. Many small farmers reported that they had to wait to get labour during the peak seasons because the labourers first worked with the big farmers.

However, loaning rarely influenced wages. Only two farmers reported that loaning helped them in getting labour at cheaper rates. And none of the labourers repored to have worked at wages lower than the prevailing wage rates in the village when they borrowed in advance from the farmers. Neither did any of the labourers report to have worked with any specific farmer for the reason of being afraid of physical coercion. When a labourer preferred working with a particular farmer, it was usually out of 'mutual favour' or 'lihaz' rather than 'physical coercion' or 'dabav', going by what was reported by some of the labourers as well as the farmers. It may be important to mention here that these relations did not fit into the category of what Thorner had called the 'beck and call' system. Unlike the 'naukar' or 'sajhi' system, it did not have a local name and it did not function as a system or produce serious dependencies of the labourers over the moneylending farmers.

The permanent or attached labourers were a perpetually indebted category. As I have discussed elsewhere, the reason why workers chose attached labour was almost always a need for credit and, in the absence of an alternative source, they had to 'mortgage-out' their labour power to secure interest-free loans in the form of advance payment of the annual wage [Jodhka 1994]. Big farmers not only paid them the wages in advance, they also did not mind lending more than the annual wage. Though they often charged an interest of 2 per cent monthly on these loans, the main interest of the farmer was generally in making sure that the labourer continued working with him for the next year.

However debt could not always discipline the labourers. These relations were marked by tensions and conflicts. There were cases where a labourer refused to pay back the outstanding debts and also refused to work with the farmer. One of the consequences of the growing tensions was a trend towards a decline in the system of attached labour.

Just as the middle/big farmers were the main source of credit for agricultural labourers, the arhtias were the principal sources of informal credit for the farmers. Out of the 92 respondent farmers who reported to have been borrowing from informal sources, arhtias were the main source for 71 (77.2 per cent).

The green revolution not only increased productivity, it also multiplied expenses on land. HYV seeds, fertilisers and pesticides were all to be bought from the market. With banias no more left in the village, farmers needed alternative sources of credit. Institutional credit remained limited to some specific categories of cultivators only and did not fulfil all kinds of needs.The arhtias provided a viable alternative.

Development of marketing networks was one of the components of the developmental efforts. The mandis were opened to provide an alternative to the traditional system of commerce such as the sahi-sammi system. The first mandi in the region came up in 1945 but it was only during 1950s and early 1960s that the mandis became popular with the farmers. Arhtias were the middlemen through whom the farmers sold their yield to the private traders or to the state agencies. The arhtias received a fixed amount of commission on sales of farm yields. Their business was dependent upon the amount of farm surplus that farmers brought to them. So, in order to assure their business, they started advancing to the client farmers. The form and contents of their loans was something in between institutional loans and the local informal credit.

Arhtias had a fairly good assessment of how much wheat or paddy a particular farmer was likely to bring to them. They generally advanced up to 50 to 60 per cent of the value of the expected yield. The amount was usually advanced by taking signatures or thumb impressions of the borrower farmer in an informal account book. Arhtias rarely asked for security. When a farmer approached an arhtia for the first time, he was asked to bring an 'introducer' from his village who already had business with the arhtia. The arhtia would cross-check about the 'character' of the new client, his land and standing crop, etc, from a few other farmers from the same village and, if he was satisfied, he would advance money to the new client. Even in the case of his regular clients, the arhtias kept information about the standing crops in their fields on the basis of which they assessed how much they could safely advance to a particular farmer. Their sources of information were the farmers themselves from whom they kept inquiring about one another's standing crops and expected yields.

Arhtia's credit was much more flexible than the institution loans. Though most of the times farmers borrowed for their short-term investments in land, they could also get money for a wedding in the family, consumption requirements or even for purchasing land and farm machinery. Arhtias rarely bothered about the uses their loans were put to as long as they were sure that the farmer would be able to clear off the debt. Though in most cases arhtias charged interest at the rate of 2 per cent monthly, the prime motive of their lending was commercial. They were interested in the farm yield. By advancing money, they assured their business. And unless the money was advanced, they could not expect much business. On the other hand, an indebted farmer not only sold his yield though the arhtia from whom he borrowed, crediting also made it sure that the farmer took his farm yield to the mandi even if he had no 'surplus'.

This compulsion was obviously felt mainly by the smaller farmers. The bigger farmer felt no such compulsions. They often had more than one arhtia and sold their yield in more than one mandi. One of the big farmers reported that during the previous year he had taken his superior quality (basmati) paddy to a mandi located around 40 km away from his village because the prices were higher there (the nearest mandi was just four km away).

Arhtias were fairly united in relation to the farmers. They did not encourage the farmers to shift from one arhtia to another within a mandi. Perceptions of farmers about their relationship

with arhtias were largely positive. It was only the marginal and small farmers, who also depended more on their loans, who had complaints against arhtias. They felt that arhtias cheated by manipulating the scaling of their yield and charged higher prices for fertiliser bags, pesticides or seeds bought from or through the arhtias. However, arhtias were not powerful enough to dictate terms to the farmers or fluctuate prices.

The main attraction of their credit was their easy availability. Farmers generally had very informal relations with their arhtias. Whenever they needed credit, they had to just sign on the account book and they got the money. At times a farmer could get the money by simply sending a note through another person. In contrast, most farmers found institutional credit quite cumbersome. Also, many small farmers had to borrow from arhtias even if they had 'crop loan' accounts with banks because their needs exceeded the maximum amount they were allowed to borrow for the crop. Some expressed apprehensions because of the prevailing corruption in the local PACS or they were afraid of the institutional credit as such [for details see, Jodhka 1995a].

Credit Relations Among Relatives and Friends

In 'traditional' societies, a part of the credit needs are met by what Weber describes as 'neighbouring help' [Weber 1978: 361]. Many anthropological studies have reported the existence of such relations among neighbourhood groups where people depend on each other for help both in daily life and in times of crisis. This 'subsistence credit' is generally interest free [Dewey 1964; Abraham 1985].

Though social relations had changed considerably, and in most cases even the informal credit relations seemed to be operating within the logic of a capitalist market, there still existed some kind of 'neighbourhood credit relations' in the study villages. These relations were generally among relatives. However, in the total credit transactions, it was at best a marginal phenomenon. If the amount borrowed was up to about one thousand rupees and it was not borrowed for more than a month or so, generally no interest was charged. In other cases, with the exception of some relations, a monthly interest of 2 per cent was charged. In case of a 'delicate' relationship, such as with a son-in-law, it was unlikely that interest would be charged at all.

Some respondents from the lower castes/ agricultural labourers reported that if they approached their relatives for credit, it harmed their 'prestige'. The relative might think that "we had so bad an image in the village that we could not avail credit on our own from the village". These loans obviously carried social obligations. However, these are of little significance as far as the overall logic of agrarian relations in the present day Haryana agriculture is concerned.

VII
Interests and Securities in Informal Debts

The demand and supply principles of textbook economics seemed to have only limited relevance in the determination of interest rates in the informal credit market. Apart from economic variables, it depended on various sociological factors such as the status of an individual in the village, his class and caste background, etc. The logic of production relations and factional politics also played a significant role in the determination of interest rates. The source of credit available to a specific borrower was important too.

As given in Table 5, out of 185 as many as 115 respondents usually paid 2 per cent monthly interest rate. Another 19 paid back at the rate of 3 per cent. There were 30 respondents who could generally get credit without paying any interest. Two respondents reported that it was very difficult for them

to get credit from informal sources and they had to usually pay up to 5 per cent monthly interest rate if they needed to borrow some money from an informal source.

The petty moneylenders usually lent at 3 per cent monthly interest rate though at times charged up to 5 per cent monthly. Only in those cases where a collateral security was offered, or where the amount was lent to a 'trusted' person, they would charge 2 per cent monthly. Petty shopkeepers charged in a similar fashion. The arhtias generally charged 2 per cent monthly. In some cases, they did not charge any interest if the farmer borrowed occasionlly and the amount borrowed was small. In some other cases an arhtia neither charged any interest from a farmer, nor did he pay him any if farmer's money was withheld for more than a month. In a few cases, they also charged up to 3 per cent from smaller farmers, if the amount lent exceeded the expected yield of the farmer.

The credit of the big/very big farmers was the most complex. In most of the cases, they charged 2 per cent interest but it depended on the relationship of the borrower the farmer. For example, the money lent for labour tying was generally interest free. Similarly, a farmer would lend to a small farmer or an agricultural labourer with the intention of patronising and winning him over to his side in village politics. Yet in some cases, they were also known to charge up to three per cent monthly interest rates.

At times, apart from interest, collateral security was also required for availing credit. However, a substantial part of informal crediting operated without any securities. Only in some cases did the creditor demand security. These were generally the cases where the borrower was not trusted by the lender and the amount needed was more than a few hundred rupees. These borrowers were almost always landless or small and marginal farmers.

Mainly two types of securities were given – ornaments and land. When land was mortgaged against a specific amount of credit, no interest rate was paid to the lender. The lender cultivated the land or shared it out either to the borrower or to some other farmer. In most of the cases, land was mortgaged in by landowning self-cultivating moneylenders. One petty shopkeeper in village-I had also mortgaged in one acre of land against a debt of Rs 10,000. The land remained with him for three years. Ornaments were preferred most by the petty moneylenders/petty shopkeepers. It was generally the landless labourers who gave ornaments as security. When a collateral security of ornaments was given, the interest rate was moderate, usually 2 per cent monthly.

Perhaps more important than the collateral security were the other social obligations that the informal credit carried. As mentioned above, an agricultural labourer had to 'mortgage' his labour power (labour tying) for availing credit. Small and marginal farmers and agricultural labourers had to reciprocate in social and political life, particularly when credit was taken from the local big and very big farmers or from relatives.

Informal Credit and Rural Power Structure

The issue of relationship between credit and the structures of power and domination in village society is rather complex. It was not possible to collect any quantifiable information on the subject. Yet there existed a clearly identifiable connection between the two, though not in all types of informal credit relations. For example, there existed no relation, whatsoever, between the petty shopkeepers' credit or petty moneylenders' credit and the local politics. Those who lent exclusively for earning interest, as was the case with these two categories, made it a point not to demand anything other than the interest from their clients. Similarly arhtia who was the most important informal source of credit for farmers had nothing to do with the village politics.

It was mainly the big and very big farmers who had stakes in local politics. They were most interested in capturing the local institutions of power. Factions in the village were led by them. The village sarpanch usually came from this category. Numerically constituting the largest group, they qualify to be treated as the 'dominant caste'. As discussed above, in the local credit market, they were one of the main sources of credit particularly for the marginalised sections, such as the lower castes who also worked in their farms as casual or attached labourers. Being the poorest among the poor, they almost regularly needed credit. Some of the marginal farmers also depended on the big/very big farmers for their credit needs.

There was sufficient evidence to suggest that the bigger farmers were able to exert influence particularly on the labourers because of the credit dependence of the latter on the former. They used this influence for consolidating their factions in the village politics. Most of the attached labourers and formerly attached labourers reported that as an attached labourer, one could not afford to offend one's farmer, particularly because of the credit dependence. During panchayat elections, the big/very big farmers tried to mobilise their attached and casual labourers in favour of their factions. There were some cases where, the farmer himself being a candidate for the post of sarpanch or panch, his attached labourers actively campaigned for him. Credit was more easily available from a political aspirant or a leader of a faction. Those who needed credit often, tried to keep their lenders happy by voting in their favour. For example, a casual labourer from village-II made a subtle comment on the relationship of credit and village politics. To quote him:

> A labourer has to keep the 'zamindars' happy. We often need credit from them. They give us employment too. During the last panchayat elections, there were two candidates from the two main factions. Both were big farmers. I did not want to antagonise any one of them. I have two votes – mine and my wife's. So, we casted one each to both the candidates.

(An important fact to be noted here is that apart from the two big farmer candidates, there was also a lower caste candidate belonging to the caste of the respondent. But the respondent did not even consider him for his vote.)

However, credit or indebtedness could not always influence local politics as per the wishes of the big farmers. Increasing formalisation of relations in the village society and growing tensions and conflicts, particularly between labourers and big farmers, are significant in this context. In many cases, the labourers did assert. For example, during a group interview one labourer, chamar (SC) by caste, reported:

> During last assembly elections, a jat farmer wanted us to vote for the party of his choice. We decided not to oblige him and voted for the candidate of our choice. This offended the farmer. He immediately asked me to return the three thousand rupees which I had borrowed from him. I arranged the money within a week from a bania and paid back the amount though I had to pay a little higher interest rate.

The caste biradaris were also important in local politics. Biradaris generally acted collectively during the local elections and at the time of assembly elections. Even if a member of a caste was an attached labourer or otherwise indebeted to a farmer, he had to give considerations to the wishes of his caste biradari as well. If the farmer was able to influence him to vote in his favour, the biradari in such cases did not allow the individual labourer to campaign for the candidate of his farmer's choice.

Apart from the changes in the relations between farmers and labourers that accompanied agrarian change, programmes like IRDP were also being used as alternative sources of credit by its beneficiary labourers [Jodhka 1995b]. There was a process of weakening of the authority of creditor farmers over the borrower labourers and marginal farmers. This had also led to a squeezing of the informal credit market. Some labourers, particularly from village-I and II, reported that it was becoming increasingly difficult for them to get credit. The moneylenders too felt hesitant to lend in the local market. Ram Chand, a big farmer (14 acres), had been a regular moneylender. He generally lent to small/marginal farmers and agricultural labourers. He charged an interest rate of 3

per cent monthly. Presently, he had Rs 20,000 advanced to different persons. Apart from this he also had one acre of land mortgaged in from a marginal farmer for Rs 9,000. During the last five or six years he had intentionally contracted his business. As he put it:

> Till a few years back, we used to lend more than what we do now. The environment ('mahol') in the village is changing and lending has become more risky. The demand has not decreased but we hesitate to lend, particularly, to labourers. Earlier they themselve paid back in time We used to lend to a single person up to Rs 10,000 Now things are different. They borrow but do not care to return in time. So now we do not lend them more than Rs 2,000 Usually, we try to get a collateral security.

Another big farmer whose family had been in the business of moneylending for the three generations elaborated more on this process:

> The situation has changed particularly during the last four or five years. This change has come about with the increasing popularity of the subsidised bank loans (IRDP) given to the labourers Earlier, the labourers were exclusively dependent on us for credit. We could trust them. We lent them up to Rs 10,000 and at times even more

An additional factor responsible for this change was the weakening of authority of the village panchayat. Initially, a few big/ very big farmers violated the panchayat decisions. This led to an overall erosion of the authority of the institution Then, even the lower castes did not bother much about the village panchayat. So, if a moneylender took a case of default to the panchayat it did not necessarily have the desired impact.

A related tendency was the growing incidence of 'arranged credit'. The big farmers, instead of lending to the labourers themselves, preferred to become guarantors In these cases, the amount was generally advanced by the petty shopkeepers and a big or very big farmer had to provide surety. In this way, he was able to oblige the labourer and at the same time he did not have to bother about getting the money back. It was easier to get the money back for the petty shopkeeper or a professional moneylender than it was for the farmer. These changes had led to a change in the equation between power and credit. Though credit relations had not become completely formalised, the relationship of credit with power was more complex and less decisive than it was a few decades back.

VIII
Conclusions

Being exploratory in nature, the primary question for the study was to identify emerging patterns of relations in the informal credit market. The context of such a study is provided by the agrarian transformation experienced during the post-independence period and the increasing popularity of institutional sources of credit. Though it may not be very difficult to identify elements of continuity, the changes experienced during the last four or five decades are also very significant. The bania-centred traditional credit market, i e, the sahi-sammi type of relations had been completely transformed. It is difficult to identify just a single dominant factor that has brought about this change. One has to look at the way various factors come together and produce such a change from a historical perspective.

The liquidation of traditional bania moneylenders does not merely mean a change in the source of credit available to the cultivators. It has also meant a significant change in the rural power structure. Coupled with other factors, it has paved the way towards a growing domination of the rich landowners from the middle level agricultural caste groups. This section was already an important component of the rural society and the withdrawal of banias led to a near complete monopoly of this category in the local power structure. To some extent this change is also reflected at the state level politics.

The arhtia-farmer credit relations may appear to be very similar to the traditional sahi-sammi kind of system, but the two are very different substantially. Despite the fact that the arhtias did lend primarily for commercial reasons, i e, to make sure that the farmers brought their surplus yield to the market, this operated within the broader logic of a market economy and is closer to what Harriss described as 'compulsive market participation' [Harriss 1987] rather than the 'forced commercialisation' of semi-feudal nature

Notes

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1 A large volume of historical literature is available on various dimensions of the agararian changes and peasant indebtedness during the colonial period. [See, for example, Raj et al (eds) 1985; Darling 1947; Moore 1966, Desai 1979, Dhanagare 1983; Hardiman 1987.]

2 This paper is a part of a broader study of agrarian change and debt dependencies in Haryana agriculture. Field work for the study was carried out during 1988-89 over a period of six months. Apart from observations and interviews with various categories of people, 185 case studies of farmers and labourers were conducted.

3 The recent study by Shergill and Singh of poverty in the post-green revolution Punjab tends to confirm this [Shergil and Singh 1995].

4 All the respondent shopkeepers reported that it was impossible for them to do business in the village unless they sold on credit. Nearly 60 to 70 per cent of their total business was on credit.

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Call for Adjustments in Structural Adjustment

M H Suryanarayana

Structural Adjustment and Agriculture: Theory and Practice in Africa and Latin America edited by Simon Commander; James Currey Publishers, London; pp 250, paperback £ 11.95, hardback £ 30.

SINCE the 1980s, there have been considerable programme lending by the Bretton Woods twins particularly to the sub-Saharan African and Latin American countries to overcome problems caused by low economic growth, persistent balance-of-payments disequilibria and high levels of domestic imbalances. Given the growing indebtedness among developing countries, declining terms of trade and the presence of high interest rates, such adjustment lending is likely to increase. For countries of sub-Saharan Africa and Latin America, where stabilisation and adjustment programmes were constrained by institutional and market rigidities as well as high external debt and domestic inflation, the costs of the programmes turned out to be very high depending upon the scale and rate of supply response, and demand reducing effects of expenditure reducing process. In this context, the book under review examines the suitability of classic stabilisation programmes and the appropriate ways of attaining structural adjustment through supply-side responses. This is because the core of conventional adjustment programme consists of expenditure reduction and expenditure switching processes wherein the latter involves shifts in relative output prices in favour of tradables and hence largely agriculture which is the principal source of tradables output in these countries. This naturally raises questions about the instruments used for expenditure-switching, how the country goes about undoing the discrimination against agriculture through pricing, marketing and taxation and how far such reform measures can be made more effective through public investment and sector-specific interventions.

The volume under review attempts to address such issues with special reference to agriculture. It is a collection of essays classified into four parts: the essays in the first part deal with the framework of adjustment by incorporating the agricultural sector; the second part consists of multi-country studies that examine the consequences of the programme in terms of rural poverty alleviation, food security and nutrition; part three consists of country case studies of the adjustment programme which bring out the weaknesses in terms of reduced effectiveness of price reforms due to infrastructural constraints and market rigidities, weak supply responses and inadequacy of prior policies and hence emphasise the need for complementary policies such as public investment and sector specific interventions; and the fourth part contains an overview of the adjustment experience and indicates some options to deal effectively with the inefficiencies in the adjustment mechanisms.

Part one begins with a survey of issues and option in the design of structural adjustment for open economies by Streeten. Generally adjustment programmes are carried out to reduce or eliminate balance-of-payments deficit, achieve higher rates of growth and secure structural changes so as to insulate the economy against future shocks. An appropriate strategy depends upon the nature of shocks necessitating such adjustments, types of adjustment mechanisms resorted to, their social costs and the form and degree of government intervention. But quite often the Fund-supported programmes are criticised for being excessively preoccupied with short-run to medium-run stabilisation and external adjustment, neglecting long-run development issues, treating welfare related issues as secondary goals and being oriented towards domestic price, domestic credit and exchange rate measures. The bases for such criticisms are examined by Johnson. He outlines the analytical framework used to consider the role of agriculture in the adjustment programmes, the emphasis on terms of trade of agriculture and its aggregate supply response, and how the different parameters and pricing strategies emphasised in the programmes influence aggregate marketed output. The criticisms against standard IMF programmes *vis-a-vis* structural adjustment and the limits on the effectiveness of different IMF programme instruments are examined in the concrete sub-Saharan African context in detail by Green. In the light of the findings, Green sketches out a programme, parallel to the IMF programmes, which will be more viable. Given the critical importance of agricultural aggregate supply response to changes in the internal terms of trade in adjustment programmes, Chibber's careful review of empirical estimates of supply responses and choice of variables therein highlights the importance of non-price factors like provision of public goods and services in a balanced policy package to raise agricultural productivity. Agricultural productivity cannot be raised only by changing the incentive structure faced by farmers since supply response is also conditioned by available irrigation, research and extension services, power and other infrastructure. If so, adjustment programmes involving indiscriminate and across-the-board reductions in public expenditure programmes could even negate the expected supply responses from improved price incentives.

In much of the literature on implications of adjustment programmes for the poor, the focus has been on ex-post analysis of causative factors, identification of the affected poorer groups, and possible government transfers to mitigate the social costs. But the study by Addison and Demery is a refreshing outlier. They point out that the trade-off between poverty alleviation and the objectives of structural adjustment are complex. For instance, in countries with substantial rural landless poor depending on the market for foodgrain requirements, any increase in foodgrain prices to encourage production will have adverse effects on these poor. One strategic option in such cases would be measures to enhance access of the poor to productive assets so as to enable them to share the income gains from producer price increases and reduce the adverse effects on consumption. They emphasise assisting the poor through the processes that generate their primary incomes coupled with targeted allocation of scarce public resources on the most needy families. Pinstrup-Anderson, in this context, shows that Sri Lanka, Mexico, Brazil and other Latin American countries reviewed in the study experienced a decline in real wages along with an increase in food prices. These factors, combined with increased unemployment and reduced access to government services and transfers, led to a deterioration in the nutritional status particularly of the poor as shown by quantitative evidence. The study synthesises the current state of knowledge and factual information on short-term effects of adjustment policies on food security and nutritional status of the poor, its implications for structural adjustment policy design and action programmes for improving food security and nutrition of the poor.

Among the country studies in part three, Commander, Howell and Seini examine the impact of the IMF-World Bank interventions and the Economic Recovery Programme

pursued in Ghana since 1983 on the agricultural sector, illustrate the micro level impact of changes in producer and input pricing policy with a survey data of a core cocoa region, review the role of public sector agencies with respect to agriculture and the options available for further improvement including the feasibility of transfer to the private sector. Given the theoretical framework of the adjustment programme elucidated in part one and also given the emphasis on domestic policy inadequacies as being the causes for the economic downturn of last two decades, what strikes one most about the Ghana programme is its reliance on a limited range of policy instruments, particularly exchange rate and domestic relative prices with the primary focus on reviving the cocoa sub-sector. That increasing the relative prices of cocoa *vis-a-vis* foodgrains which, in addition to its adverse distributional implications, is likely to result in foodgrain shortfalls in a decade shows the limited time perspective and limited focus on human dimension of the adjustment programme. Even the short run costs of the adjustment programmes in terms of declining per capita incomes for urban inhabitants and non-cocoa farmers, rising unemployment compounded by substantial lay-offs in the public sector and reduced budgetary allocations for health and education have been heavy. The evidences from the survey do not lend any support to the pre-conceived notions of the Bretton Woods twins that public provision of services to farmers is highly inefficient. Inadequate infrastructure has been a major bane which hindered exports and marketable surplus; budget restructuring under the reform programme only perpetuated the situation.

The study on the Zambian reform programme by Kydd brings out the importance of the synergy between macro- and sectoral-level reforms. Inappropriate sequencing of reforms and the inadequate emphasis on agricultural reforms turned out to be an internal constraint on the adjustment programme. This coupled with the lack of institutional and political perspectives in adjustment strategy formulation seriously hampered the implementation of the reform programme. The social cost of the adjustment programme could have been reduced by raising efficiency of the food system. The study by Commander, Ndoye and Ouedrago for Senegal demonstrates the limitations of the IMF criteria in evaluating adjustment programmes and providing directions for development strategies. The programme, though radical, appears successful in terms of reduction in current account deficit and public expenditure. But the reduction in public expenditure has been across-the-board and arbitrary. Weak revenue performance due to deflationary economic policies necessitated increased recourse to external borrowing. The reduction in current debt servicing is due to substantial rescheduling and not due to any improvement in the tradables sector and overall economic growth. The emphasis on reduced budgetary transfers to the agricultural sector has been at the cost of a long-term strategy for the latter.

Most of the solutions formulated for promoting efficiency – efficiency of parastatals and of general resource use – in terms of reduced state interventions are based on unsustainable assumptions. The incentives provided by increases in producer prices of foodgrains have to be evaluated at a discount given their adverse welfare implications since the self-sufficiency of the average farm household is only about 65 per cent and the supply responses are low because of physical constraints. More than resource use efficiency, what is at stake are productivity-raising measures. Conventional trade theory is of limited use since Senegal does not have comparative advantage for any of the major agricultural crops. All these constraints call for public interventions as an integral part of a long-term strategy for undoing the suboptimal agricultural technologies and investments.

Morocco sought to go about the agricultural structural adjustment programme by restructuring public expenditures and investments towards quick maturing and high return investments, altering prices and incentives framework in favour of economically sound alternatives in agriculture, strengthen and rationalise the public sector role in providing agricultural support services and appropriate agricultural policies (Seddon). Actual implementation of the adjustment programme, however, has essentially been the result of a series of negotiated compromises between the Bretton Woods twins, concerned with financial and economic performance, and the Moroccan government, guided more by social and political implications of economic policy based on an understanding of institutional realities. The Moroccan government, for instance, has been cautious in eliminating consumer subsidies given the high degree of differentiation among the rural and agricultural population with a significant section being market dependents for foodgrain purchases even though the World Bank believed in major cuts in consumer subsidies.

The Columbian experience, on the other hand, illustrates a relative success story and shows how agricultural performance can be improved by appropriately linking sectoral policies like price support, credit subsidy and investments with macro measures involving exchange-rate management, import controls and fiscal policies (Thomas). At the same time, the study also brings out the limits to agricultural price support and protection measures and the importance of such non-price incentives as investments in infrastructure, research and extension and marketing. The Brazilian experience also suggests how appropriate government interventions can minimise the adverse implications of the adjustment measures for the agricultural sector (Castro de Rezende). Some of the measures to promote exports and sugarcane production, restrictive fiscal and monetary policies, particularly the reform of the rural credit system could have had detrimental consequences for agriculture. However, apart from favourable climatic conditions, government support measures like minimum price support policy and interventions in marketing played an important role in stimulating food crop production. As regards rural credit policy reforms, government decision not to curtail short-term production credit until 1983 led to agriculture's recovery from 1980. Thus, Brazil, by following measures to consolidate production of goods for domestic consumption as against export crops – a strategy running counter to the structural adjustment programme – largely because of the balance-of-payments constraint ensured domestic availability of food and hence reduced social costs.

The fourth part begins with supposedly a sceptical appraisal of structural adjustment by Bates. The policy inadequacies of the earlier systems have rendered them unsustainable; the current reform programmes only seek to revive the old order. The paper dwells at length on the various factors accounting for financial risks for private investors and political risks for decision-makers. As regards food security, the need for assurances against food shortages in the form of World Food Programme or international food bank is emphasised. Finally, the book ends with an evaluation by Commander of the degree of success of the stabilisation and structural adjustment programmes in raising economic performance in sub-Saharan Africa. The limited improvements in these economies are largely due to the shortcomings of the policy frameworks proposed by the twins of Bretton Woods. The adjustment programmes with their emphasis on price based policies, given the institutional rigidities and limitations, have their own problems of design with respect to the objectives for technical change and growth in agriculture and distributional goals. In sum, what emerges from the set of papers presented in this edited volume is the lack of even a facade of 'human face' in adjustment policy design and prescription by the Bretton Woods twins for the sub-Saharan countries. The studies, in general, are informative but some are only seemingly analytical and are haphazard in their orientation and structure and hence make painful reading.

Man Behind the Mission

Parshotam Mehra

Younghusband: The Last Great Imperial Adventurer by Patrick French; Harper Collins, London, 1994; pp xxii + 440, £ 20.

A RARE and in some respects even unique blend of an explorer, a geographer, writer, diehard imperialist, philosopher and mystic, Francis ('Frank') Younghusband, occupied insofar as British India was concerned, the centre stage in the last two decades of the 19th and the opening decade of the present century. In the 1880-90s, as a formidable explorer and mountaineer: across Manchuria and then the Gobi. And down the Mustagh. And later as the Raj's troubleshooter in Hunza, Sinkiang and the Pamirs. In 1903-04, he was to lead an obstensibly peaceful mission across the Jelep la into Tibet which before long took the shape of an armed expedition with the twin objectives of countering non-existent Russian intringue and opening up the land to an almost negligible Indian overland trade. For Britain, and the world he was to span another three decades and in a variety of fascinating roles: as father of the Karakoram exploration; an Everest enthusiast; a member of the Great Game elite; a devout Christian. Above all, a founder of the World Congress of Faiths. In the 1930s, he was sympathetic to the cause of Indian nationalism and, during a brief visit, deeply struck by "the fearfully keen and intelligent" Congresswallahs!

Not unexpectedly, a major part of this large and impressive study – a little over two-thirds of its volume – deals with the explorer and the Great Game imperial adventurer. And while not a few in this country would be interested in Younghusband's later preoccupations with the realm of the spirit, it is to his earlier career that many will doubtless turn.

Born at Murree (1863), now in Pakistan, Younghusband's upbringing had been Victorian in the best sense of the term: regular daily prayers inculcation of filial piety; and the veritable Sunday school. At 13, he went to Clifton College which had a traditional role of preparing boys for a career in the army; at 17, he was inducted into Sandhurst where Allenby and Sir Herbet Lawrence (later Haig's chief of staff) were his contemporaries. Two years later, Younghusband was to join the 1st Royal Dragoon Guards, then stationed at Meerut, as a subaltern.

On the premise that the next Russian move would be in the direction of Manchuria, Younghusband was able to persuade his somewhat unbelieving superiors that intelligence gathering there was an urgent necessity. In the event, a three-member mission (including Younghusband) spent a little over six months (May-December 1886) surveying the land. Sadly though, for all their labours, they had to conclude that there were "no signs of an immediate Russian threat" to this remote part of the Chinese empire!

Hardly had his Manchurian venture drawn to a close when Younghusband embarked on a singularly impossible journey across the Gobi – through Hami, Turfan and Kashgar – to Kashmir. Even though "all the terrible Vagueness and uncertainty of everything" impressed itself upon him, he was determined to blaze a trail. And did.

The crossing of the inhospitable, trackless Gobi was hazardous enough– " a succession of gravel ranges without any sign of life, animal or vegetable, and not a drop of water" – worse was in store. And this was the descent of the 19,000 ft Mustagh pass on the edge of K-2 which marks the watershed between India and central Asia. It was an amazing feat of physical daring, especially in that he and his men had no equipment worth the name. "Knotting turbans and reins for ropes" and hacking steps in the ice "with a pickaxe and trusting to a grip from frozen, bootless feet", Younghusband managed what the veteran Swedish explorer of these parts was to call "the most difficult and dangerous achievement in these mountains so far".

Younghusband's next two journeys – to Hunza and the Pamirs – were exercises in combating what was then rated a major threat to the Raj: the possibility of a Tsarist Russian invasion through the empty spaces of central Asia. The Chinese, then in the death throes of the long-lived Manchu empire, though resilient to a degree were yet finding it difficult to resist the Muscovites. Younghusband's three-fold objective was to plug in the secret pass through which the Kanjutis (a Kirghiz name for the people of Hunza) plundered the caravan route between Leh and Yarkand; seek out the skulking Grombchevsky, the Russian agent actively engaged in surveying these parts; and tame the Mir of Hunza whom the British were finding increasingly recalcitrant.

His success was limited. The Mir for one was not willing to change his ways; nor Grombchevsky cease his travels, in the short run at any rate. The above notwithstanding, Younghusband was presently able to persuade his masters to undertake a journey to the Pamirs, to investigate a gap between Afghanistan and the Chinese empire which could pose a danger to the security of the Indian frontier. In the event, his celebrated brush with a party of Cossacks headed by Colonel Yanov at Bozai Gumbuz that nearly brought the two empires to a clash of arms.

The centrepiece of the book, as of Younghusband's Indian career, was the expedition to Lhasa (1903-04). Conceived by Curzon, the overbearing imperial proconsul, its essential purpose was to unmask an imaginary conspiracy to take over Tibet's Dalai Lama under the Tsar's wings. And insofar as Chinese control over the country was conspicuous by its absence – professions to the contrary notwithstanding – the Raj feared for the worst.

Curzon who had met and known Younghusband long before he took over as governor general (1899) had little difficulty in choosing him as leader of the expedition. Both were rabid Russophobes and, as is well known, literally hijacked a weak and very reluctant British government into acquiescence. By blatant half-truths and deliberate distortions. In the event, a diplomatic mission originally intended to sort out some vague allegations of intrusion on the Sikkimese border and opening up a few trade marts inside Tibet ended up as an armed expedition to bring the Tibetan ruler to heel and expose his intrigues with the Russian Tsar.

It was a sad, sordid business. The 'hostile' Tibetan army was non-existent; Russian intrigue, pure figment of a fevered, if fertile imagination. And yet in the process, hundreds of Tibetan yokels, 'armed' with sticks and slings, and protected by amulets from their uncouth lamas were massacred in cold blood. Even as they offered uncompromising resistance to their un-invited, and unwelcome, guests. The end-result could never be in doubt: the 'victorious' British army marched into Lhasa and dictated terms of peace to a hastily constituted authority that it had managed to establish. For hot on the heels of Younghusband and his men, Tibet's Dalai Lama, both its spiritual as well as temporal ruler, had made good his escape.

Sadly for Curzon and his protege, the Lhasa adventure proved to be a disaster. The governor general, increasingly out of step with his political masters in Whitehall, soon found himself out of his job; Younghusband, who had exceeded if not deliberately disobeyed instructions, practically at a loose end. The Lhasa convention that he had so solemnly concluded was materially modified; the honour he had so covetously sought, flatly denied. His political career drew virtually to a close.

A word here on Younghusband's works which relate to his Indian career and on which the book under review has leaned heavily for its narrative. *The Heart of a Continent*, first published in London in 1896 – and which has since run into several editions – gives a fascinating account of Younghusband's travels in Manchuria, through the Gobi and down the Mustagh; the Tibet expedition is retailed in *India and Tibet* (1910) while the *Light of Experience* (1927) takes care, *inter alia*, of his journeys in Sinkiang and the Pamirs.

The last phase of Younghusband's life – he retired in 1912 after a brief stint as British resident in Kashmir – was taken up by a number of causes he now steadfastly owned. Above all, by mysticism and a spiritual quest for a world leader. In the process he spawned no end of societies to realise his dreams, and authored an un-ending stream of books – sadly not all of them listed by his biographer. Out of nearly a score and more, a few titles picked up at random may bear mention: *Life in the Stars* (1927); *The Coming Country: A Pre-Vision* (1928); *The Reign of God* (1930); *The Heart of Nature* (1931); *A Venture of Faith* (1937) And what proved to be his swan song, *The Wedding* (1942)

With growing spiritual attainments and some vague mystic experiences, Younghusband drew into his fold a variety of characters. The most intriguing, as revealed in this study, was an attractive young woman, Madeline Lees. Married, a mother of seven children and almost half his age, Madeline drew closer and closer – both physically and, no doubt, spiritually – to "my very own, my very dearest Sir Francis" and confessed to loving him "more and ever more my beloved one" Not that Younghusband did not return her outpourings:

> Oh! my Madeline, oh my precious precious Madeline, how can I bear the joy Oh! what a blessed, blessed time that was – to feel that you were always there, just at the end of the passage and that at any time we could go to each other And when we did go to each other Oh! what happiness we had – unbelievable!

In the event, Younghusband seriously revised his earlier plans to be buried in the Himalayas which had always fascinated him And wanted it to be close to Becon Hill; his resting place a shrine that "wd. commemorate our romance". The interesting part of this liaison was its passionate pursuit during the dark, stormy days of second world war (1940-42) when London and much of England was exposed to the relentless Nazi blitz.

Patrick French is English, a student of American literature and, at 27, remarkably young. The research and travel – in China, right up to the border in Sikkim, where Younghusband launched his expedition; and a number of places where he spent his years in India – that have gone into his first book are wellnigh exhaustive And must no doubt have been exhausting. There is hardly a source at the archival, or personal level, that has gone unnoticed. Or remained untouched French's language is crisp and the text well-honed; it is difficult to pinpoint any dull pages or passages. The clever juxtaposition of the author's personal impressions of men and places with those of Younghusband's in his own day makes for illuminating comparisons. And a much-needed update. All through the text embellished by two excellent maps and some rare photographs marking subsections in each chapter, sit scores of the seated Buddha. A replica no doubt of the present the Tibetan regent, Tri Rimpoche, gave Younghusband. And one he treasured most all through his years.

If one may end on a brief personal note. A little over four decades ago, fascinated by the mission to the land of the lama, this reviewer undertook a detailed study which apart from a research degree and a work published in London, brought him into close contact with Dame Eileen Younghusband, her father's daughter and indeed only surviving child. A formidable social activist, happily she was singularly receptive to all enquiries and gave me, *inter alia*, uninhibited access to all her father's papers and diaries then stacked in two huge sacks in her London flat. With a narrow field of interest, a thorough examination of this rich, almost virgin source material, was not called for. Today, with Dame Eileen no more, the sacks and their contents have found their way into the old India office, now British Library archives; their long postponed scrutiny by Patrick French yielding a remarkable study of the man behind the mission to holy Lhasa.

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Recent Research on Widows in India

Workshop and Conference Report

Marty Chen
Jean Dreze

The concerns of widows cannot be dissociated from those of other single women, or indeed from those of women in general. Widows do experience special difficulties and deprivations, connected, inter alia, *with the restrictions that are imposed on their lifestyle and the persistence of negative social attitudes towards them.*

In the context of social science research, it is right to give attention to widowhood as a particular cause of deprivation. And, in the context of social action, it is right to organise and support widows in their specific demands (e g, relating to pensions, property rights and other entitlements). But this does not mean that action has to take the form of working for or with widows in isolation from other women.

The studies and personal testimonies summarised in this paper amply demonstrate that there are intimate links between the predicament of widows and a wide range of patriarchal institutions such as patrilineal inheritance, patrilocal residence and the gender division of labour. The cause of widows must be seen as an integral part of the broader battle against gender inequalities.

THIS paper presents the findings of two recent gatherings aimed at achieving better understanding of the social and economic condition of widows in India. The two gatherings were planned as complementary events. Both of them took place at the Indian Institute of Management, Bangalore, during the last week of March, 1994.[1] The first event was an informal workshop involving 35 widows from different parts of the country, as well as 10 women activists with some prior experience of working with widows and other single women. This informal workshop was followed by a conference which brought together about 65 activists, scholars and policy-makers who have worked on issues relating to widows. We shall refer to these two events as 'the workshop' and 'the conference', respectively.

The programme of these events was partly oriented by the findings of earlier studies undertaken by the two of us on the living conditions of widows in rural India.[2] One of these studies involved fieldwork in 14 villages of seven different states (two each in West Bengal, Bihar, Uttar Pradesh, Rajasthan, Kerala, Tamil Nadu, and Andhra Pradesh), co-ordinated by Marty Chen. Most of the widows who participated in the workshop came from these villages. Their testimonies, aside from being of immense value on their own, helped to ensure that the deliberations of the conference were informed by the perspective of widows themselves. Just as the findings and recommendations of the informal workshop were presented at the conference, the conclusions of the conference were also shared with the workshop participants. A summary of recommendations made by the conference and workshop participants can be found in Appendix.

What follows is a combined report on the workshop and the conference. A list of the papers presented at the conference can be found in the References at the end of this article. In some places, we have also drawn on earlier studies in order to bridge various gaps in the material made available by these recent events. To simplify the presentation, all the statistical material has been presented in Tables 1-12, prepared with Jackie Loh.

Workshop

The purpose of the three-day workshop was to bring together a group of widows (and grass roots women activists) to share problems, exchange experiences, voice demands, and possibly initiate a network of widows and activists concerned with the specific problems of widows. The 35 widows and 10 grass roots women activists who participated in the workshop came from nine states: Gujarat, Karnataka, and the seven states mentioned earlier. They formed a very diverse group in terms of age, caste, occupation, income, and related characteristics. Various participatory training methods were used to facilitate communication despite the barrier of language (nine languages were represented), including games, exercises and skits. The workshop covered a wide range of issues and concerns raised by the participants, including changes in women's identity and status with widowhood; images of good and bad women; taboos regarding the behaviour of widows; options, constraints, and choices regarding remarriage; living arrangements and sources of support; struggles by widows to secure their property rights; other actions taken by widows to assert their individual or collective rights; demands of the widows on society and on the government.

For many of the widows who participated in the workshop, this event was an entirely new experience. Many had never left their home district or state. Most were interacting for the first time with women who spoke different languages. All were sharing their personal experience of widowhood in a group meeting for the first time. Each made a spirited contribution to the discussion. What emerged from this gathering was a strong sense not only of common suffering but also of common strength. Clearly, each widow had negotiated the specific circumstances of her widowhood with dignity and courage, whether by taking up a job for the first time, by cultivating her own land, by educating her children, by fighting for her property rights, by establishing an independent household, or even by joining a local women's organisation.

During the first two days of the conference that followed the workshop, the workshop participants went on a study tour to Mysore, which included a visit to the Mysore branch office of Mahila Samakhya, a village-level meeting with groups of women from 10 villages organised by Mahila Samakhya, and sight-seeing in Mysore city.[3] The workshop participants returned in time to participate in the closing session of the conference, during which they presented their charter of demands. The following morning, they met together for one last time to hear the recommendations made by the conference participants and to join together in a very moving farewell ceremony.

At the end of that ceremony, all the participants stood in a circle holding a long chain of flowers symbolising sisterhood and joined in a joyful song celebrating spring and renewal. The chain of flowers was then cut into as many pieces as there were participants. Each participant tied a string of flowers on another participant. Then each participant spoke about what she would do after returning home. Some widows resolved to break the

taboos relating to their dress (by wearing forbidden items such as colourful bangles, colourful clothes, 'bindi' or 'kumkum'), and to encourage other widows to do the same; others said that they would speak to other widows, women, and their communities about the workshop, or participate more actively in the local panchayat meetings. As these pledges were being made, in a spontaneous gesture of solidarity some of the married women put their bracelets on the wrists of the widows and their bindis on the foreheads of the widows. The activists resolved to campaign against the use of pejorative terms for widows; to insist that widows should be invited to marriages and other ceremonies; to incorporate a focus on widows in their on-going work; to survey widows in their areas of operation; to help widows secure pensions; to help widows take up legal cases to defend their property rights, etc.

This informal workshop that preceded and ran parallel to the more formal conference achieved two immediate results. First, it began a process of transformation among the widows themselves. None of them had had the opportunity, at least since widowhood and perhaps since marriage, to talk at length with other women - much less to sing, dance, act, and laugh. The workshop made them aware of a real possibility of creating a new identity for themselves and a sisterhood with other widows. Second, the workshop served to place the personal experiences and concerns of widows at the centre of the conference that followed.

The workshop also helped to bring out what the experience of widowhood means to an Indian woman today. Several aspects of that experience were frequently mentioned by most participants, despite their widely different social and regional backgrounds. First, a woman who loses her husband has to readjust the entire basis of her life and work: who she lives with, how she earns her livelihood, whether she has access to her husband's property, etc. Second, the negotiations involved in these adjustments are typically much easier if she has adult sons and/or supportive parents and brothers. Third, most widows receive very little support from their in-laws. In fact, the relations with in-laws are often quite tense. Finally, the primary concerns of the widows who participated in this workshop were to have a house in their own name, a secure job or source of livelihood, education for their children, and – last but not least – a positive social image.

Outline of Conference

The three-day conference was organised into six half-day sessions, as follows.

The opening session of the conference attempted to provide a general overview of the economic and social condition of widows in India. After a short presentation on the significance of widowhood as a social issue (Jean Dreze), evidence was presented on the living arrangements, remarriage rates, occupations, property rights, and sources of support of widows (Marty Chen); on the relative mortality risk of widows and married women (P N Mari Bhat); on the relative economic insecurity of widows and other female heads of households (Shobha Jaishankar); and on the relationship between aging and widowhood (Leela Gulati).

The second session focused on the property rights of widows. The papers presented in this session dealt with male control over the property, production, and reproduction of widows in colonial Haryana (Prem Chowdhury); the property rights of widows under customary and modern law in Rajasthan (Shobha and Ramesh Nandwana); the property rights of widows under customary and modern law in Bihar (Seema Misra and Enakshi Tukral); and the difficulties faced by many widows when they try to claim their rights to property (Neelam Ghore).

The third session examined issues of social security. The contributors discussed the measures that can be introduced to provide economic and social security to widows (S Guhan); the coverage of widows under three pension schemes in Kerala (Iqbal and Leela Gulati); the bureaucratic hurdles widows face in obtaining a pension in Tamil Nadu (Eswara Prasad); the social insecurity of widows in rural Gujarat (Varsha Bhagat and Mihir Bhatt); and the coverage of widows under a comprehensive insurance scheme for women established by SEWA (Reema Nanavaty).

The fourth session focused on employment and livelihood. Presentations were made on the economic situation of widows and widow-headed households in Kerala (Leela Gulati); on the relationship between widowhood and poverty in India as a whole (Jackie Loh, Jean Dreze and P V Srinivasan); on women's occupations by marital status in Haryana (D V Rukmini); on working class widows in Bombay (Alice Thorner); on self-employed widows in Gujarat (Renana Jhabvala); on widows who work as domestic servants (Siddama); and on widows who work as construction workers (Geeta Ramakrishnan).

The fifth session dealt with the status of widows in society. It included a sociological analysis of widowhood as 'social death' (Uma Chakravarty), a comparative perspective on widows and other single women (Abha Bhaiya), and different accounts of public initiatives to 'rehabilitate' widows – by the state after partition (Ritu Menon), and by social movements in Gujarat, Rajasthan, and Karnataka (Bela Bhatia, Chandra Bhandari, and Uma Kulkarni).

The closing session opened with a set of recommendations for future action, policy, and research from the conference participants, and concluded with a charter of demands from the widows who had attended the earlier workshop (see Appendix I).

In the rest of this paper, we present a short summary of the presentations made in each session of the conference.

Widows in India

The intention of the opening session of the conference was to propose a framework for approaching the issue of widowhood in India, and to provide background information that should help inform and focus the conference deliberations. Given the scope and importance of the opening session, the presentations made in this session will be covered here in some detail.[4]

Incidence of widowhood

According to recent information released by the Sample Registration System, widows represent a little over 8 per cent of the female population.[5] Census data on the incidence of widowhood, as measured by the proportion of widows in the female population, reveals the following patterns. First, the incidence of widowhood has been slowly declining over time during the last few decades. This can be primarily attributed to the concurrent expansion of male and female longevity.[6] Second, the incidence of widowhood is lower in most of the northern states than in south India. This can be attributed to several factors, including strong survival advantages of adult females (compared with adult males) in the south; a large difference between male and female age at marriage in the south; comparatively high remarriage rates in the north; and high mortality rates among north Indian widows. Third, the incidence of widowhood rises sharply with age. The proportion of widows is as high as 64 per cent among women aged 60 and above, and 80 per cent among women aged 70 and above (Table 2). In other words, an Indian woman who survives to old age is almost certain to become a widow. Fourth, the high incidence of widowhood among women (particularly in the older age groups) sharply contrasts with the corresponding patterns for males. In 1991, only 2.5 per cent of all Indian men were widowers [Government of India 1993:71]. Even in the older age groups, only a small minority of men are widowed, while a large majority of women experience that predicament. The main reason for this gender gap in the incidence of widowhood is a much higher rate of remarriage among widowed men, compared with widowed women.

The last observation may help to explain why widowhood has received so little attention as a cause of deprivation. In India, the experience of losing one's spouse is, overwhelmingly, a female experience. Further, the consequences of losing one's spouse are very different for men and women.

A widower not only has greater freedom to remarry than his female counterpart, he also has more extensive property rights, wider opportunities for remunerative employment, and a more authoritative claim on economic support from his children. Had the living conditions of widowers been as precarious as those of widows, it is likely that widowed persons would have attracted far more attention.

Widowhood and poverty

There are serious difficulties in assessing the relationship between widowhood and poverty on the basis of standard household survey data. Indeed, much of the information generated by these surveys relates to household level variables that often tell us very little about what is happening to widows as individuals. For instance, it is hard to make effective use of the standard data on *per capita* income or expenditure to investigate the relationship between poverty and widowhood.

These limitations were illustrated at the conference in a study by Jean Dreze and P V Srinivasan. Using the National Sample Survey data, the authors find that there is little difference in *per capita* expenditure between, say, households headed by widows and other households. Nor is the proportion of households below the poverty line much higher than average among households headed by widows. In interpreting these findings, however, it has to be remembered that households headed by widows have special demographic characteristics. In particular, they are typically much smaller than other households. Hence, if there are economies of scale in household consumption, the rank of these households in the scale of real *per capita* expenditure declines. The authors showed that even relatively small economies of scale lead to a dramatic increase in the relative incidence of poverty among households headed by widows, compared with other households.

These findings are somewhat inconclusive, since little is known about the actual magnitude of economies of scale in household consumption in rural India. Further, as was mentioned earlier, household level data tell us little about the well-being of widows as individuals. Given these limitations of standard household surveys, it is important to explore other indicators of the individual well-being of widows, e.g. relating to nutrition and morbidity. A useful example of the possibility of using such indicators was provided by P N Mari Bhat's study of mortality rates among widows.

Widowhood and survival

Using data from the 1961, 1971 and 1981 censuses, Mari Bhat estimated mortality rates among widows and married women of the same age, in the 45 age group. For India as a whole, the author finds that mortality rates are 86 per cent higher among widows than among married women (see Table 3 for the main results). These results confirm the notion that widows in India experience particularly high levels of deprivation.

It should be mentioned that, according to the same study, the mortality rates of *widowers* are also about 80 per cent higher than those of married men in the same age group. This may seem to suggest that men suffer as much as women from losing a spouse, in terms of increased mortality.[7] On this point, several remarks are due. First, the standard pattern observed in similar studies undertaken in other countries is that the increase of mortality risk associated with losing one's spouse is *larger* among men than among women. In relation to this international pattern, Indian widows are at

TABLE 1: INCIDENCE OF WIDOWHOOD IN RURAL AREAS – INTER-SATE CONTRASTS, 1981

State	Widow as Percentage of Rural Female Population	Ratio of Widows to Widowers in Rural Population	Proportion of Rural Indian Widows living in State (Percentage)	Average age Differential at Marriage Years[a]
Andhra Pradesh	10.5	4.3	10.5	5.7
Tamil Nadu	10.4	3.9	8.2	5.8
Karnataka	9.9	4.6	6.4	6.7
West Bengal	9.5	6.0	9.1	6.5
Maharashtra	9.3	4.4	9.3	5.4
Orissa	9.2	3.7	5.3	5.1
Kerala	8.9	7.7	4.6	5.5
Madhya Pradesh	8.0	2.6	8.0	4.0
Himachal Pradesh	7.7	2.5	0.8	4.7
Bihar	7.5	2.5	11.1	4.9
Rajasthan	7.2	2.4	4.6	4.2
Gujarat	7.0	2.9	4.0	3.6
Uttar Pradesh	6.5	1.4	13.8	4.3
Jammu and Kashmir	5.7	1.4	0.6	5.0
Punjab	5.5	1.6	1.5	3.3
Haryana	4.9	1.5	1.1	3.9
India[b]	8.2	2.9	100.0	5.0

Notes: [a] Difference between the mean age at marriage of males and females (rural and urban areas combined).

[b] Excluding Assam, where the 1981 census was not conducted.

Source: Dreze (1990), Table 6, based on 1981 census data. The states are arranged in decreasing order of the proportion of widows in the rural female population.

Note: The tables included in this paper are, a selection of tables compiled with Jackie Loh from the conference papers. Some of the information has already appeared in earlier publications (as indicated in the notes). The intention is both to provide a short statistical background on the situation of widows in India and to highlight interesting empirical observations reported at the conference.

TABLE 2: INCIDENCE OF WIDOWHOOD IN DIFFERENT AGE GROUPS AND REGIONS, 1981

Age Group	Widows as Percentage of All Rural Females in the Specified Age Group and Region				
	North-West	Central West	East	South	All India[a]
0-9	0.0	0.0	0.0	0.0	0.0 (0.0)
10-14	0.04	0.04	0.03	0.03	0.03 (0.03)
15-19	0.2	0.3	0.3	0.2	0.2 (0.1)
20-24	0.5	0.7	0.9	0.9	0.7 (0.5)
25-29	1.0	1.5	2.0	2.0	1.6 (1.0)
30-34	2.1	2.9	3.6	4.3	3.2 (1.6)
35-39	3.6	5.0	6.3	7.0	5.5 (2.3)
40-44	7.9	9.6	12.3	13.7	10.8 (3.8)
45-49	10.0	14.8	18.1	19.8	15.5 (5.0)
50-54	24.1	27.5	32.2	34.2	29.4 (8.0)
55-59	20.1	30.6	32.7	40.6	30.5 (9.8)
60-64	48.7	55.3	58.1	61.3	55.6 (14.9)
65-69	44.0	59.8	61.5	66.8	57.6 (17.8)
70+	70.5	78.4	78.3	83.4	77.2 (27.8)
All ages	6.5	8.3	8.5	10.0	8.2 (2.7)

Note: [a] In brackets, the corresponding figures for *males*.

Source: Dreze (1990), Table 5, based on 1981 census data. The different regions have been defined as follows. North-west: Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Rajasthan, Uttar Pradesh; Central west: Gujarat, Maharashtra, Madhya Pradesh; East: Bihar, Orissa and West Bengal; South: Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. This regional division is based on Agarwal (1988).

some disadvantage. Second, the results have to be interpreted bearing in mind the very high remarriage rate among Indian men who have lost their spouse. Among the small minority of widowed men who do *not* remarry, many are likely to suffer from special economic, social or physical disadvantages that make remarriage difficult. It is perhaps not surprising that, in this subsample, mortality rates are particularly high, but this does not imply that mortality rates are particularly high among all *ever-widowed* men (including those who have remarried).

Third, the case for being concerned about Indian widows does not turn on their being *more* deprived, in terms of mortality and related indicators, than widowers who do not remarry. Even if the two groups are equally deprived in some respects, there would still be a case for paying separate attention to the issue of widowhood among women, given (1) the much higher incidence of widowhood among women than among men (and, relatedly, the much greater freedom that widowed men have to remarry), and (2) the social and psychological deprivations endured by many widows, in addition to economic hardship.

The study by Mari Bhat also brings out some interesting regional patterns in mortality rates. Specifically, the gap in mortality rates between widows and married women appears to be much larger in many of the northern states (including Punjab, Haryana, Uttar Pradesh and Bihar) than in south India. This is in line with the findings of earlier studies, suggesting that the economic and social condition of widows is particularly unfavourable in north India.[8]

Sources of vulnerability

In earlier studies we have identified some essential factors that account for high levels of deprivation among Indian widows [Dreze 1990; Chen and Dreze 1992]. These include limited freedom to remarry, insecure property rights, social restrictions on living arrangements, restricted employment opportunities and lack of social support. In her presentation at the conference, Marty Chen used the framework developed in these earlier studies to present the major findings of her study, based on a field survey in 14 villages of West Bengal, Bihar, Uttar Pradesh, Rajasthan, Kerala, Tamil Nadu, and Andhra Pradesh. This survey covered a total of 562 respondents. These 562 respondents consisted of *all* 'ever-widowed' women in the 14 survey villages, including widows who had remarried. More precisely, the 562 respondents consisted of: (1) 510 women who had lost their husbands and did *not* remarry, (2) 35 women who had lost their husbands, remarried, and then became widowed again by losing their second husbands; and (3) 17 women who had lost their husbands, remarried, and were still married at the time of the survey.[9]

Patrilocality: The system of patrilocal residence, which has the effect of isolating women, is a fundamental source of gender inequalities in many parts of rural India and also plays a crucial part in the deprivation of widows. Patrilocality in the narrow sense refers to the norm, prevalent in most Hindu communities of India, according to which a woman has to leave her parental home at the time of marriage to join her husband in his home. In a broader sense, especially in most Hindu communities of north India where marriage rules dictate marriage outside the clan and village, patrilocality also can be understood to refer to the drastic alienation from her parental family experienced by a married woman after her 'transfer' to her husband's family.

TABLE 3: MORTALITY AND WIDOWHOOD

State	Estimates of the Relative Mortality Rates of Widowed and Married Persons (Ratio of the Mortality Rate of the First Group to that of the Second Group), in the 45 + Age Group			
	Females		Males	
	1961-71	1971-81	1961-71	1971-81
Andhra Pradesh	1 51	1 74	1 78	2 03
Bihar	1 79	1 89	2.15	2.25
Gujarat	1 73	1.77	1 63	1.63
Haryana	-	2 06	-	1.69
Himachal Pradesh	-	1 26	-	2.13
Jammu and Kashmir	1.57	1 49	1.52	1 68
Karnataka	1 51	1 31	1.94	1 89
Kerala	1 80	1 52	1.82	1.48
Madhya Pradesh	1 64	1 64	1.81	1 75
Maharashtra	2 00	1 66	1.75	1 82
Orissa	2 02	1.24	2.15	1 93
Punjab	-	2 32	-	1 43
Rajasthan	2 08	1 65	1.56	1 53
Tamil Nadu	1 43	1 48	2 05	2.10
Uttar Pradesh	2 24	2 30	1.81	1 75
West Bengal	2 22	1 42	1.57	2 41
All-India	1 87	1 83	1.78	1 83

Source: Mari Bhat (1994), Table 4, based on census data. The figures in this table refer to the ratio of the mortality rate among widowed persons aged 45+ to that of married persons in the same age group. The estimation method takes into account the different age structures of the widowed and married populations and avoids the bias that might arise from this difference.

TABLE 4: WIDOWHOOD AND LIVING ARRANGEMENTS
'Relation to Household Head' of Widows in Different Samples

Relation to Head	Number of Widows with the Specified Relation to Household Head					
	Bose and Saxena[a] (1964)	Bose and Sen (1966)	Lal (1972)	Cain et al (1979)	Harlan[a] (1968)	Chen (1994)
Self	1	*	1	20	4	342
Mother[b]	242	305	71	41	13	136
Daughter	*	5	2	2	0	17
Sister	*	2	3	1	0	9
Mother-in-law	*	*	*	3	1	9
Daughter-in-law	*	4	1	1	0	8
Sister-in-law	*	20	3	2	0	8
'Other' relative[c]	16	12	7	0	0	14
Non-relative	0	1	0	0	0	2
Total	259	349	88	70	18	545

Notes: [a] Elderly widows only (aged 55+ in the case of Bose and Saxena, and 50+ for Harlan).
[b] When a widow is the mother of the head, the latter is usually a son rather than a daughter.
[c] 'Other' is relative to the categories used in the respective studies; the content of this category can be inferred, *study-wise*, from the other entries in the table.
* Category not used in the presentation of the results (but note that it could be implicit in the 'other relative' category).

Source: Dreze (1990), Tables 23 and 24, Chen and Dreze (1992), Table 10, and Chen (1994). The figures were originally compiled from: (i) Bose and Saxena (1964), based on a random sample of 259 widows aged 55+ from 78 villages in Rajasthan; (ii) Bose and Sen (1966), based on a random sample of 349 widows from villages in Rajasthan; (iii) Lal (1972), based on a sample of 88 widows in three panchayats in Rajasthan; (iv) Cain et al (1979), based on a census of village Char Gopalpur in Bangladesh, (v) Harlan (1968), based on a census of elderly women in a village in Punjab; (vi) Chen (1994), based on a 1991-92 study of 562 ever-widowed women in 14 villages spread over seven different Indian states (the above figures derived from this study are actually based on a sub-sample of 545 currently-widowed women).

In the Chen sample, 75 per cent of the widows lived in their husband's village at the time of his death. Of these widows, an overwhelming majority (88 per cent) remained in their deceased husband's village after his death (Table 5). In many cases, widows actually continue to live in their deceased husband's house. However, outside of leviratic unions (which are practised only in certain communities), widows are unlikely to share a common hearth with their husband's relatives. Indeed, in the Chen sample, whereas 10 per cent of the widows shared a common hearth with their in-laws before their husband's death, only 3 per cent currently share a common hearth with their in-laws (either brothers-in-law or parents-in-law). And, in many cases where a widow does share a common hearth with a parent-in-law, it is the widow who seems to be supporting the in-laws (e g, a blind mother-in-law or disabled father-in-law) rather than the reverse.

Patrilineal inheritance: A comprehensive treatment of the inheritance rights of widows would have to distinguish: (a) between statutory law, customary law, and actual practice; (b) between the inheritance rights of widowed women as daughters and as widows; (c) between ancestral and self-acquired property; and (d) between land and other property. Despite these complexities, what seems clear is that most social groups in rural India follow customary law rather than statutory law and that, under the current customary practices of most patrilineal Hindu communities, women have very limited property rights as daughters but are widely acknowledged to have use rights to (or maintenance rights from) a share of their husband's ancestral land in the event of his death.

As part of her study of widows, Marty Chen investigated actual inheritance practices in the study villages and found the following patterns: first, of those widows whose husband owned land, 51 per cent reported that they exercise use rights over a share of their husband's land; and second, of those widows whose father (father or mother, in the case of Kerala) owned land, 13 per cent reported that they exercise use rights over a share of their father's (mother's) land. However, these use rights of widows are often violated in practice. When a widow tries to manage the land on her own, without adult sons, her brothers-in-law often insist on sharecropping or managing her land themselves, or simply attempt to deprive her of her rightful share of the land (often legitimising their claim by arguing that they spent money on her husband's death ceremony or on her children's maintenance). In their attempt to gain control of her land, the brothers-in-law of a widow may go so far as forcing her to leave the village, or even – in extreme cases – arranging her murder.[10] Once her sons (if any) grow up, a widow may have to forfeit her use rights to her husband's land in exchange for a right to maintenance by one or more of her sons. Even maintenance rights, however, are often uncertain.

Remarriage practices: Two stereotypes persist about widow remarriage in India. The first is that widow remarriage is "prohibited" in Hindu society. The second is that widow remarriage is widely practised. Reality lies somewhere between these two extreme views: only the upper castes prohibit remarriage; most other castes (except those emulating the upper castes) allow widow remarriage; some castes (in certain regions) practice leviratic unions (remarriage to the deceased husband's brother); but actual remarriage, outside of levirate, only takes place in special circumstances. The basic pattern in most communities is that most childless widows remarry, while most widowed mothers do not remarry.

In the Chen sample of 562 ever-widowed women, 13 per cent in north India had remarried, compared with only 6 per cent in south India. These figures are consistent with the findings of earlier studies [Dreze 1990, and the studies cited there]. The lower probability of remarriage in the south is due in part to the practice of levirate in the north: the only villages of the Chen study where levirate was widely practised was situated in the Garhwal hills of Uttar Pradesh. In the Chen sample of 52 remarried widows (of which 35 lost their second husband also), 24 were from scheduled castes, 22 from backward castes, and only six from upper castes (all six were rajputs or brahmins from the Garhwal hills who practise both levirate and widow remarriage in general).

Among the widows covered in the Chen sample, as well as among those who participated in the Bangalore workshop, many stated that they did not wish to remarry. Common reasons given for not wanting to remarry included: absence of desire for more children, fear that a second husband will not take good care of the children fathered by the first husband, and wish to retain claim on the deceased husband's land (bearing in mind that widows lose this claim on remarriage). Of course, the fact that many

TABLE 6: PLACE OF RESIDENCE BEFORE AND AFTER WIDOWHOOD

(Percentage)

Place of Residence	Before	'Now'*
Deceased husband's village	75	67
Parental village	21	27
Other village	5	6

Note: * 'Now' refers to the situation at the time of the survey (1991-92).

Source: Chen (1994), based on a 1991-92 survey of 562 ever-widowed women in 14 Indian villages (two each in West Bengal, Bihar, Uttar Pradesh, Rajasthan, Andhra Pradesh, Tamil Nadu and Kerala). The figures presented here are based on the sub-sample of 510 widows who did not remarry. In the few cases where a widow's parental village is also her husband's village, she has been counted as living in her parental village.

TABLE 5: SELECTED NORTH-SOUTH CONTRASTS
Place of Residence, Land Rights, Remarriage and Living Arrangements

(Percentage)

	All-India	South India	North India
Place of residence:			
Deceased husband's village	66	44	89
Parental village	27	48	6
Other	6	8	4
Use rights over			
Deceased husband's land (if any)	51	52	51
Parental land*	13	18	8
Ever-widowed women who remarried:	9	6	13
Living arrangements.			
(i) Head of household. self	63	80	46
son	24	8	40
other	13	12	14
(ii) Living alone	17	20	14
Living with: married sons	42	31	54
married daughters	8	10	
in-laws	3	3	3
parents or brothers	3	6	4

Note. * Parental land = father's ancestral land in all states except Kerala, where it also includes mother's ancestral land.

Source: Chen (1994), based on a 1991-92 study of 562 ever-widowed women (of which 17 are currently-remarried) in 14 villages in north India (two each in West Bengal, Bihar, Uttar Pradesh, Rajasthan, Andhra Pradesh, Tamil Nadu and Kerala). 'Place of residence' and 'use rights' percentages are based on a sub-sample of 510 widows who did not remarry; 'remarriage' percentages are based on the full sample; and 'living arrangements' percentages are based on a sub-sample of 545 currently-widowed women (of which 510 did not remarry, and 35 remarried but lost their second husband).

RESERVE BANK OF INDIA SERVICES BOARD
BOMBAY

TELEGRAPHIC ADDRESS: SERVBOARD BOMBAY

Applications (Apps.) are invited for the following posts of Officers in Reserve Bank of India. 'Reserve List' may also be prepared.

A. LEGAL OFFICER IN GR.'B' IN LEGAL DEPARTMENT

a) **Vacancies :**

	G	OBC	SC	ST	Total	
Regular	3	1	1	–	5	7
Backlog	–	–	1	1	2	

b) **Qualifications** (As on 01.10.1995)

Essential : Second Class Bachelor's Degree in Law* with a minimum of 50% marks (45% for SC/ST) or equivalent.

Desirable : i) Bachelor's Degree in Law with First Class or Master's Degree in Law* or equivalent.
ii) Computer Applications.

** from a recognised University / Institute.*

c) **Experience** (As on 01.10.1995)

Essential : At least 2 years' experience as an Advocate or as a Law Officer in Legal Department of a large Banking / Financial Institution and/or as a Lawyer in an Advocate's /Solicitor's Office.

Desirable : Special knowledge of Banking and Company Laws, Labour Laws, Constitutional Law and experience in documentation.

d) **Age** (As on 01.10.1995)

Not exceeding 32 years. Relaxable by 3 years for possessing exceptional qualifications and/or experience of value to the Bank.

Scheme of Selection

Written examination (WE) on **10-12-95** . Two descriptive type papers, each of 3 hours duration and 100 marks on (i) General Knowledge of Law, Jurisprudence etc. and (ii) Commercial and Banking Laws. Syllabus given in detailed advertisement.

B. RESEARCH OFFICER IN GR.'B' IN DEPARTMENT OF ECONOMIC ANALYSIS AND POLICY (DEAP)

a) **Vacancies :**

	G	OBC	SC	ST	Total	
Regular	5	2	1	1	9	12
Backlog	–	1	1	1	3	

b) **Qualifications** (As on 01.10.1995)

Essential : Master's Degree in Economics/Econometrics/ Commerce* with a minimum of 55% marks (50% for SC/ST) or equivalent grade.

Desirable : i) Candidates with Doctorate Degree in above subjects* will be given preference.
ii) Research or teaching experience and publication in standard journals will be considered as an additional qualification.

c) **Age limit** (As on 01.10.1995) : 21 - 28 years

i) Candidates having M.Phil.Degree / Doctorate Degree in specified subjects* eligible for relaxation in upper age by 3 and 5 years, respectively.

ii) Candidates with research/teaching experience* eligible for relaxation in upper age upto years of experience (maximum 5 years).

No cumulative age relaxation available.

** from / at recognised Indian or Foreign University/Instt.*

d) **Scheme of Selection :**

Written examination on **7.1.96.** Two papers each of 3 hours duration and 100 marks - (i) Objective and (ii) Descriptive (both on Economics). Standard of papers that of Master's Degree examination in Economics of any Central University in India.

C. RESEARCH OFFICER IN GR.'B' IN DEPARTMENT OF STATISTICAL ANALYSIS AND COMPUTER SERVICES (DESACS)

a) **Vacancies :**

	G	OBC	SC	ST	Total	
Regular	9	5	2	1	17	20
Backlog	–	–	2	1	3	

b) **Qualifications** (As on 01.10.1995)

Essential : i) Master's Degree in Statistics/Mathematical Statistics/Mathematical Economics/Econometrics* with a minimum of 55% marks (50% for SC/ST) or equivalent grade; **OR**

ii) Master's Degree in Mathematics* with a minimum of 55% marks (50% for SC/ST) or equivalent grade and one year Post-Graduate Diploma in Statistics or related subjects from an Institute of repute; **OR**

iii) M.Stat.Degree of Indian Statistical Institute with a minimum of 55% marks (50% for SC/ST).

Desirable : (i) Candidates with Doctorate in subjects as at (i) above* will be given preference.

(ii) Research or teaching experience and publication in standard journals will be considered as an additional qualification.

c) **Age limit** (As on 01.10.1995) : 21 - 28 years.

B (c) to apply, mutatis mutandis.

** from / at recognised Indian or Foreign University / Instt.*

d) **Scheme of Selection**

Written examination on **14.1.96.** Two papers each of 3 hours duration and 100 marks - (i) Objective and (ii) Descriptive (both on Statistics) as per syllabus given in detailed advertisement. Standard of papers that of Master's Degree examination of any Central University in India.

D. MINIMUM PASSING STANDARDS

(i) 55% in each paper and 60% in the aggregate for General category, and

(ii) 45% in each paper and 50% in the aggregate for SC/ST/OBC categories.

However, the Board reserves the right for relaxation of the minimum passing standards.

E. AGE RELAXATIONS :

5 years for SC/ST, 3 years for OBC, 5 years to the candidates who had ordinarily been domiciled in the Kashmir Division of the State of Jammu & Kashmir during the period from 1st January, 1980 to 31st December, 1989, Refer detailed advertisement for others.

F. FINAL SELECTION :

Will be based on Written Examination and Interview.

RESERVE BANK OF INDIA SERVICES BOARD, BOMBAY

G. EXAMINATION CENTRES :

(Code numbers in brackets)

Ahmedabad	(11)	Jaipur	(20)
Bangalore	(12)	Jammu	(21)
Bhopal	(13)	Kanpur	(22)
Bhubaneswar	(14)	Madras	(25)
Bombay	(15)	Nagpur	(26)
Calcutta	(16)	New Delhi	(27)
Chandigarh	(17)	Patna	(29)
Guwahati	(18)	Thiruvanantapuram	(31).
Hyderabad	(19)		

Only one centre can be selected.

H. APPLICATION FEE :

Rs.50/-. (No fees for SC/ST). Payable **by Demand Draft** favouring RBI payable at Bombay. However, candidates from unbanked areas may send crossed Indian Postal Order in favour of RBI payable at GPO, Bombay. **Fee not refundable.**

I. SERVICE CONDITIONS/CAREER PROSPECTS

Pay Scale - **Rs.2400-5175** (under revision). Initial monthly emoluments will be about **Rs.6645/-** .

J. HOW TO APPLY

Applications in **prescribed format** given herewith, typed or neatly handwritten in English or Hindi on white foolscap paper, should be addressed to :

THE GENERAL MANAGER,
RBI SERVICES BOARD,
HONGKONG BANK BUILDING, 6TH FLOOR,
M.G. ROAD, HUTATMA CHOWK,
POST BAG NO. 10009, BOMBAY-400023.

Cover should be superscribed: "Application for the post of _____- Centre of Written Examination chosen _____ Code No. _____". Should be sent by **ORDINARY POST**. Cover may also be dropped in a special box at Board's Office.

K. CLOSING DATE

4.11.95 (18.11.95 for applicants residing abroad, in Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Ladakh division of Jammu and Kashmir State, Lahaul and Spiti districts and Pangi Sub-division of Chamba district of Himachal Pradesh and in Andaman and Nicobar Islands and Lakshadweep). **Late received Appns. will not be considered.**

L. GENERAL INSTRUCTIONS

(i) Question Papers will be set in Hindi and English and answers may be written either in Hindi or in English.

(ii) If Admission Letter (AL) / any other communication is not received from Board, contact RBI at respective examination centre with a passport-size signed photograph, one day before the date of WE.

(iii) Communicate change of address to Board earliest.

(iv) Incomplete / without fee Appns. will not be considered.

(v) If App. is routed through employer 'Advance Copy' with fee should be sent to Board's Office directly.

(vi) Quote Roll No. in all communications.

Note : For staff candidates, separate eligibility criteria laid down by Bank.

M. FOR FULL DETAILS, REFER DETAILED ADVERTISEMENT PUBLISHED IN EMPLOYMENT NEWS / ROZGAR SAMACHAR DATED 7TH OCTOBER, 1995.

CANVASSING IN ANY FORM WILL BE A DISQUALIFICATION

FORMAT OF APPLICATION

LAST DATE OF RECEIPT: 4.11.95

In case of non-receipt of AL contact Chief General Manager, Reserve Bank of India of respective centre one day before WE.

RESERVE BANK OF INDIA SERVICES BOARD, BOMBAY

ADVT NO 2/95-96

Affix a signed, recent passport size photograph 5 cms x 7 cms

1. Post applied for _____
2. Examination centre _____
   Code No _____
3. Particulars of Demand Draft/Postal Order(s) enclosed

Name of Drawee Bank/ Denomination of Postal Order(s)	No and date of DD/Postal Order(s)	Amount (Rs)

4. Name in full Shn/Smt./Kum _____ (in Block Letters)
5. Date of Birth ☐☐ ☐☐ 1 9 ☐☐ (DAY MONTH YEAR)
6. Age (as on 01 10 95) __ years, __ months __ days
   Details of age relaxation claimed, if any (with documentary evidence)
7. Postal Address for communication with pin code _____
   Nearest Railway Station _____
8. Tick (✓) category to which you belong (SC/ST/OBC to enclose copy of caste certificate from Competent Authority)
   (A) General (G) ☐ Other Back Class (OBC) ☐ Scheduled Caste (C) ☐ Scheduled Tribe (T) ☐
   (B) Staff Yes/No Ex-Serviceman Yes/No
   Migrant/Repatriate Yes/No
9. Permanent Address with Pin Code _____
10. Academic Qualifications (Graduation onwards) / Professional Qualification

Exam passed	Year of passing	University/ Institute	Main subjects	Division with % marks

11. Details of Experience, etc

Name and address of employer	Designation	Period			Nature of Experience
		From	To	Total	

Note For the post of Legal Officer - In case of practising advocates, copy of the Bar Council Registration certificate and certificate from Bar Association of which the candidate is a member should be produced.

12. I hereby declare that all the statements made in this application are true, complete and correct to the best of my knowledge and belief. I understand that, if at any time, it is found that any information given in this application is false/incorrect or I do not satisfy the eligibility criteria according to the Board, my candidature/appointment is liable to be cancelled/terminated. I have also read and understood the rules of the examination as given in the General Instructions.
13. Place. _____
    Date . _____
    Encls: _____

Signature of applicant

widows express little interest in remarrying needs to be interpreted bearing in mind not only the influence of negative social attitudes towards widow remarriage, but also the low chance of conjugal happiness in a second marriage. Indeed, given the prevailing social attitudes, a man who agrees to marry a widow often has highly unattractive characteristics (e g, he may be very old, or physically disabled, or economically impoverished, or looking for a second wife). The issue of widow remarriage in India is not just a question of the incidence of remarriage, but also of the quality of second marriages, and of the freedom widows have to remarry in positive circumstances.[11]

Employment restrictions: Indian women in general face well known restrictions on employment opportunities, relating, *inter alia*, to the gender division of labour. Aside from these general restrictions, widows face specific difficulties in seeking gainful employment opportunities. These include: lack of access to indivisible productive assets owned by the deceased husband's family (e g, wells, ploughs and bullocks); weak bargaining power *vis-a-vis* male partners in economic transactions; frequent absence of a literate member in the household; limited access to institutional credit; and, particularly in the case of widows with young children, the burden of domestic work.

An analysis of the primary occupations of households with widows in the Chen sample shows a decline in the share of self-employment - both farm and non-farm - after widowhood (from 25 per cent to 20 per cent), and, correspondingly, an increased reliance on wage employment (from 32 per cent to 36 per cent). The limited extent of remunerative non-farm self-employment among widows, even those living in households without an adult male, is particularly striking. The restricted scope for remunerative self-employment is a particular problem for widows belonging to castes that prohibit women from seeking wage employment, especially if they live without an adult male. As expected, employment opportunities were found to be somewhat more extensive and diverse for widows belonging to disadvantaged castes. The fact that, for a widow, belonging to a privileged caste can be a disadvantage (other things being equal) reminds us that it is always important to consider widows as individuals, and not as members of particular castes, classes or other social groups.

Maintenance: The restrictions on residence, ownership, remarriage and employment examined so far put widows in a situation of acute dependence on economic support from others. In the absence of effective forms of state-based social security measures, family and community support or maintenance is the crucial source of potential assistance. The extent and nature of family and community support can be analysed in terms of three determinants: living arrangements; intra-household support; and inter-household support.

As far as living arrangements are concerned, one of the clearest and most important findings of Chen's and other studies is the overwhelming dependence of widows on themselves and their own sons. The proportion of widows who live in households headed either by themselves or by one of their sons is well over 85 per cent in the Chen sample. The proportion of widows who live in a household headed by a brother-in-law or parent-in-law is below 3 per cent, and the number of widows who live in a household headed by a brother or father is also below 3 per cent. These findings are consistent with those of earlier studies, also pointing to the overwhelming dependence of Indian widows on themselves and their own sons [Dreze 1990, and Chen and Dreze 1992, for reviews of the evidence].

In terms of both intra- and inter-household support, few widows report regular support (as opposed to periodic gifts or support during crises) from persons other than sons. In the Chen sample, very few widows reported regular support from their in-laws; many widows reported periodic gifts or support during crises from brothers (and parents) but few (less than 10 per cent) reported regular support from these sources; many widows reported that their daughters provided various physical services (e g, health care or house repair), and a surprisingly high percentage of widows (16 per cent) reported regular support from daughters; and many widows reported exchanges in kind from caste neighbours and small gifts (or occasional loans) from wealthy employers.

Social isolation: As was mentioned earlier, the well-being of widows is not just a question of economic security, but also one of dignity, self-respect and participation in society. Many widows in the Chen sample suffered from different forms of social isolation, psychological abuse or emotional distress. The social marginalisation of widows was frequently found to take one or more of the following forms:

(1) Rumours and accusations: widows are often accused of being 'responsible' for their husbands' deaths, regarded as sexually threatening, and generally considered as inauspicious.

(2) Enforced dress and behaviour codes: many widows are under strong pressure to observe restrictive codes of dress, appearance and behaviour. Some of the traditional restrictions (e g, shaving of head) have become quite rare, even among the upper castes, but others (e g, not wearing 'bindi' or kumkum) remain widespread.

(3) Social ostracism: a widow is often excluded from the religious and social life of the community, due to her perceived inauspiciousness.

(4) Physical violence: violence against widows primarily takes the form of sexual harassment (young widows being considered

TABLE 7: FEMALE-HEADED HOUSEHOLDS BY MARITAL AND EMPLOYMENT STATUS OF THE HOUSEHOLD HEAD

Marital Status of the Household Head	Percentage Distribution of Household Heads by Employment Status						
	Self-Employed (Agri)	Self-Employed (Non-Agri)	Regular Hired Labour in Agri	Regular Hired Labour in Agri	Casual Labour	Attending Domestic Duties	Too Old Too Young and Others
Widowed	18	5	25	9	7	21	15
Married	35	3	14	2	5	26	15

Source: Adapted from Jaishankar (1994), Tables 10-19, based on a 1983 survey of 428 female-headed households (271 of which were widow-headed) from 10 villages (four each in West Bengal and Karnataka, and two in Uttar Pradesh)

TABLE 8: CONTRASTS BETWEEN DIFFERENT CASTES
Remarriage and Employment

	Caste			
	Upper	Other		Scheduled
		Higher	Lower	
Percentage of ever-widowed women who remarried	5*	2	12	29
Percentage of widows engaged in				
Self-employment (farm)	34	13	33	17
Self-employment (animal husb)	14	6	7	3
Self-employment (non-farm)	10	15	18	14
Wage labour	8	11	26	56

Note: * Levirate among Rajputs in the UP hills.

Source: Chen (1994), based on a 1991-92 survey of 562 ever-widowed women in 14 villages (two each in West Bengal, Bihar, Uttar Pradesh, Rajasthan, Andhra Pradesh, Tamil Nadu and Kerala). The percentages on remarriage are based on the full sample; the percentages on employment are based on a sub-sample of 545 currently-widowed women. As some widows reported more than one activity and some reported none, the percentages do not add up to 100.

as sexually vulnerable and/or promiscuous) or property-related violence (because widows are seen as unwanted claimants on ancestral property).

Of course, not all widows face these types of mistreatment. Many older widows who live with their sons (and their families) enjoy their respect and love. Some older widows are happily integrated in their daughters' households. It is young widows who are most vulnerable to mistreatment, unless they have the support of their parents or brothers.

Regional contrasts

North-south contrasts in gender relations within India have been much discussed in the literature, and it is not surprising that these contrasts have an influence on the living conditions of widows.

One aspect of these contrasts concerns the kinship system, and, in particular, the relationship of a married woman with her parental family after marriage.[12] In most communities in north India, marriage practices dictate not only patrilocal residence upon marriage but also clan exogamy (marriage outside the clan) and village exogamy (marriage outside the village); so that a woman has to leave her parental lineage, home, and village upon marriage. This system has the effect of isolating and dispossessing women, and also plays a crucial part in the deprivation of widows. In many communities in south India, the marriage system is based on patrilocal residence but also involves a preference for marriage within the kinship group (which can often lead to marriage within the village); so that a woman may not have to leave either her parental lineage or her natal village upon marriage.

It is plausible that this basic difference in kinship systems tends to give widows in south India greater freedom than their north Indian counterparts to return to their parental village, to claim ownership rights on their father's land, to claim ownership rights on their deceased husband's land, and to take up productive employment. The data from the Chen study confirm these hypotheses:

(1) Residence in natal village: The percentage of widows living in their natal or parental villages is significantly higher in south India (43 per cent) than in north India (11 per cent). And, interestingly, of those currently living in their natal village in south India, most (80 per cent) also lived there before their husband's death. In north India, of those currently living in their natal village, just over half (55 per cent) lived there before their husbands' death.

(2) Claim to share of father's land: The percentage of all widows who have inherited land from their father is higher in south India (18 per cent) than in north India (8 per cent).

(3) Claim to share of husband's land: Of those widows whose husbands owned land, 52 per cent in south India reported that they exercise use rights over a share of their husband's land, compared with only 51 per cent in north India.

(4) Participation in gainful employment: In terms of the primary occupation of the households with widows, a far higher percentage of households in south India (47 per cent) than in north India (24 per cent) reported wage labour as their primary occupation.[13]

It is plausible that these and related factors play a role in enabling widows in south India to lead a less deprived life than their north Indian sisters, and contribute to the particularly high mortality rates of north Indian widows, discussed above.

Property Rights

In his opening remarks to this session, N R Madhava Menon noted that the issue of property rights is exceedingly complex because the distribution of property rights is governed largely by customary law rather than by statutory law. In regard to statutory law, he noted that the British colonial government did not touch matrimonial or inheritance laws and that the Indian government has not been able to introduce a uniform civil code. However, the Indian government has been able to 'secularise' much of Hindu inheritance law: the implications for Hindu widows is that their inheritance rights have been extended from limited estate or use rights (until their death) to full estate or ownership rights. But, as Menon concluded, statutory laws cannot be easily enforced and customary law still prevails across most regions and social groups in India.

In her presentation on the practice of leviratic remarriage in colonial Haryana, Prem Chowdhry argued that customary law itself is subject to negotiation and interpretation. In regions or social groups where the demand for women's labour and fertility is high, such as among the peasant castes in Haryana in the colonial period, the remarriage of widows through levirate was encouraged as a means of controlling their productive labour as well as their fertility and their property (as non-remarried widows were granted use rights to their husband's share of land). In other regions and social groups, where the demand for women's labour or fertility is low, widow remarriage is prohibited. What is notable about customary law, according to Chowdhry, is not only the differences across regions and social groups at a particular point in time but also differences within regions and social groups across time. In fact, she argues, customary law or customs are constantly being "shaped, challenged and reshaped by patriarchy to fit the particular needs of a community" (1994:1).

In a study of the land rights of widows in two villages in Rajasthan, Shobha and Ramesh Nandwana found that 17 out of 57 widows had land registered in their own names in the record of rights register. Of these 17, two had the land registered in their individual names and 15 had the land registered jointly in the names of themselves and their sons. The two widows who had land registered in their individual name had no sons. The Nandwanas noted that even when land is registered in a widow's name, either individually or jointly, she is typically not allowed by her in-laws or sons to sell, mortgage, or transfer the land. The Nandwanas then described the land registration process in Rajasthan, noting why widows find it difficult to claim their land rights, and made several recommendations aimed at better protection of these rights (see Appendix).

Table 9: Marital Status and Labour Force Participation in Rural India, 1981

Age Group	Proportion of All Widows in Specified Age Group	Labour Force Participation Rates (Proportion of 'Main Workers' in the Total Female Population) (Percentage)		Proportion of Agricultural Labourers among Women who Participate in Labour Force (Percentage)	
		Married	Widowed	Married	Widowed
10-14	0.1	18	22	52	63
15-19	0.3	23	36	53	63
20-24	0.7	24	39	51	59
25-29	1.4	25	44	50	56
30-34	2.5	27	47	50	54
35-39	3.9	28	47	49	52
40-49	15.0	27	39	48	52
50-59	22.8	22	27	46	52
60+	53.3	13	10	44	48
All ages	100.0	25	22	50	51

Note: The average labour force participation rate of widows is lower than that of married women, even though the *age-specific* participation rates of widows are higher than those of married women in the same age group, because widows tend to be concentrated in the older age groups.

Source: Compiled from various *Census of India 1981* reports.

In their study of the property rights of widows in two villages in Muzzaffarpur district of Bihar, Seema Misra and Enakshi Thukral examined the perspectives of the widows themselves and of the revenue department officials in that area. Irrespective of their caste, all the widows interviewed declared that they were rightful heirs to their husband's share of land and defined their right ('huq') as use rights rather than ownership rights. However, whether the widows could actually exercise their use rights depended on a number of factors: the age of the widow, whether she had children, the sex and age of her children, the interests of the dead husband's lineage, and the position taken by the widow's parents or brothers. In brief, widows without children faced the most difficulty in exercising their rights, and widows with sons had the least difficulty. But the rights of widows with sons amount to guardianship over the land until their sons mature, and maintenance from the land after their sons mature. The local officials expressed knowledge of the provisions of statutory law (which guarantee full estate rights to widows and daughters) but tended, through their actions and decisions, to reinforce the local status quo or customary practice (which grants only limited rights to widows and few rights to daughters). Misra and Thukral concluded that local bureaucratic practice reinforces local customary practice to effectively deny widows and daughters their statutory right to full ownership over a share of their husband's or father's land.[14]

To illustrate the social risks and legal hurdles widows face when they try to secure their property rights, three sets of case studies were presented. Based on her experience as a social and political activist in Maharashtra, Neelam Ghore presented case studies of two widows who filed legal cases against their in-laws for depriving them of their right to their husband's share of ancestral land. In one case, the in-laws had physically beaten the defiant widow; in the other, they had tried to alienate the widow's son from his mother. Neelam Ghore then described the work of two Pune-based organisations, Krantikari Mahila Sanghatana and Stree Aadhar Kendra, which have helped widows seek legal council and police protection in their struggle to secure property rights and maintenance rights.

Drawing on her experience as a social activist and researcher, Bela Bhatia submitted two notes to the session on property rights. The first included three case studies of widow's property rights in practice. In each instance, the in-laws of the widow sought to deny the widow her rights to a share of her husband's ancestral land through physical intimidation or worse. In one instance, the widow was beaten. In another, the widow was doused with boiling water and her neck was cut. In the third instance, the widow was brutally murdered.

The second note addressed the issue of the land rights of widows under the resettlement and rehabilitation programme of the Sardar Sarovar project (also known as the Narmada Dam project). The rehabilitation package prescribes that a widow who has lost her husband before 1980 cannot be counted as a household head but must be considered as a dependent. This implies that such widows, even if they are registered land owners ('khatedars'), and even if they have no sons to support them, are not entitled to land or housing. In some cases, the sons of widows classified as dependents have been resettled in sites distant from their widowed mothers. In a few such cases, the sons resisted moving to resettlement sites until their widowed mothers were compensated, but were ignored by the resettlement officials. Bela Bhatia ended her analysis with a compelling question: how are displaced widows who are not compensated and who are separated from their sons (or have no sons) expected to survive?

As discussed by N R Madhava Menon in his concluding remarks to this session, many issues relating to the property rights of widows in rural India call for further investigation. Outstanding questions include the nature of property rights under customary law in different regions and among different social groups, the compromises that are made between customary law and statutory law, the conditions under which widows are able to claim their rights, the strategies used by others to deprive widows of their property rights, and the steps that can be taken to protect property rights. These are important issues for further research.

Social Security

The session on 'social security' included two types of presentations: some commented on various schemes to promote the social and economic security of widows; others analysed the causes of insecurity among widows.

In his opening presentation, S Guhan offered a useful framework for considering various social security measures for widows, differentiating among: poverty alleviation measures targeted at those widowed women who are also poor (e g, protection of property rights; allotment of land and housing; government employment; access to credit); survivor benefits for widows in general or for widows from poor households or specified occupational groups; life insurance; rehabilitation and training schemes; and pension schemes (for widows above 50 who have no adult sons). Guhan ended his opening comments with a rough calculation of what it would cost the government of India to provide a monthly pension of Rs 100 a month to 20 per cent of all widows above 50 and survivor benefits for deaths which occur in the income-earning age group (20-60 years): an annual bill of Rs 900 crore (including overheads), or 0.1 per cent of India's gross domestic product (GDP) of Rs 9,00,000 crore.

Iqbal and Leela Gulati discussed social support for widows under three pension schemes in Kerala: the Destitute Old and Widow's Pension Scheme, the Agricultural Worker's Pension Scheme, and the Special Pension Scheme for the Handicapped. Their analysis focused on the proportion of widows covered under these schemes, the adequacy of pension entitlements, and financing issues. According to their calculations, about "half the number of widows in poor households of Kerala are currently covered by the three pension schemes" [Gulati and Gulati 1994:3].[15] In regard to the amount received, the Gulatis calculated that the current pension entitlements enable a widow to obtain her rations from the public distribution system (which provides limited quantities of foodgrains, sugar, edible oil and kerosene at subsidised prices), with some cash left over. The pensions, therefore, represent a significant source of independent support for widows who live as dependents, but they do not enable a widow who heads a household to support others as well as herself. In regard to the financing of these three pension schemes in Kerala, the Gulatis calculated that if pension entitlements remain unchanged in real terms, the burden on the state exchequer in 2001 would be about 5 per cent of the total annual government expenditure. This proportion should not be considered too high, concluded the Gulatis, given that the state government will be spending four to five times as much on pensions to retired government employees,

Table 10: Per-Capita Expenditure by Household Size and Type–Rural India, 1986-87

Household Size	Per Capita Expenditure (Rs per month), by Household Type		
	Male-Headed	Female-Headed[a]	Widow-Headed
1	224	165	158
2	161	152	147
3-4	130	129	120[b]
5-6	113	112	na
7-10	104	104	na
10+	99	92	na
All Sizes	122	135	132

Notes: [a] Including all 'widow-headed' households.
[b] Approximation based on the average PCE for households of size 4-5.
Source: Special tabulation of the 42nd round of the National Sample Survey (1986-87) by P V Srinivasan.

whose number is less than one quarter of the number of beneficiaries (widows and others) covered by the three social security schemes under consideration.

Eswara Prasad discussed the implementation of the Destitute Widow's Pension Scheme in one district of Tamil Nadu. After noting that the coverage of widows under the scheme was uneven within the district (with two more developed and accessible talukas accounting for 50 per cent of the beneficiaries), Eswara Prasad described in telling detail the exacting and somewhat contradictory criteria which a widow has to meet in order to qualify for the scheme, and the intimidating and time-consuming bureaucratic hurdles that are involved in filing an application for a pension. As the author comments, in order to qualify for the scheme a widow "must be single; have no children; earn less than Rs 100 per month; be physically unfit to work; should not beg; should not own a house; etc" [Prasad 1994:10]. However, to get the pension a widow "must be capable of applying for a pension; willing to visit the taluka office several times and put up with apathy of the officials; must be extremely patient and wait for long periods till enquiries are completed at each stage; must be capable and willing to spend money out of pocket; and so on!" (1994: 10-11).

In contrast to the limited provisions and inefficient administration of most state pension schemes, Reema Nanavaty described a pilot comprehensive insurance scheme for women established in 1991 by the Self-Employed Women's Association (SEWA) in Gujarat. Known locally as the Karya Suraksha (Work Security), the scheme provides insurance against the death of a woman who joins the scheme (Rs 3,000), against the accidental death of a member's husband, against illnesses which require hospitalisation, and against damages to homes and tools or equipment (up to Rs 5,000). To be covered under the scheme, each member must pay an annual premium of Rs 45 (for annual coverage), or make a one-time payment of Rs 550 (for life-long coverage). To date, some 7,000 self-employed women have subscribed to the scheme.

After these presentations which focused exclusively on social security schemes for widows, Varsha Bhagat and Mihir Bhatt presented studies which included data on the insecurity of widows as well as observations on existing or potential social security schemes. Varsha Bhagat reported on a survey of 131 widows in four districts of Gujarat and on a 1993 convention ('sammelan') of some 450 widows, divorced and deserted women. The survey focused on widows from scheduled castes, landless families and other disadvantaged sections of the population. The vast majority (over 75 per cent) of the 131 widows surveyed lost their husband before the age of 45, are illiterate, work as wage labourers, and earn less than Rs 5,000 per year. However, only 18 were beneficiaries of the state government's scheme for rehabilitating destitute widows, deserted, or divorced women. In fact, a majority of the widows surveyed had at best a vague idea of the existence and terms of this scheme. After presenting case-studies of three widows which illustrate some of the limitations of family or community-based systems of social security, Varsha Bhagat talked about problems relating to the rehabilitation scheme for destitute women, including: lack of public awareness, narrow eligibility criteria, inadequacy of and discrepancies in the amount provided, unrealistic rehabilitation and training objectives, and problems in implementation. Many of these problems were quite similar to those reported by Eswara Prasad for Tamil Nadu. She concluded with a practical plan of action in support of destitute widows, to be taken up jointly by the state government and non-government organisations. This plan of action includes measures to address the basic survival needs of widows, and also to provide skills training, vocational training, and credit to widows (and their children), to provide legal aid to widows, to provide life and housing insurance, to develop a savings scheme for widows, and to offer residential housing and pensions to elderly destitute widows. Some of these measures have been incorporated in the participants' recommendations listed in Appendix I.

Mihir Bhatt's report on a 1993 survey of 148 widows in Banaskantha District (Gujarat), presented on his behalf by Reema Nanavaty, focused on the impact of both widowhood and drought on poor women. In

TABLE 11: INCIDENCE OF POVERTY ('HEAD-COUNT RATIO') BY HOUSEHOLD TYPE, FOR DIFFERENT LEVELS OF 'ECONOMIES OF SCALE' IN HOUSEHOLD CONSUMPTION

Type of Household	Mean PCE	Head-Count Ratios, for Different Values of the 'Economies of Scale' Parameter (k)		
		k=1.0	k=0.8	k=0.6
1 Male-headed	123	.57 (6)	.21 (2)	.04 (1)
2 Female-headed	135	.51 (3)	.23 (3)	.08 (3)
(a) Widow-headed	133	.53 (5)	.27 (4)	.10 (4)
i Living with others	128	.51 (3)	28 (5)	.12 (5)
ii Living alone	158	35 (1)	.35 (6)	.35 (6)
(b) Other female-headed	140	49 (2)	.17 (1)	.05 (2)
All households	124	.57	.21	.04

Note The numbers in brackets indicate the ranking of different household groups by head-count ratio, with '1' denoting the least poor group and '6' denoting the poorest group.

Source Special tabulation of the 42nd round of the National Sample Survey (1986-87) by P V Srinivasan (Indira Gandhi Institute of Development Research, Bombay). The 'head-count ratio' is the proportion of households with 'adjusted PCE' below a specified poverty line. 'Adjusted PCE' is defined as $x^* = X/n^k$, where X is total household expenditure, n is the household size, and k is the "economies of scale parameter" (thus, adjusted PCE is simply per-capita expenditure for k = 1, and total household expenditure for k = 0).

TABLE 12: MAJOR PENSION SCHEMES IN KERALA, 1991-92

Pension Scheme	Eligibility Conditions	Monthly Allowance	Expenditure Incurred (Rs crore)	Number of Pension Recipients (lakh)	Estimated No of Widows Among the Pensioners (lakh)
			91-92	91-92	91-92
Destitute and old widows	Age: above 65 for destitute elderly; no age limit for widowhood. Income: not to exceed Rs 100 per month. Family support: no relative above the age of 20.	Rs 65, plus Rs 5 for widows with one or more children	14.01	1.83	1.22
Agricultural workers	Age: above 65 years. Income: not to exceed Rs 1,500 per year (including income of unmarried children).	Rs 70	18.97	3.35	1.34
Physically and mentally handicapped	Disability: minimum 40 per cent as certified. Income: (i) family's annual income not to exceed Rs 5,000, and (ii) beneficiary's monthly income not to exceed Rs 75.	Rs 85	8.23	0.84	0.03

Source: Adapted from Gulati and Gulati (1994), Tables 1 and 2. The authors estimate the number of widows below the poverty line in Kerala was around five lakh in 1991-92.

line with the results of other empirical studies in north India. Bhatt found that only a small proportion of widows had remarried (in this case, two out of 148), although nearly half were widowed before the age of 40, and that more widows lived with their sons or on their own (46 per cent) than with their parents or own relatives (31 per cent) or with their parents-in-law or relatives of their deceased husband (20 per cent). In contrast with Marty Chen's findings, Mihir Bhatt found that the percentage of widows engaged in agricultural wage work dropped from 40 per cent before widowhood to 25 per cent at the time of the survey. Bhatt attributes this drop to local caste norms regarding women's work outside the home, especially alongside men: only one-third of the widows he surveyed reported that they could work alongside men; one-third reported that they could not work alongside men, and one-third reported that they could work alongside men only under certain conditions (most notably, that the men were from their own, not their husband's, family). Given these restrictions on their employment opportunities, widows who head households are often among the most affected when a drought occurs. Indeed, over 25 per cent (41) of the widows reported that they could not find enough work during the most recent drought to meet their consumption needs, four reported that they had to break caste norms to take up 'men's' work, two were forced to sell animals, and two were forced to sell land.[16]

Employment and Livelihood

The session on employment and livelihood explored two related issues, the relationship between widowhood and poverty, and the relationship between widowhood and employment. In connection with the first theme, Jackie Loh described the preliminary findings of an analysis of National Sample Survey data (1986-87) by P V Srinivasan, Jean Dreze, and herself (these findings have already been discussed in above). Leela Gulati then presented some longitudinal data on the relationship between widowhood and poverty in a slum area of Trivandrum, Kerala. She noted a relatively high incidence of widowhood in the low-income area: widows represent 9.1 per cent of the total female population in Kerala, but 13.6 per cent of the total female population in the study area. Leela Gulati also noted that all the widows in the study area are aware of the pension schemes but only 22 per cent are beneficiaries (compared to an estimated 40-50 per cent for the state as a whole), that not all sons can afford to support a widowed mother (casual labourers are least able to do so); that a majority of widows have to manage on their own, and that the needs of widows include not only economic security but also physical security, help with children's education, and self-respect.

These opening presentations on the relationship between widowhood and poverty were followed by five presentations on the relationship between widowhood and employment. D V Rukmini presented the results of a 1992 survey of 4,500 households in Haryana conducted by the National Council of Applied Economic Research (NCAER). This survey focused on households with at least one female member working outside the home. Rukmini reports that in the 15-59 age group, the labour force participation rate of widows is higher than that of married women among the scheduled castes and tribes, but lower than that of other women among the backward and upper castes. The labour force participation rate is also higher among widows than among married women in rural areas, but the reverse applies in urban areas.

Alice Thorner reported on a mid-1980s study of 523 working class women (from 357 households) in Bombay city, of which 86 were widows. Of the 86 widows, 32 were over 60 years of age, and only 19 of the remaining 54 were involved in gainful employment, eight in domestic services, seven in petty trade, two rolling 'bidis', and one reading the Koran to other women (another two were looking for work at the time of survey). What struck Thorner was the fact that out of 21 households which had no male earners, 12 were headed by widows. Also, unlike other working class women in the sample, the widows were not engaged in factory work, white-collar work, or construction work, and nor had they found work as sweepers, artisans, or caterers ('khanawalis').[17] These findings, highlighting the restricted nature of gainful employment opportunities for widows in urban areas, are consistent with the findings that have emerged from Marty Chen's study for rural areas (see above).

In its report entitled 'Shram Shakti', the National Commission on Self-Employed Women classified women's work into the following categories: unpaid family work; wage labour outside the home; contract work or piece-rate work at home, independent (or self-employed) work; and the exchange of goods and services in kind. Using this classification, Renana Jhabvala's paper (presented by Reema Nanavaty) explored the implications of widowhood for the work and income of each category of women workers. The worst affected, in her judgment, are often the unpaid family workers, as they often have no independent access to credit, skills, markets or alternative occupations (1994:6). However, the situation of women who work for wages outside the home can also be quite precarious, especially in the rural areas, as participation in wage labour often depends on being able to work alongside one's husband. In stone mining, for example, the adult male members of the family dig out and break the large stones while women break them into smaller pieces. A widow either has to give up such work or attach herself to the work team of another family where she gets paid only the lowest wages for breaking the stones. In household production, too, men often do certain tasks which women are not accustomed to doing for social or physical reasons: for example, men typically plough the land so that, when widowed, women often have to lease out their land. Even if the death of the husband does not affect the working conditions of the woman, a widow often has to work doubly hard and even take on new work to compensate for the loss of her husband's income. Jhabvala concluded with a description of SEWA's work and of how membership in such associations can serve to strengthen the employment, income, social standing, and individual confidence of women (including widows).

Drawing on her experience with a union of domestic workers in Madras, Siddama described two types of domestic work and how widows are exploited under each. Within their own families or their deceased husband's families, widows are often expected to work long hours at domestic chores (seen as the 'natural duty' of women, especially widows and destitute women), but are still considered as a 'burden' on the household. When they work as domestic workers in other people's homes, widows often work long hours at below-minimum wages with no medical benefits, child care support, or retirement benefits. Because domestic work in urban areas is often one of the few jobs available to women, and because most employers will not let women keep their children with them, many widows have to put their children into orphanages when they migrate to cities in search of work.

Based on similar involvement with a union of construction workers, Geetha Ramakrishnan described the situation of two widows who are construction labourers. Maniammal, now 75 years old, worked as a construction labourer from the age of 10 until she was 74. Although she was at the forefront of the construction labour movement, she receives no pension as a retired construction worker (as both the state and central governments have failed to respond to the construction workers' demands), and she had to fight with the revenue department for one year before she was granted a pension of Rs 75 per month as a destitute widow. Unable to survive from this pension alone, much less to repair the roof of her hut, Maniammal had to resort to begging. Savitri, a young widow, lives with two young children in a city slum. To supplement her earnings from construction work, her children have had to go to work and she has become a prostitute. As Geetha Ramakrishnan concluded, social

oppression and economic exploitation go hand in hand.

Social Reform and Collective Action

In her opening remarks, Shobha Raghuram, the chairperson for this session, noted that the previous sessions had provided a glimpse of only the "tip of the iceberg" and that the iceberg itself consisted of a complex set of issues relating to the image and identity of women in general (not only widows) in Indian society. Raghuram then laid out an agenda of issues for the session on social reform and collective action, including: the impact on widows of images and terms used to label them (what Raghuram referred to as "linguistic oppression"); the need to create opportunities for widows to come together and redefine their image (as women with dignity and rights); the need to create a "culture of resistance"; and the need, most critically, to initiate a public debate on whether widows need to be integrated into Indian society (as currently structured and defined) or whether Indian society itself needs to be "reformed".

In her presentation, which examined the cultural and ideological construction of widowhood, Uma Chakravarty explored two related questions: why widowhood in India is constructed as social death (that is, why widows are treated as having no social, individual or sexual identity) and why, despite a common underlying ideology, different castes treat widows in different ways. Uma Chakravarty summarised the underlying logic of why widows are expected to remain celibate and chaste and to lead ascetic lifestyles in this way: widows, especially young widows, are seen as sexually dangerous (as having the potential to disrupt, pollute, and discredit their dead husband's lineage and society at large) and must, therefore, be 'neutered' or unsexed. The defacing of widows is particularly marked among the upper castes, such as the havik brahmans in Karnataka, in which women have no socially valued role other than their reproductive role. Among the lower castes, such as the chuhras in Uttar Pradesh, in which women are valued for their productive as well as their reproductive role, widows are allowed to remarry and remain incorporated in the social and economic order. Chakravarty concluded that the patriarchal formulations of appropriate behaviour for widows of high castes and widows of low castes reflected, and were structurally integrated into, the ideology and material relations of the caste system: a system in which the upper castes could restrict their own reproduction in order to reduce pressure on the physical resources under their control while encouraging the lower castes to reproduce (albeit while castigating the sexual mores of the lower castes) in order to increase the human resources under their control.

Building on Chakravarty's analysis, Abha Bhatya offered a comparative perspective on widows and other single women based on an analysis of patriarchal control over women's sexuality, fertility, labour, and property and of patriarchal images and definitions of womanhood. According to Abha Bhaiya, the patriarchal ideology which underlies the identity and construction of womanhood is mitigated by class, caste, and ethnicity but, primarily, by marital status. The purpose of patriarchy is to control women through the institution of marriage. When her husband dies, a woman's identity and situation changes dramatically. Among the upper castes, where women are valued only for their reproductive role and where high fertility is not valued, widows have no legitimate identity. Among the lower castes, where women are valued for their productive role and fertility is more highly valued, widows are needed for their powers of production and reproduction. However, Bhatya argued, widowhood should not be allowed to overshadow the problems of women within marriage or the problems of other single women. All single women face common problems, including not being recognised as heads of their own households, being seen as available for domestic labour in the household in which they live, and having no social or cultural occasions on which to come together.

After this insightful discussion of patriarchal control by Chakravarty and Bhatya, the session turned to various efforts to socially (and economically) 'rehabilitate' widows. Ritu Menon presented the findings of a study she had undertaken with Kamla Bhasin on the role of the state in rehabilitating women who were widowed at the time of partition. Early state initiatives to rehabilitate partition widows, she argued, differ in some important respects from current efforts to organise various welfare schemes for widows and other destitute women. In particular, because the widows of 1947 were 'widowed by history', it was accepted that their well-being was the responsibility of the state, and also that they needed not just temporary relief but a means of supporting themselves for the rest of their lives. The critical difference, Menon argued, is that in the immediate aftermath of partition the rehabilitation of widows was considered a necessary part of social reconstruction. In contrast, the current provisions of social security for widows are considered "more akin to handing out dole, with all its demeaning implications" [Menon and Bhasin 1994:15].

Chandra Bhandari described the current efforts of a non-government organisation in Rajasthan, Seva Mandir, to organise and support rural women (including widows). In the course of their work, Seva Mandir members have come to recognise specific concerns of widows, including: attempts by in-laws to disinherit them (sometimes based on accusations of witchcraft); ban on remarriage among some castes; demand for bride-price upon remarriage in other castes; high costs of death ceremonies (particularly the 'mrityu bhoj' or death feast); bureaucratic hurdles in securing a pension; and lack of opportunities for vocational training. In response to these problems, Seva Mandir members have helped widows to remarry, obtain pensions, find jobs, fight legal battles over land, and, in one instance, they even helped a widow to defend herself against suspicions of witchcraft by socialising and eating with her.

Uma Kulkarni spoke about the current efforts of the Karnataka branch of a national women's programme, Mahila Samakhya, to organise and support rural women (including widows). In the course of organising women, the staff of Mahila Samakhya, Karnataka, have adopted several strategies to promote a more positive image of widows. In the early days of their organising work, widows used to withdraw when the oil lamps were lit during any ritual function. The Mahila Samakhya activists asked the other women to think about why widows felt compelled to withdraw and asked the widows to explain what they felt. Then, the activists began to ask widows to inaugurate meetings by lighting the oil lamps and to ask other women to garland and apply kumkum to widows (who are otherwise forbidden to wear flowers or 'kumkum'). Gradually, the self-esteem of the widowed members of Mahila Samakhya increased. Now, if men comment on the behaviour of widows at Mahila Samakhya meetings, the members of Mahila Samakhya confidently challenge them.

Bela Bhatia described recent efforts to organise widows in rural areas of Bhiloda taluka in north Gujarat, jointly led by two non-government organisations: Shramjivi Samaj, a local union of agricultural workers, and Setu (the Centre for Social Knowledge and Action, based in Ahmedabad). In 1988, women activists from Setu and Shramjivi Samaj organised a mass gathering (sammelan) of single women at the taluka headquarters in Bhiloda. This gathering was an opportunity for single women to come together, share their concerns and voice their demands to local government officials. More than 500 women participated, most of them widows. They agreed on a detailed list of demands, which included the effective implementation of pension schemes – until then virtually non-functional in Bhiloda taluka. After the sammelan, and acting on these demands, Shramjivi Samaj helped more than 300 widows as well as over 100 destitute elderly women to get pensions from the state government. Shramjivi Samaj also enabled widows and other single women to get ration cards in their own name, to get their name entered in the official list of persons below the poverty line, to get just and proper resettle-

ment (in the case of widowed oustees of the Guhai dam), to build links with other women's organisations in Gujarat, and even to contest gram panchayat elections. Despite their success in addressing some of the problems voiced by destitute single women, the women of Shramjivi Samaj and Setu recognise that many other problems remain unaddressed, including: the denial of land rights; the needs of the children of destitute single women; the persistence of child marriage in the area (which leads to widowhood even among female children); the continued influence of negative social attitudes towards widows; and the need for basic changes in the formulation of pension schemes. This experience in Bhiloda taluka, however, offers an encouraging example of the possibility of active mobilisation of widows and other single women in rural areas.

Public Action

In the closing session of the conference, a panel of representatives of the conference participants (one from each of the main sessions) presented a set of recommendations regarding future action, policy, and research in support of widows. A panel of representatives from the workshop (four widows and a local woman activist) also presented a charter of demands made by the widows themselves. These recommendations are presented in Appendix I. It should be made clear that not all conference participants agreed with all these recommendations. They are not presented here as a collective charter of demands, but rather as a set of possible directions of future action and research.

By way of conclusion, we would like to reiterate that the concerns of Indian widows cannot be dissociated from those of other single women, or indeed from those of women in general. Widows do experience special difficulties and deprivations, connected, *inter alia*, with the restrictions that are imposed on their lifestyle and the persistence of negative social attitudes towards them. In the context of social science research, it is right to give attention to widowhood as a particular cause of deprivation. And, in the context of social action, it is right to organise and support widows in their specific demands (e g, relating to pensions, property rights and other entitlements). But this does not mean that action has to take the form of working for or with widows in isolation from other women. As the studies and personal testimonies summarised in this paper amply demonstrate, there are intimate links between the predicament of Indian widows and a wide range of patriarchal institutions such as patrilineal inheritance, patrilocal residence and the gender division of labour. The cause of widows must be seen as an integral part of the broader battle against gender inequalities.

Appendix: Recommendations of Participants

In this appendix, we list the recommendations made by the workshop and conference participants. As explained in the concluding section of the paper, these recommendations should be interpreted as suggested directions of future research and action, rather than as collective demands agreed by all participants.

Recommendations of Conference Participants

Property Rights

Several participants recommended that all land should be registered jointly in the name of both husband and wife, but there was no general agreement on this recommendation. Other suggestions made by different participants included the following:

(1) The transfer of property should take place automatically and quickly after the death of the husband: that is, the widow's name should be automatically entered in the land records upon the death of the husband

(2) Further, if the husband's share of land is still held jointly with his father and/or brother(s), mutation and partition of the holding should take place simultaneously. The responsible tehsildar should be made responsible for ensuring that mutation and partition take place.

(3) The land registers or records need to be updated and routinely maintained in the light of these recommendations.

(4) Landless widows should be given priority when there is allocation of cultivable land by the government.

(5) Further, when land is allotted to married couples, it should be registered jointly in the name of both husband and wife.

(6) Modern legislation relating to the property rights of widows should be enforced.

(7) The Hindu Succession Act 1956 should be amended to revoke the provision according to which a man is allowed to will away his entire property.

(8) State tenancy laws need to be reviewed for specific biases against women in general and widows in particular

(9) Land reform acts need to be reviewed for specific biases against women in general and widows in particular.[18]

(10) The state should intervene in cases of bigamy (because only the first wife can file a suit against the husband) and of levirate (because enforced remarriage through levirate is one way of depriving a widow of her property rights).

(11) Awareness of modern law should be promoted, and women should be helped to enforce their legal inheritance rights.

(12) Research on the following issues should be undertaken:

– options available to women regarding inheritance and remarriage, and women's motivation in making a choice between various options;

– the working of the joint 'patta' system, where it has been introduced;

– customary practices, and how they interfere or interact with statutory law;

– the gap between the theory and practice of law, and how the divergence can be reduced;

– why women have internalised the notion of property rights as a male right;

– the tactics used by others to deprive widows of their inheritance rights, and the steps that widows can take to exercise these rights.

Social security

There was wide agreement among the conference participants that social security should be considered in a broad sense, to include education and health for all, and that the government of India should invest in developing social security systems as an important dimension of economic development. Some participants called for comprehensive social security schemes for widows. S Guhan offered a framework for viewing comprehensive social security for widows within the context of broader anti-poverty and pro-women policies: a gradation of measures that proceed from wider to narrower specificity. The various recommendations of the conference participants fit into that framework as follows:

(1) 'Anti-poverty measures', under which widows should be given preferential treatment: land redistribution; allotment of house sites and houses; health schemes; public distribution; employment guarantee and self-employment programmes; credit schemes.

(2) 'Pro-women measures', which would benefit widows as well as other women, e g female education, enforcement of laws relating to minimum age at marriage, and protection of women's property rights.

(3) 'Rehabilitation measures', targeted specifically at widows, such as vocational training, adult education, awareness camps, legal counselling, provision of assets for self-employment, residential housing for elderly widows.

(4) 'Social security measures', which are designed for and/or targeted to widows, including: survivor benefits (in the form of social assistance provided by the government, or subsidised life insurance extended to rural areas); calamity insurance (e g insurance of housing, land, animals, tools, trees and other productive assets); unemployment insurance (e g, unemployment compensation for working widows); pensions (monthly allowances for all widows, or for widows without adult sons); short-stay homes for widows.

There were a number of specific recommendations in regard to pensions:

(1) Pensions should be viewed as

entitlements, not as a dole.

(2) Pension entitlements should take the form of legal rights, enforceable in court, rather than of *ad hoc* transfers dependent on the good will of the state.

(3) Pensions should be given for life (rather than only for a few years, as currently applies in most states), and the monthly allowances should be raised.

(4) A decentralised and reliable delivery system for pensions should be developed.

(5) The central government should provide support to state governments and non-government agencies involved in the rehabilitation of widows or in providing social security benefits to widows.

(6) Consideration should be given to the case for universalising widow pensions (i e, giving pensions to all widows, rather than insisting on particular eligibility criteria), as a means of preventing the abuses and bureaucratic hurdles that inevitably arise when eligibility conditions are introduced.

Employment and Livelihood

In addition to the social security measures listed in the preceding section, the following recommendations emerged from the session on 'employment and livelihood':

(1) Labourers, including working women, must get a fair deal and participate in decision-making with government and employers. Women must have at least proportionate representation on tripartite boards.

(2) Jobs in the organised sector should be reserved for widows.

(3) Unemployment allowance, linked to the price index, should be provided to widows.

(4) Day care facilities should be provided in every economic sector and unit.

(5) Primary education should become compulsory and stipends should be provided for children's education.

(6) The perception of women as workers should be promoted, because ultimately every woman is a worker. The media, non-government organisations, and trade unions all need to ensure that the image of women (and widows) is changed.

Social Reform and Collective Action

The recommendations from the session on 'social reform and collective action' included the following:

(1) Women need an identity as autonomous individuals and as citizens of the country.

(2) Women require a time and space at the grass roots level to meet, organise, and unleash their own power for change

(3) The state should support rather than oppose women who act as agents of change, and protect them from repressive violence.

(4) Non-government organisations should be sensitised to examine the actions they are taking to support widows, their own role in perpetuating patriarchy.

(5) Existing schemes need to be redesigned to include mechanisms whereby women have better control over resources.

Demands of Workshop Participants

During the week-long discussions and exchanges among 35 widows from nine states, two issues became very clear: that all the widows voiced certain common demands, and that these demands covered basic material needs as well as the need for identity, dignity and respect. The demands put forward by widows during the last session of the conference included the following:

(1) Housing: including automatic transfer of the conjugal house to the widow's name upon the death of her husband, or allotment of house site and housing by the government.

(2) Land: including automatic transfer of land (and other property) to the widow's name upon the death of her husband.

(3) Jobs: including automatic transfer of husband's job to the widow (or her son) and training plus subsidies for self-employment

(4) Education for their children: including scholarships; stipends to cover the costs of books, uniforms, and transport; and boarding facilities.

Notes

1 These events were planned and co-ordinated by Marty Chen of the Harvard Institute for International Development. Important contributions to their organisation were made by several people, including Gita Sen and Bina Naidu of the Indian Institute of Management, Bangalore, which hosted both events; Abha Bhaiya and Shanti of Jagori and Lakshmi Krishnamurty of Alarippu, who helped plan and run the workshop.

2 See particularly Dreze (1990), Chen (1991b), Chen and Dreze (1992), Chen (forthcoming)

3 Mahila Samakhya is a national programme of "women's equality and empowerment through education", with branches in five states.

4 Parts of this section also draw on Dreze 1990, Chen 1991, Chen and Dreze 1992, and the literature cited in these studies.

5 Government of India 1993:71. The reference year is 1991.

6 The same trend of concurrent expansion of longevity affects the age distribution of widows, with widowhood becoming more and more concentrated in the older age groups. The relationship between widowhood and aging, which raises important issues of its own, is investigated in Leela Gulati's contribution to the conference (1994).

7 The fact that mortality rates are higher among widowed men and women than among their married counterparts should not be interpreted as definite indication of a causal link between widowhood or widowerhood and increased mortality. Other explanations can be advanced for the observed associations. For instance, if husband and wife are exposed to a similar epidemiological environment, the states of being widowed and having a relatively high risk of mortality may both reflect an unfavourable epidemiological environment (rather than a causal association between losing one's spouse and increased mortality).

8 For further discussion, see Dreze (1990) and Chen and Dreze (1992).

9 It is interesting to note that a very large proportion of widows who remarried (67 per cent) lost their second husband. This is likely to reflect the fact that a widow's second husband is often a man who is much older than her, or suffers from some illness or physical disability (see the discussion of "remarriage practices" further in this section).

10 In many parts of India, particularly in tribal communities, widows are sometimes killed as witches. The underlying motivation appears to be economic: the accusers and murderers are often male relatives, typically step-sons or brothers-in-law, who want to control her land. It is reported that in the Jharkhand region of Bihar, of 95 cases of Santhals killed by Santhals over a 30-year period, 46 were witch-killings; of which 42 were women, most of them widows with land [Kelkar and Nathan 1991]. See also Bhatia (1994b) for some case studies.

11 Another important aspect of the remarriage issue is the freedom to refuse forced remarriage, e.g. in the form of an ascribed leviratic union.

12 On north-south contrasts in kinship systems, and their implications for women, see Karve (1965), Sopher (1980), Miller (1981), Dyson and Moore (1983), Kishor (1993), among others: also Dreze and Sen (forthcoming), and the literature cited there.

13 It should be noted that much the same levels of wage labour participation obtained before widowhood as well

14 The practice of inheritance rights in rural Bihar, as reported in this study, is strikingly similar to the situation found by Jean Dreze in the village of Palanpur in western Uttar Pradesh (some aspects of inheritance practices in Palanpur are described in Dreze, 1990). In both contexts, the primary fact seems to be that a widow is regarded as having only use rights to her husband's land as guardian of her sons, until they grow up This seems to reflect the continued influence of customary law, with modern law being either ignored (if it is known at all) not only by the village community but also by local officials.

15 This compares very favourably with the coverage of eligible widows under the pension schemes for destitute widows in other states. In her sample, Chen found that 10 per cent of all widows and 23 per cent of widows without adult sons (an important criterion for eligibility in most states) actually received pensions. Interestingly, the proportion of widows who had received pensions was about twice as high among upper-caste widows as among scheduled-caste widows.

16 In her study of the 1985-87 drought in one village of Ahmedabad district in Gujarat, Chen (1991) found that no productive assets, other than trees, were mortgaged or sold. She attributes this to the effective presence of relief works, in which all castes except the brahmans, traders, and shepherds participated and in which more women than men participated.

17 From their analysis of a longitudinal data set (based on 1985 and 1992 surveys) of pavement-dwellers in Bombay city, Madhura Swaminathan and Tara Ramkumar (1994) found that the two households that suffered downward mobility were headed by widows, that a large number of the 'chronically poor' households (five out of eight) were headed by widows, and that the women in the sample participated in a narrow range of occupations and had limited opportunities for occupational mobility

18 For example, land ceiling acts should be applied only to earning members of a household so that a dependent widow (or woman) does not lose her only asset

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Social Security for Widows

Experience in Kerala

I S Gulati
Leela Gulati

In practically all the states there have been in existence schemes addressing the destitute old and widows since the early 1960s. During the 1980s several states extended social security arrangements to physically and mentally handicapped persons and to agricultural workers. Kerala is one of these states. This paper discusses these schemes in Kerala from the standpoint of the social security they provide to widows in the state.

SOCIAL security pensions are basically intended to provide income support to persons adversely affected, by events like retrenchment, sickness, physical disability, old age and/or widowhood. In practically all the states of India, there has been in existence a scheme since early 1960s, addressing the destitute old and widows. The coverage of the scheme, in terms of the proportion of the population covered, differs from state to state principally because of the ceiling, on the maximum number to be covered, imposed explicitly or implicitly, by state governments out of financial considerations [Guhan 1990]

Lately, however, these quantitative ceilings have tended to be relaxed. In several states, they have been eliminated altogether, as is the case in Tamil Nadu and Kerala. Also, during the 1980s, several states have extended social security arrangements not only to physically and mentally handicapped persons but also to the workers in the major occupational group, namely, agricultural workers, who could easily be classified as being on the lowest rung of the income ladder. Kerala is one of these states. A separate scheme, Agricultural Workers' Pension Scheme, was introduced in Kerala in 1980. The scheme for the physically and mentally handicapped was introduced in the state in 1982.

In addition, quite a number (30 or so) of contributory pension and welfare funds catering to various occupational groups exist in Kerala, with a membership of over 10 lakh Also, as many as 2.6 lakh persons received unemployment assistance in 1991-92 [State Planning Board 1993].

Coverage of Pension Scheme

The coverage of three major social security pension schemes in Kerala, (1) Destitute Old and Widows Pension Scheme, (2) Agricultural Workers Pension Scheme, and (3) Special Pension Scheme for the Handicapped, amounted to 6 lakh persons (Table 1). This was the number of persons drawing one of the listed pensions in 1991-92 As a proportion of the total number of households in Kerala, the families drawing these pensions represented 12 per cent (i e, one in eight). The coverage of similar schemes taken together in Tamil Nadu worked out to 4-5 lakh in 1991-92 [Guhan 1990, Prasad 1994] which, as a proportion of the state's total number of households, worked out to 5 per cent In this sense, the coverage of welfare pensions in Kerala could be said to be more than twice as large as in Tamil Nadu.

Since to quality for pensions under these schemes, the persons concerned and their families have to fulfil the criterion of maximum income, it can safely be assumed that they all belong to families below the poverty line. The number of households below the poverty line works out to 16 lakh in Kerala going by the estimates of incidence of poverty by the Planning Commission's Expert Group (headed by D T Lakdawala). The total coverage of the three welfare pension schemes would work out to be 37.6 per cent. On the other hand, according to a recent house to house survey in the state organised in 1990 for the identification of families eligible for assistance under rural anti-poverty programmes, it was found that there were 17.86 lakh families below the poverty line in Kerala. On the assumption that three-fourths of the beneficiaries under the three pension schemes were rural based, the combined coverage of the three pension schemes can be said to extend to one-quarter (25.31 per cent) of the rural families below the poverty line in the state.

The question still remains whether the coverage by these pension schemes of even 37.6 per cent of the poor families can be considered adequate. If not, can an increase in coverage be considered realistically? To probe these questions it is necessary to look at the disaggregated information. We shall do so with respect to widows.

Coverage of Poor Widows

As can be seen from Table 1, the distribution of the pension recipients, separately under each of the three pension schemes was 1 82 lakh under the scheme for the destitute old and widows, 3.35 lakh under the scheme for agricultural workers and 84 5 thousand under the scheme for

Table 1 Major Pension Schemes in Kerala

Pension Scheme	Eligibility Conditions	Monthly Rate of Pension	Exp Incurred (Rs crore)			Number of Pension Recipients (in lakh)		
			90-91	91-92	92-93	90-91	91-92	92-93
(1) Destitute old and widows	*Age* Above 65 years for destitute old No age limit for widows *Income*: Not to exceed Rs 100 p m Family Support Should have no relatives above the age of 20.	Rs 65 plus Rs 5 for widows with one or more children	12 77	14 01	15 94	1 82	1 83	1.87
(2) Agricultural workers	*Age* Above 60 years *Income* Annual income of family (including income of un-married sons and daughters) not to exceed Rs 1,500	Rs 70	29 14	18 97	26 90	3 24	3.35	3.41
(3) Physically and mentally handicapped	*Disability*: Minimum 40 per cent as certified. *Income:* (i) Beneficiary's monthly income not to exceed Rs 75, and (ii) Family's annual income not to exceed Rs 5,000	Rs 85	8.75	8.23	8 9	0 76	0.84	0.90
Total			50 66	41 21	51 79	5.82	6.02	6 18

Source. *Economic Review*, 1991, 1992 and 1993, State Planning Board, Government of Kerala, 1992, 1993, 1994.

physically and mentally handicapped. It is not unlikely that there will be some overlap between these pension schemes in the sense that some old men or widows might qualify for pension under more than one scheme. But the schemes would not allow the same family to draw more than one pension, given the income or family support criteria. We hazard our estimate (Table 2) of the widows benefiting under the three schemes on the assumption that a widow draws pension under only one of the three schemes.

Of the 1.82 lakh recipients of pension as destitute old and widows in 1990-91, two-thirds (1.22 lakh) were widows. It is assumed that the same number of widows were drawing pension under this scheme in 1991-92 when the total number of pensioners was 1.83 lakh. The proportion of women receiving pension as agricultural workers, out of the total number of 3.35 lakh beneficiaries, was given out as 58 per cent for 1989-90, the only year for which such information is published in official documents [State Planning Board 1991]. Assuming that 69 per cent of the women receiving the pension for agricultural workers were widows (here the assumption is that the incidence of widowhood among women over 60 is the same among agricultural workers as in the state as a whole) the number of widows covered under this particular scheme in 1991-92 could have been 1.34 lakh. It should be added that while the qualifying minimum age under the destitute old and widows scheme is 65 years, for agricultural workers the qualifying age is 60. As for the possible number of widows among the handicapped pension recipients, we assume that all the beneficiaries of the scheme were women and of these female beneficiaries the proportion of widows is the same as in the state's total female population (9.1 per cent for 1981). The number we get by this method is 3.8 thousand. Thus the number of widows receiving pension support in Kerala would add up to 2.60 lakh.

This number has to be seen in the context of the existence of poverty in the state. Going by the estimate of the incidence of poverty in Kerala as worked out by the Planning Commission's expert group and given the overall incidence of widowhood per household in the state, the total number of widows in families below the poverty line should be around 4.5 lakh in 1991-92. With the number of widows in the state who were in receipt of pension support estimated by us at 2.6 lakh, the coverage of widows of poor families is obviously not total. The coverage of poor widows under the three pension schemes in the state works out to nearly 60 per cent (57.5 per cent). The coverage would however work out to be lower if one goes by the estimate of poor households recently reported [State Planning Board 1993] on the basis of a house to house survey. As stated already, according to this survey rural families below the poverty line were as many as 17.86 lakh. On this assumption that the incidence of widowhood per household is the same as for the state as a whole, the coverage of rural workers of the three pension schemes would work out to 40 per cent. It should be added that even this lower estimate of coverage is predicated on the important assumption that the number reported officially as beneficiaries under the three schemes are in actual receipt of the pension amount.

Inadequacy of Pension Amount

We turn now to the question of the adequacy or otherwise of the amount of income support extended through the three pension schemes discussed in this paper.

As can be seen from Table 1, the amount of pension admissible varies somewhat from scheme to scheme. For the destitute old and widows the monthly entitlement is Rs 65, for the agricultural workers it is Rs 70 and for the handicapped it is Rs 85. For the destitute widows an additional entitlement of Rs 5 per month exists for those with one or more minor children. If one were to compare the pension entitlement with the going wage rate in the state for unskilled workers (Table 3) the amount a pensioner draws is equivalent to less than two days' wages for men and two-and-half days' wages for women. For the handicapped pensioners the relative position is somewhat better, be they men or women. Still, judged by the criteria of the going wage rate for unskilled workers, the pension entitlements are grossly inadequate.

There is, however, another way of looking at the question of the adequacy of pensioners' entitlements, namely, the extent to which the pension amount can meet the basic food and other requirements of the pensioners. In Kerala state, the public distribution system is quite comprehensive in its coverage of not only the urban households but also the rural households [State Planning Board 1993]. Limited quantities of foodgrains, sugar, edible oil and kerosene are made available to holders of ration cards at controlled prices. Until recently, the controlled prices of foodgrains were considerably below those prevailing in the open market. The entitlement to foodgrains on the strength of ratio cards could be taken to meet almost all the calorific requirements of a non-working adult. Assuming that the average food requirements of an old person would thus be met, particularly when he or she is not engaged in much income-earning physical activity, the ration quantity could perhaps be

Table 2: Estimate of Widow Pensioners under Three Major Pension Schemes in Kerala State, 1991-92

Pension Schemes	Total No of Pensioners (1991-92 in lakh)	Estimated Number of Widow Pensioners (in lakh)	Remarks/ Assumptions
Destitute old and widows	1 83	1.22	Estimated on the assumption that the proportion of widows is the same as in 1990-91, i e, 68 per cent.
Agricultural workers	3 35	1.34	Calculated on the assumption that (1) The proportion of women drawing the pension is 58 per cent as in 1989-90, and (2) 69 per cent of these women were widows.
Physically and mentally handicapped	0.84	0.04	The assumption is that (1) half the number of pensioners under this scheme consists of women, and (2) 9.1 per cent of the women pensioners were widows, the same proportion as applied to the total female population.
Total	6.02	2.60	

Source: Economic Review 1992, State Planning Board, Government of Kerala, 1993.

Table 3: Average Daily Wage Rate of Unskilled Workers in Kerala

	Agricultural Sector (Paddy field workers)		Construction* Sector			
			Male		Female	
	Male	Female	Rural	Urban	Rural	Urban
1990-91	35.77	21.11	37.00	37.0	30.00	28.78
1991-92	41.38	26.30	39.71	41.63	31.64	34.32

Source: Economic Review 1992, State Planning Board, Government of Kerala, 1993.

not that inadequate for an old pensioner as could be the case for a working adult.

This, however, could not be valid for a young widow pensioner and much less so when she has one or more minor children to take care of, though her pension amount is enough to buy her own ration quantity. Young widows with children tend to be in the labour force doing work that is extremely demanding physically like working on construction sites, as brick loaders or doing earth work and their calorific requirement is much higher.

In terms of adequacy, even for old pensioners, the underlying assumptions has to be that he or she is living with his/her family so that his or her other needs including his accommodation are taken care of. In such cases where a pensioner is living with his/her family, his/her pension entitlement, however small, makes him/her less a burden and thus enhances his/her acceptability among his/her family members and neighbours.

It ought to be added that if the pension amount remains fixed, but the issue prices of the items distributed through the public distribution system keep rising, the real value of pension entitlement naturally declines. In Kerala, the last upward revision in pension entitlement was made in 1991 when the pension entitlement for the agricultural workers was raised from Rs 60 to Rs 70 per month. On the other hand, the issue prices have been raised more than once ever since and the increase in the issue prices of foodgrains in Kerala in the course of the past three years has been in the range of 57 per cent to 75 per cent.

Financing of Pensions

All the three pension schemes discussed above are financed out of the state government's budget. No financial assistance is received for the purpose from the central government.

The total amount paid out as pension under these schemes was Rs 41.21 crore in 1991-92 (this figure, however, was rather low compared to the figure of Rs 50.66 crore for 1990-91 and Rs 51.79 crore for 1992-93) which as a proportion of the total state government expenditure in that year worked out to only 1.2 per cent (for 1992-93 the proportion works out to the same, taking into account the higher outgo of Rs 51.79 crore since the total government expenditure had also registered a corresponding increase). As a proportion of the state domestic product (SDP) the amount paid out under the three welfare pension schemes comprised around 0.3 per cent.

It should be added here that the state government's expenditure on service pensions (the pension paid to retired government employees), whose number in 1991-92 was about 2 lakhs, was as high as Rs 230 crore. Thus the average service pension worked out to 13 times the average payment to beneficiaries of the above mentioned welfare pensions.

On the assumption that (1) the criteria for eligibility under the three pension schemes was so liberalised as to include all widows, young and old, in the families below the poverty line, and (2) the pension amount was raised to Rs 100 per month, the total coverage under all the three schemes taken together would have increased from 6 lakh to 8.5 lakh and the total expenditure involved on pensions would have amounted to Rs 102 crore. Still, the expenditure on these pensions would have worked out to 0.75 per cent of SDP and 3.4 per cent of the total expenditure during 1991-92 of the state government.

Projections for the future show that the proportion of the aged (60 +) in the state's total population will go up from the present 7.55 per cent in 1981 to 10.2 per cent in 2001 [Gulati 1992]. Naturally, therefore, there will be an increase, proportionally greater than the state's total population, in the number of persons entitled to pension under the schemes addressing the aged, among whom the percentage of widows is found, at present, to be quite large. Assuming that incidence of poverty (as measured by the proportion below the poverty line) remains unchanged, there is bound to be some increase in the proportion of the state government expenditure necessary to be allocated for payment of social security pensions at the rates now prevailing, but the increase is unlikely to be more than marginal, from 1.2 per cent in 1991-92 to 1.6 per cent in 2001. The assumption being made is that the total government expenditure increases only as per the trend witnessed over the recent years.

If it were decided to liberalise the aforesaid pension schemes on the lines suggested above, with the entitlement kept in real terms, the burden on the state exchequer in 2001 will certainly be higher. It will be in the vicinity of 5 per cent of the total annual government expenditure, a proportion that cannot be regarded high considering that the state government will be spending 4-5 times as much on service pensions payable to just about one-quarter of the number of beneficiaries covered under the social security pensions. The arguments of financial constraint against liberalising the social security pension schemes and extending them to all poor widows obviously do not hold much water. It should be added that these arguments are equally, if not more, applicable to the other states of India, some of whom are financially much better placed than Kerala and still all of them lag considerably behind Kerala in regard to social security measures.

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Need versus Supply of Drugs

Anant R Phadke

It is not primarily inadequate expenditure on drugs that is responsible for the unmet drug needs of the people, but the use of irrational and unnecessary drugs and the irrational use of rational drugs. A study of drug expenditure in Satara district of Maharashtra bears this out.

IT is often pointed out that the per capita drug consumption in a developing country like India is quite low as compared to that in the developed countries. The drug companies want drug consumption in India to increase from the current estimated Rs 7,000 crore to Rs 15,000 crore by the year 2000 AD. But this estimate is not derived from any study of the actual needs of the Indian people based on the prevalent rates of all the diseases in India. We therefore decided to make such a need-based estimate of drug requirement for Satara district (Maharashtra) as an example. We are unaware of any study which has estimated the drug needs at district level or above in a systematic manner on the basis of estimated morbidity load.

Satara district was selected for the following reasons. We took into consideration its socio-economic development, size of the civil hospital (number and beds), existence of cottage hospitals, expenditure on drugs and logistic convenience for undertaking a study there. The Centre for Monitoring Indian Economy's Index for district socio-economic development was taken to classify districts in Maharashtra as highly developed, averagely developed and underdeveloped. The districts falling in the averagely developed class were selected for application of other criteria. From the Performance Budget of the Government of Maharashtra 1990-91, information on the sanctioned beds in the civil hospital and expenditure for drugs were obtained for the averagely developed districts. Before doing the final selection, the logistical convenience to study the district from Pune city where our research staff was located was kept in mind. Satara district in the western part of Maharashtra fulfilled the above criteria better than other districts. Table 1 shows its characteristics. We carried out this exercise of estimating drug needs of Satara district in two stages. We first estimated the drug needs for curative/symptomatic care if the patients coming to PHC-OPD were to be treated rationally and adequately. This need was compared with the average drug supply to PHCs for curative/symptomatic care during 1991-92 in Satara district.

In the second stage of our exercise, we estimated the drug needs for Satara district, if all the patients in Satara district were to be adequately and rationally treated and if all children and mothers in Satara district were to be given adequate preventive medication in a maternal and child health (MCH) programme. This need was compared with the total sale of drugs of Rs 21.28 crore during 1991-92 in Satara district.

The first step in this exercise was to calculate the number of ill persons who come to PHC-OPD for medical relief. This was done as follows.

In the first phase of the study, drug supply data of nine PHCs (out of 69) were collected. Out of these nine PHCs, we wanted to select six PHCs for this study; two each from average, backward and developed areas. But only two out of these nine were in the averagely developed area and one of them, the Bawdhan PHC, had a very low OPD attendance. One PHC from backward area was selected to replace the Bawdhan PHC. The Pimpode PHC from developed area was also excluded due to low OPD turn-out and the Aundh-PHC from backward area was dropped because of very poor records in that PHC. The final selection was as follows: PHCs from backward area - Khatav, Mayani, Vaduz, PHCs from average area - Bhuinj; and PHCs from developed area - Indoli, Undale.

The average annual OPD attendance in these PHCs in Satara district is 7,774. To get a minimum average sample of more than 100 cases, an approximate 5 per cent sample was taken, i e, every 20th case-paper from the case-papers of 1991-92 was selected, starting from a random number. The condition for which treatment was sought during the last visit as noted on the case-paper along with the age of the patient was noted down by the pharmacist-investigator. Analysis of these data gave us the estimated disease-wise frequency of patients coming to PHC-OPD. Since overall aim of this exercise was to estimate drug-needs of this morbidity load, the patients were grouped into three age-groups - 0-5 years, 6 to 12 years and above 12 years. In order to calculate the cost of an adequate and rational drug treatment for all the cases coming to PHC-OPD, standard prescriptions were prepared on the basis of Indian medical text books, with the help of concerned experts for the 92 common conditions encountered in these prescriptions. Then the costs of drug treatment for these 92 common conditions were worked out on the basis of rate contract prices.

The detailed standard drug treatment cost estimates for each type of disease reported at each of the six PHCs selected for study were worked out. Table 2 gives the summary of these results. Table 3 gives the details of this exercise for one PHC (Bhuinj) by way of example. (Table 3 contains, by way of example, only the first five and the last five items from the original table.) This estimate excludes cost of drug-therapy for TB and leprosy because the PHC-OPD routine case paper records do not contain a record of TB and leprosy patients. These records are kept separately.

Table 2 shows that the average drug requirement for curative/symptomatic care for patients seeking treatment at PHC-OPD during 1991-92 was Rs 67,418 per PHC for these six PHCs; Rs 11.68 per patient. As mentioned earlier, we have not included here the drug cost for treatment of tuberculosis and leprosy. But this small deficiency would not materially affect the argument given below about the drug needs of patients coming to PHC-OPD.

We have also worked out as an example the requirement of different important, commonly used drugs for Bhuinj PHC and have compared this with the actual supply to Bhuinj PHC during 1991-92. The categorywise (as per categories of Essential Drug List of WHO) requirement and supply for Bhuinj PHC has been given in Table 4. This table illustrates in a very concrete way the categorywise shortfalls and imbalances in the supply of drugs to a PHC. (Table 4 contains by way of example the first four and last four items from the original table.)

Shortfall at PHC

Let us compare the need of Rs 67,418 per PHC for drugs for curative/symptomatic care with the drug supply to these six PHCs as worked out in the first part of the larger

Table 1. Criteria for Selection of District

	Maharashtra Average	Satara
The CMIE index (All India = 100)	163	93
Average no of beds in non-teaching Civil Hospital-Ch (1990-91)	239	235
Average OPD attendance per day (CHs) (1990-91)	631	350
Average daily expenditure on drugs per OPD patient (Civil Hospital) (1990-91) (Rs)	4.47	7
Average no of Indoor Patients per day (CHs) (1990-91)	251	233
Average daily expenditure on drugs per Indoor patient (CHs) (1990-91) (Rs)	22	20
Distance from Pune kms	-	70

study, for the year 1991-92. It was an average of Rs 37,134.38 per PHC. We have excluded the supply of anti-tubercular drugs for these six PHCs, since the estimate of the need excluded anti-tubercular drugs. These supply data are based on drug supply to PHCs from all sources. (PHCs do not get only Rs 15,000 to Rs 20,000 as mentioned in the Annual Report 1991-92 of the Zilla Parishad; more drug supply comes under various schemes.) Thus there is a shortfall of Rs 30,284 per PHC.

This shortfall must be met by additional supply. The average recurring expense per PHC during 1991-92 as given in the 1991-92 Annual Report of Satara Zilla Parishad was Rs 0.363 million. The additional drug supply required would be only 8.34 per cent of this expenditure. Today PHCs do not cater adequately to the felt needs of the people for curative/symptomatic care. If this is done by a mere 8.34 per cent increase in the PHC budget for recurring expenses, an important acutely felt need of especially those poor people in rural area who seek medical care at PHCs would be fulfilled. Secondly, it would increase the esteem for the public health system and thereby increase people's co-operation in public health programmes.

Increased drug supply to PHCs would need a change in the overall official attitude and policy towards health care. It is true that prevention is better than cure. But it does not mean neglect of ailments which are already there. The official policy conveniently makes precisely this mistake of neglect of curative/ symptomatic needs of the people, leaving it to the private sector. This attitude must change. A government which collects huge taxes and does not spend even a minimum 5 per cent of GNP (as per recommendations of the Health For All Strategy of the Alma Ata Conference) has no right to ask people to go to private practitioners for their curative/symptomatic needs. At least primary health care needs must be necessarily met.

The need of Rs 67,418 per PHC per year as calculated above is only a small part of the total drug needs of all the people in Satara district. This is because only a small proportion of patients go to the PHC. The rest go to private practitioners. The drug needs for curative/symptomatic care of the total population has been worked out in Table 5. For this we needed community-based morbidity data. In India community-based morbidity data for some diseases have been recorded. But to our knowledge comprehensive morbidity data for all major and common diseases in India are not available. However, some estimates of overall morbidity load in India are available [Park 1987, Duggal 1994]. We used these estimates in Table 5 for Satara district, since these data for Satara district are not available. The morbidity rate for this average district is unlikely to be quite different from the all-India average. It will be seen from this table that drug requirement for OPD level curative/ symptomatic care (excluding TB and leprosy) for the total population in Satara district is in the range of Rs 92.97 to Rs 208.96 million with an average of Rs 151.02 million. To this is to be added the cost of treating all cases of TB and leprosy.

In calculating the cost of adequate and rational treatment for all the cases coming to PHC-OPD, we had deleted the cost of drug therapy for TB and leprosy, since the data for the same were not available in the PHC-OPD routine case paper records. But in estimating the total drug needs for Satara district for OPD level curative/symptomatic care, we have to add the cost of drug therapy for these two diseases for all patients in Satara district. To estimate this cost, we need prevalent rate of TB and leprosy in Satara district. No such data are available. We therefore used the prevalent rate of 2 per cent for TB as found in various surveys in India [Park 1990.132] and a prevalent rate of 6.37 cases of leprosy per thousand population in Maharashtra state. The agewise break-up of the Satara population (0-5 years, 5-12 years,

TABLE 2: MORBIDITY LOAD AT THE PHC OPD AND STANDARD COST OF TREATMENT AT RATE CONTRACT PRICES (1991-92) FOR SIX PHCS

Name of PHC	Adult (above 12 yrs)			Child (6-12 yrs)			Child (0-5 yrs)			Total		
	No of Cases	Total Cost (Rs)	Cost/ Case (Rs)	No of Cases	Total Cost (Rs)	Cost/ Case (Rs)	No of Cases	Total Cost (Rs)	Cost/ Case (Rs)	No of Cases	Total Cost (Rs)	Cost/ Case (Rs)
Bhuinj	5420	89125	16 44	1040	5712	5 49	1000	1635	1 64	7460	96472	12 93
Indoli	3460	29390	8 49	920	2192	2 38	580	533	0 92	4960	32115	6 47
Khatav	4680	87544	18 71	880	4839	5 50	420	633	1 51	5980	93016	15 55
Mayani	3680	66611	18 10	1120	6602	5 89	840	2582	3 07	5640	75795	13 44
Undale	2780	28981	10 42	300	1924	6 41	260	836	3 22	3340	31741	9 50
Vaduj	5140	54948	10 69	1020	10505	9 72	1040	9917	10 28	7260	75370	10 38
Total	25160	356599	14 17	5280	31774	6 02	4140	16136	3 90	34640	404509	11 68
Average	4193	59433	14 17	880	5295 6	6 02	690	2689 3	3 90	5773	67418 16	11 68

TABLE 3: PREVALENCE OF DISEASES REPORTED AT PRIMARY HEALTH CENTRE OPD AND STANDARD COST OF TREATMENT AT RATE CONTRACT PRICES, 1991-92

		Bhuinj PHC															
S No	Names of Diseases	Cost of Treatment Per Adult Case (Unit Cost)	Costing for Adult Cases (12 Yrs or More)				Costing for Child Cases (5-11 Yrs)				Costing for Child Cases (Below 5 Yrs)				Costing for All Cases Grang Total			
			No of Adult Cases (A)	A as Per Cent Total Cases 7260	Cost of Adult Cases in Rs (a)	A as Per Cent Total Cost (Rs 96473)	No of Child Cases (B)	B as Per Cent Total Cases 7260	Cost of Child Cases in Rs (b)	B as Per Cent Total Cost (Rs 96473)	No of Child Cases (C)	C as Per Cent Total Cases 7260	Cost of Child Cases in Rs (c)	C as Per Cent Cost (Rs 96473)	No of Total Cases A+B +C = T	T as Per Cent of Total Cases 7260	Cost of Total Cases in Rs a+b+c	T as Per Cent Total Cost (Rs 96473)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1	Abcess	8.95	20	0 28	179	0 19		0 00		0 00		0 00		0 00	20	0 28	179	0 19
2	Abdominal pain	0 28	120	1.65	34	0 03		0 00		0 00	60	0 83	6	0 01	180	2 48	39	0 04
3	Acid peptic	171.00	80	1 10	13680	14 18		0 00		0 00		0 00		0 00	80	1 10	13680	14 18
4	Allergic rash	0 18	60	0 83	11	0 01		0 00		0 00		0 00		0 00	60	0 83	11	0 01
5	Allergic rhinitis	1 62		0.00		0 00		0.00		0 00		0 00		0 00		0 00		0 00
58	Stomatitis	4.28	60	0 83	257	0 27		0 00		0 00	40	55	57	0 06	100	1 38	314	0 33
59	Tonsilitis	8.94	60	0.83	536	0 56		0.00		0 00		0 00		0 00	60	0 83	536	0.56
61	URTI	7.36	800	11 02	5888	6 10	180	2.48	662	0 69	140	1 93	343	0 36	1120	15 43	6894	7 15
62	UTI	42.50	60	0.83	2550	2.64		0.00		0 00		0 00		0 00	60	0 83	2550	2.64
Total			5420		Rs 89125		1040		Rs 5712		1000		Rs 1635		7260		Rs 96473	100 00

above 12 years) is required to calculate cost per case for these age groups. But such a break-up for Satara district is not available. We therefore used the data for India, since such demographic data do not vary much within India. For cost calculations, we used the cost of treating these diseases as worked out in our main study.

It will be seen from Table 6 that if all cases of tuberculosis and leprosy in Satara district were to be adequately and rationally treated, in 1991-92 it would cost Rs 27.31 million and Rs 2.42 million respectively, i e, a total of Rs 29.73 million. Thus the total drug cost of treating all OPD level cases (including TB and leprosy) in Satara district in a rational and adequate manner in 1991-92 would be Rs 151.02 m + Rs 29.73 m = Rs 180.75 m.

To this is to be added the drug cost of indoor cases. As per the performance budget of government of Maharashtra for 1993-94, the drug cost of indoor cases in the civil hospital and in the Karad cottage hospital was Rs 1.37 million and Rs 0.25 million, respectively, i e, a total of Rs 1.62 million. These two hospitals account for most of the indoor cases in the public sector. The number of indoor cases in the private sector is not 10 times that in the public sector as in the case of outdoor cases. But let us make a liberal assumption that the number of indoor cases in private sector is 10 times that in the public sector and hence the expenses for private indoor cases would be Rs 16.2 million; and the total for both the sectors together would be Rs 17.82 million. To this is to be added the cost of preventive medication.

Drug Cost MCH Programme

The next step in estimating the total drug needs of Satara district is to estimate the drug needs for prevention. Preventive medication is mostly immunisation of children and women and giving iron-calcium tablets to pregnant women. Thus, it means that all children and pregnant women are covered in the maternal and child health programme. To get the cost of preventive medication for all children and pregnant women, we first worked out the cost of immunisation per child for primary and secondary immunisation and the cost of drugs for ante-natal care per pregnant woman. This cost multiplied by the total number of children and pregnant women in need of preventive medication gave us the cost of comprehensive preventive medication for the maternal and child health programme.

The cost of this preventive medication has been estimated for Satara district in Tables 7 and 8. In this calculation we have assumed that all children would be covered by immunisation, whereas only 85 per cent coverage is adequate for herd-immunity. But on the other hand, we have not made any allowance for wastages. The extra 15 per cent vaccine that we have taken would take care of the wastages during transport and administration, etc.

Table 4 Categorywise Comparison of Supply versus Need of Some Important Drugs in accordance with Standard Drug Treatment Guidelines, for Cases coming to PHC-OPD, 1991-92

Bhuinj PHC

S No	WHO Essl Drug Cat	Name of Drugs Required	Name of Diseases	Unit Doses Required Per Case	Adult 12 yrs		Child 5-12 y		Child 0-4 yrs		Government Rates (Rate Contract)	Total Amount of Drug Required	Total Cost of Drug Required in Rs	Total Amount Supplied During 1991-92	Total Cost of Drug Supplied
					Total Cases	Drug Required	Total Cases	Drug Required	Total Cases	Drug Required					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
			Abcess	9	20	180		0		0	0 05	180			
1	2 1	Tb Aspirin 300mg (NSAID)	Arthritis	30	180	5400		0		0	0.5	5400			
			Contusion	21	60	1260		0		0	0 05	1260			
			Infected wound	9	400	3600	140	700	60	180	0 05	4480			
		Total									0 05	11320	566 00	25500	1275 0
2	2 1	Tb Paracetamol 500 mg (NSAID)	Tonsilitis	9	60	540		0		0	0 16	540			
			Pyoderma	9	20	180		0		0	0 16	180			
			Dogbite	9	220	1980	100	450		0	0 16	2430			
			Body ache	9	560	5040		0		0	0 16	5040			
			Sinusitis	9	220	1980		0		0	0 16	1980			
			Boils	9	120	1080	60	270	100	300	0 16	1650			
			Pharyngitis	9	240	2160	80	360		0	0 16	2520			
			Cold cough	9	120	1080	40	180	60	180	0 16	1440			
			Otitis-media	9	40	360		0	40	120	0 16	480			
			Pyrexia/Fever	9	420	3780	80	360	100	300	0 02	4440			
			Bronchitis	9	60	540	20	90	40	120	0 16	450			
		Total									0 16	21450	3432 00	13500	2160.0
3	2 1	Tb Ibupro fen 400mg (NSAID)	Caries dental (infected)	15	80	1200	20	150		0	0 40	1350			
		Total									0 40	1350	540 00	NS	
4	2 2	Tb Codeine 10mg (Opoid analgesic)	URTI	4	800	3200	180	360	140	187	0 20	3747			
			Cold cough	6	120	720	40	120	60	120	0 20	960			
		Total									0.2	4707	941 33	NS	
28	25 1	Tb Salbutamol 4mg	Bronchitis	1	60	60	20	40	40	13.333	0.06	83	4 98		
29	27	Cp vitamin A 50,000 i u	Night blindness	10	20	200		0		0	0.68	280	190 40		
30	27	Tb Multi-vitamin	ANC	15	200	3000		0		0	0.15	450	450 00		
		Total									0 15	730	640.40		
31	27	Tb Bcomplex	Giddiness	14		0	20	140			0.07	140	9.80		
		Total									0.07	1167	81.69		
		Grand Total											74763.62		25432.5

NS - Not Supplied

To calculate the total number of children and pregnant women in need of preventive medication, we needed agewise break-up of the Satara district population. But this break-up is not available. We therefore used the figures for Maharashtra state. For this purpose, instead of the census data, we used the more reliable data and estimate of a recent study [Balsubramanyam et al 1994].

It will be seen from Table 8 that the cost of this comprehensive preventive medication for the maternal and child health (MCH) programme in Satara district is only Rs 6.86 million.

The total drug needs of Satara district in 1991-92 would thus be as in Table A.

TABLE A

(In Rs million)

For curative care at OPD level excluding TB and Leprosy	151.02
For all cases of TB and Leprosy	29.73
For preventive medication in MCH programme	6 86
For indoor cases	17 82
Total	205.43

TOTAL DRUG NEEDS VERSUS SUPPLY

The total drug sale in 1992-93 in Satara district from reliable sources (audited accounts of drug distributors) was Rs 26.6 crore. We estimate that the drug sale in 1991-92 would be 20 per cent less, i e, Rs 21.28 crore. Add to it the drug supply of Rs 5.6 million to the public sector, thus yielding a total drug supply of Rs 21.84 crore. Compared to this, the total drug requirement as seen above for OPD level curative/symptomatic care and preventive care as well as for indoor care in 1991-92 was Rs 20.61 crore. Thus the drug expenditure in Satara district in 1991-92 was adequate to take care of all the drug needs of the total population of Satara district. As is well known, a substantial part of the money spent by patients on medicines is wasted due to irrational prescriptions. We have estimated such wastages in Satara district as part of our larger study. We found that in a random sample of 152 prescriptions from 30 clinics, in the private and public sector respectively, 54 per cent and 69 per cent of the money spent on drugs was a waste. If this wastage is eliminated, the current drug expenditure in Satara district would be sufficient to cater to all the drug needs of the people in the district. It may be pointed out that while estimating drug needs for various diseases, we have assumed that drugs are given in sufficient quantity for adequate duration.

Based on limited data for a year from six PHCs in Satara district, we cannot draw general conclusions. But the estimate from the current study in Satara district of the total drug needs may be compared with the actual experience of the Munnar project. This project caters to all the OPD level and indoor level curative and preventive medical needs of a well demarcated population of 1,00,000 in tea estates in Kerala. It has been reported that the annual per capita recurring health expenditure in this project was Rs 120 out of which 25 per cent i e. Rs 30 was spent on drugs [Cherian 1993]. In our study, the total drug need for Satara district for 1991-92 was Rs 205 million, for a population of 2.45 million, i e, Rs 84 per capita. Thus we have not underestimated the drug need for Satara district.

DRUG NEEDS FOR INDIA

This drug need of Rs 84 per capita, if projected to the Indian population of 84.6 crore in 1991, works out to be Rs 7,106 crore. If we compare this need with the estimated production of drug formulations in India of Rs 6,900 crore in 1993-94 [Banerjee 1994], we find that the present level of drug production in India would roughly meet all the drug needs of the Indian people for rational and adequate medication. In any case, the argument of the drug industry to increase the present drug production to Rs 15,000 crore by 2000 A D is clearly untenable.

Our estimation of drug needs for OPD level care is an underestimate. This is because, (1) Our estimation of morbidity load is based on *reported* morbidity. This does not include morbidities like gynaecological infections

TABLE 5 ANNUAL DRUG REQUIREMENT OF SATARA DISTRICT FOR CURATIVE/SYMPTOMATIC CARE AT PHC-OPD LEVEL, 1991-92

	Estimated Rate of Morbidity Load ***	Annual Morbidity for Satara District (Popn 2.45m)	Drug Requirement Per Case (as per Table G-1) in Rs	Total Drug Requirement for Satara District in Rs million
Estimate - I*	3.25 illness episodes/ capita/year	3.25 x 2.45 = 7 96 million	11 68	92 97
Estimate - II**	2 per cent morbidity per day	$\frac{2 \times 365 \times 2.45}{100}$ = 17 89 million	11 68	208.96
Average		12.93 million	11.68	151 02

* Based on Park (10th edition). We have taken the average of the range given by Park of 2 6 to 3.9 illness episodes per capita per year.

** Duggal 1994 .

*** Since the estimate of rate of morbidity load for Satara district is not available, we have used the available estimated rate of morbidity for India

TABLE 6: ESTIMATED COST OF TREATMENT OF ALL TB AND LEPROSY CASES IN SATARA DISTRICT, 1991-92

Age-Group (Per Cent of Population in that Age-group) (A)	No of People in that Age-Group in Satara District (Million) (B)	No of TB Patients in that Age-group (Thousands) (C)	Cost Per Case (Rs) (D)	Total Cost (Rs Million) (E)	No of Leprosy Patients in that Age-group (F)	Cost Per Case (G)	Total Cost (Rs Million) (H)
0-5 years (15 per cent)	0.368	7.35	235.2	1 73	2344	60 58	0.142
5-12 years (22 per cent)	0.539	10.80	352 8	3.80	3433	90 88	0.312
Above 12 years (63 per cent)	1.544	30.90	705.6	21.78	9835	181.75	1.788
Total (100 per cent)	2.451	49 05	—	27 31	15612	—	2.42

Notes: A: Estimated from Park 1990; p 266, Table 6 Since demographic data required for this table are not available for Satara district, we have used available rates for Maharashtra/India, for this table.

B: Satara district population in 1991–2.45 million.

C: Estimated prevalence rate of 2 per cent (Park 1990, p 132, Table 2)

D and G: As per our column in Annexure I of our main study, [Phadke 1995]. Please see item nos 56 and 62 respectively in Annexure I.

F: Estimated prevalence rate of 6.37 per thousand population (Park 1990; p 211, Table 1).

TABLE 7: COST OF PRIMARY IMMUNISATION PER CHILD (1992 PRICES)

Type of Vaccine	Cost Per Dose	No of Doses	Cost (Rs)
BCG	NA	1	—
Oral Polio Vaccine	1.88	5	9 40
DPT (Triple) Vaccine	1.07	3	3.21
Measles Vaccine	4.43	1	4.43
Total			17.04

Note. Except for the measles vaccine, the costs of vaccines have been taken from the 1992 price-list of the Haffkine Bio-Pharmaceutical Corporation (Bombay), the public sector undertaking, which supplies vaccines to the Maharashtra government. Measles vaccine is not supplied by Haffkine and hence for measles vaccine, price as given in IPG 1991-92 has been used Prices for biggest available vial have been used as they are used in mass-vaccination Price of BCG vaccine is not available since it is supplied by the central government

which are generally not reported. (ii) Our estimate of Rs 11.68 of drug cost per case is based on PHC-morbidity data which generally do not adequately represent chronic diseases like diabetes, hypertension, etc. Despite this underestimation, we feel that the estimate of the drug industry of Rs 15,000 crore (more than Rs 150 per capita) for the year 2000 A D is too high

Financial Wastage

It may be pointed out here that though the current level of production of drugs would roughly meet the rational drug needs of the Indian population, today the majority of the Indian people are deprived of proper drug treatment because of poverty and paucity of medical services in the rural area. The drug industry focuses on selling drugs mainly to the middle and upper classes. They are lured into or cheated into (i) consuming drugs of doubtful or no scientific value (so-called digestive, appetite stimulants, brain tonics or sex tonics, etc); (ii) unnecessary consumption of rational drugs (multivitamin preparations in well-nourished patients or antibiotics in viral infections) (iii) Consumption of irrational combination of two to five drugs when only one of the constituents is adequate. Addition of other unnecessary ingredients merely increases the price of the drug (cough and cold mixtures, iron tonics, pain-killer drug combinations, etc), and (iv) buying well advertised brands when good quality, cheaper alternatives are available

All this is possible because the drug policy allows manufacture of all kinds of irrational drugs or irrational drug combinations and majority of doctors prescribe these either due to ignorance or social insensitivity or plain bribery from the drug industry in the form of samples, gifts or sometimes even direct financial incentives

Every study that has analysed a particular type of drug combination (anti-diarrhoea, multivitamins, iron tonics, over the counter drugs, etc) has found that almost all the drug combinations studied were irrational (seven to 11). A lot of money is wasted due to the undesirable, wasteful forms of drug consumption mentioned above (use of useless, unnecessary and irrational drugs). We have estimated this wastage in the Satara district study. For this purpose, we chose a systematic random sample of 68 and 84 prescriptions from a stratified, purposive sample of 19 and 30 private and public outdoor clinics respectively, from the three socio-economic zones of the district. The drug cost of these prescriptions calculated at retail prices, minus the drug cost of 'standard prescriptions' gave us the financial wastage due to these prescriptions. It was found that 69 per cent and 55 per cent of the money spent on these 68 private and 84 public prescriptions was a waste, with an average of 64 per cent [Phadke 1995.66]. This wastage affects not only the well-to-do, but also the poor.

This wastage of Rs 4.76 and Rs 2.08 per prescription in public and private sector respectively was projected to the Satara district morbidity data with the help of public sector outdoor clinic attendance data for Satara district and estimated number of illness episodes during 1991-92 (as estimated in Table 5. This exercise led to an estimation of wastage of Rs 17.70 crore on irrationalities in prescriptions in Satara district in 1991-92 [Phadke 1995.67]. Compare this with the drug supply of Rs 21.84 crore to Satara district as estimated above. It will be thus seen that though the existing drug supply to Satara district in 1991-92 was roughly adequate to cater to the rational drug needs of the district, most of this drug expenditure was wasted due to irrationalities in prescriptions.

Conclusion

On the basis of the exercise carried out above, we conclude that:

(i) The rational drug requirement at PHC-OPD level for curative/symptomatic care can be met in Satara district by increasing the health budget for recurring expenses by about 8.4 per cent and stopping the wastage of money through irrational prescriptions.

(ii) The total drug needs of Satara district inclusive of rational treatment of all outdoor and indoor patients and inclusive of total coverage in MCH programme would be Rs 20.54 crore in 1991-92.

(iii) Most of the drug expenditure in Satara district is wasted due to irrationalities in prescriptions.

If the money presently being spent on drugs in Satara district is not wasted on irrational and unnecessary drugs and irrational use of rational drugs and instead if it were spent on rational drug treatment, the current drug expenditure of Rs 21.84 crore is more than adequate to take care of all OPD and indoor cases as well as for preventive care. Thus, today, it is not primarily lack of drug expenditure that is responsible for the unmet drug needs of people in Satara district, but its irrational use.

Table 8 Estimated Cost of Preventive Medication in Satara District 1991-92

Type of Preventive Medication	Population in This Category in Satara District: As Per Cent of Population of Satara District	Population in This Category in Satara District: Absolute Nos in Millions in Satara District (Pop 2.45 million)	Cost Per Person in (Rs)	Total Cost in million (Rs)
Primary immunisation for all children up to 1 year	2.4	0588	17.04*	1.00
One booster dose each, of polio, triple and measles vaccine for all children between 1 to 2 years	2.4	0588	7.38	0.43
One booster dose each of polio and DT vaccine for all children between 5-6 years of age	2.5	0613	2.76	0.17
Two doses of typhoid vaccine for all children of 2-3 years of age	2.4	0588	1.24	0.07
Iron Calcium supplementation and tetanus immunisation for all pregnant women	3.0	0735	70.58**	5.19
Total		2663		6.86

Note * As per Table 7.

** As per the cost of Standard Drugs Treatment Regimen, worked this study, in Annexure A-I of the main study

[This study is part of our larger study, 'A Study of Supply and Use of Pharmaceuticals in Satara District'. This is a modified version of Chapter XI of my forthcoming book, *Drug Supply and Use under the Microscope* based on our three-year FRCH study of Supply and Use of Pharmaceuticals in Satara District. I am thankful to N H Antia for his encouragement, research associates Audrey Fernandes and L Sharda for their sincere work, the medical officers in PHCs in this study for their co-operation and Sham Ashtekar for comments on an earlier draft. We are thankful to Sanjeevani Mulay for drawing our attention to their study.]

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Protection and Exports

Soumyen Sikdar

DOES trade liberalisation give a boost to exports? On this question which is of considerable importance in the current Indian context professional opinion seems to be divided. Bose (1993) gives an affirmative answer. Since an import-substituting regime artificially bolsters the profitability of domestic sales, lower import tariffs would encourage exports by reducing the gap between the marginal revenues in the two markets. Marjit and Sarkar (1995) henceforth MS) question this and on the basis of a simple micro-economic model of price discrimination claim that a lower tariff will reduce the level of exports. Thus they obtain the unexpected result that higher tariffs may serve as a strategy for promoting exports. Given their basic framework the logic is nassailable, although the highly partial ature of the analysis should make one wary f drawing policy conclusions. The purpose f this note is to state some reasons that make ie feel uneasy about the framework and iggest a few modifications. The odifications which are not unrealistic have lverse implications for the main result.

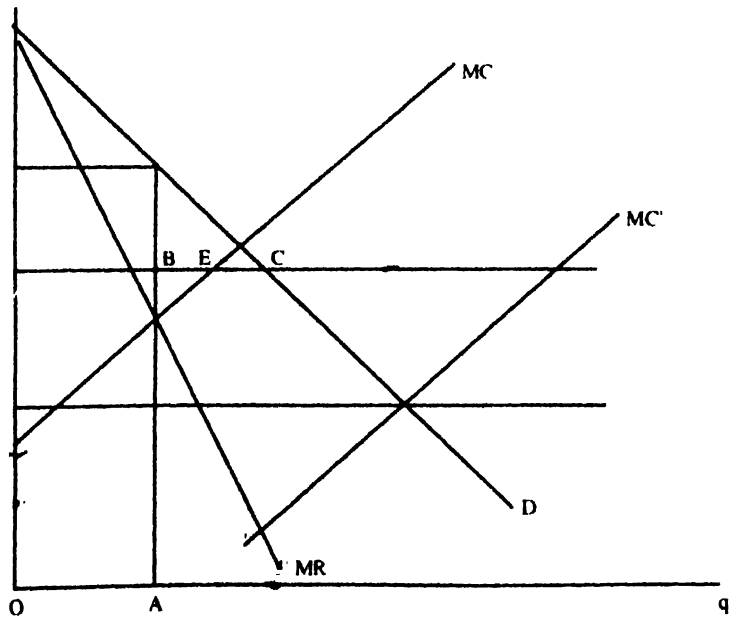
In the discriminating monopolist imework used by MS (and also Bose) sale the foreign market is a residual. There ems to be some evidence that Indian exports : of this nature (see the literature cited in S). This is taken as a justification for the imework. But the same model has also other major feature, viz, given cost nditions, the output of the firm will be ermined solely by the parametric foreign ce. To my knowledge there is no evidence how that output decisions of Indian export ustries are critically influenced by world :es and largely independent of domestic nand conditions. This should encourage search for alternative models to explain alleged residual nature of our exports. 'il a better one is found the discriminating hopolist approach will continue to be d. It should be mentioned at this point the econometric method used by some hors to study Indian exports is far from nd. This, as pointed out by MS, renders ir results suspect.

the analysis of MS reduction in tariff no effect on the volume of imports, ich remains zero throughout. The tariff acts purely as a ceiling-setter on home price. This assumption of invariant imports is unrealistic in a discussion of liberalisation. The authors are aware of this and claim that it can be relaxed without upsetting the conclusion. But that requires a different and more sophisticated model. The discriminating monopoly approach is unable to handle it. Nevertheless it remains a fact that protected industries do feel threatened seriously by a prospective reduction in protection which, by encouraging imports, will reduce their command over the domestic market. There should be room in any analysis for this perceived threat on the part of protected firms because their reaction to policy changes will be conditioned by it. We think that this can be accommodated simply by interpreting the domestic demand curve facing the producer as his subjective or *perceived* demand curve Lower protection and the resultant *possibility* of greater foreign competition adversely affects the firm's estimate of attainable home sales and perceived demand shrinks. Whether in equilibrium imports will actually increase or not is irrelevant to this purely psychological impact. Business psychology matters for business decisions even in ordinary times, it becomes much more decisive when an entire regime is being overhauled. The implication for our analysis is that if the demand curve shifts inwards simultaneously with a reduction in tariff the MS result need not hold Home sales may well shrink and exports go up.

We have some comments to make with regard to the cost side too. Prolonged protection has serious distortionary effects on cost structures. Industries habitually fall asleep under protective umbrellas and tend to lose the urge to shed excess fat. Firms can afford to become careless about cost. With impunity workers and managers can choose to enhance their real income through extra leisure and lower pace of work. This sort of flabbiness was termed X-inefficiency by Leibenstein. Owing to this factor it is not surprising for the degree of protection and export performance to be inversely related. In such a situation exposure to competition acts as what Harold Macmillan once described as a 'bracing cold shower'. Preoccupied with purely allocational gains, orthodox analysis has largely chosen to ignore this particular source of social efficiency. Pelkmans (1984) is an exception, but MS is not.

Although no precise quantification is available, nobody can fail to notice even on casual observation the harmful and pervasive presence of X-inefficiency in India. A major hope of the advocates of liberalisation is that increased competition will bring an end to this Indian firms will get to learn the reality of hard budget constraints and be forced to operate on their true cost curves. There will also be learning through interaction with smarter rivals. Moreover, with the proposed reduction in bureaucratic control and rationalisation of rules and procedures there will be less corruption, uncertainty and delay. In short, the whole environment of business is expected to change for the better. The impact on efficiency is likely to be substantial. The positive externality may take some time to come into full force, but then no evaluation of a major regime-change should be done within a very short time frame. Once we

FIGURE



allow cost curves to shift down it is clear that (even with the demand curve unmoved) contrary to MS expansion in exports may accompany a reduction in tariffs. In their exercise total output remains the same even after the fall in tariff, so that the expansion of domestic sales is necessarily at the cost of (residual) exports. Under efficiency improvement total production expands and the conflict disappears.

What the liberalisers are hoping for may be illustrated with a simple diagram (see the figure). The world price is $\bar{P}$. Initially tariff is so high that the firm enjoys a position of sheltered monopoly and the equilibrium price and quantity are P_1 and OA. There is no import or export. Cost is so high relative to $\bar{P}$ that export is not possible. Now suppose tariff is lowered that $P_2 = (1+t)\ \bar{P} < P_1$. Equilibrium shifts to E with domestic sales expanding by BE and imports rising from zero to EC. Still there are no exports. Profit is of course lower. This reduction in domestic profitability induces the firm to take an interest in exports. Given $\bar{P}$, the only option is through a reduction in costs. If X-inefficiency can be eliminated and other cost-saving measures introduced, cost will fall and ultimately a stage may be reached (shown as MC') when the firm can enter the export market successfully on its own.

It cannot be overemphasised that unless efficiency improves on a sustained basis not much can be expected from the whole programme of liberalisation. Of the two possible sources of cost reduction – cheaper imported inputs and a rise in productivity – the latter is more important for attaining and maintaining international competitiveness because not all exportable activities are import-intensive and even the tariff-free prices of our essential imports are likely to show an upward trend over time.

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Displacement and Rehabilitation

Walter Fernandes

I AM writing this in reply to Jai Sen's remarks in the Discussion section (*EPW*, April 29) on behalf of 12 participants in the National Workshop on the Rehabilitation Policy held in New Delhi in February. The 12 include the three members of the drafting committee.

(1) Commenting on the sections of his article in *EPW* (February 4) which have been deleted, Sen has given reasons why they should have been retained. This is good academic discussion. Unfortunately, after that he goes beyond it to what appear to be personal attacks. This is not called for in a serious discussion. Difference of opinion on issues has to be discussed in a spirit of dialogue, not in a polemical tone.

(2) The New Delhi workshop came after a democratic process. The democratic spirit continued during the meeting. Jai Sen says that this workshop was the "first formal occasion for the two schools to meet" (i e, his own thinking on displacement and rehabilitation and what he attributes to the rest of us whom he calls the mainstream). Though he claims that Smitu Kothari, co-convener of the National Working Group (NWG) and myself only acknowledge rehabilitation as a right of DPs and that he (Sen) alone has gone beyond it to question displacement, many participants felt that the difference was mainly in words. He wanted a displacement policy which some thought was like renaming life insurance as death insurance. Many of his views were accepted but not all. There was a consensus that we should go beyond these words to make displacement difficult. A three-member drafting committee chosen democratically put together the consensus that emerged in the form of a response of the participants to the draft rehabilitation policy. This response clearly states that displacement cannot be taken for granted and that the main task of a policy should be to minimise displacement. It questions the very rationale of displacement. For example, the second limitation the participants identified in the draft rehabilitation policy was:

> A national policy must enunciate the development paradigm within which minimisation of displacement is an essential prerequisite. But the draft policy is based on the development model that takes displacement for granted and as inevitable.

(3) Sen seemed to be satisfied with this. After receiving the response he wrote to me on March 7:

> (i) I was glad to see the mention, and by implication acceptance, of the idea of a 'national *displacement* policy' but (ii) unless I have missed it, I don't think that it has been anywhere clearly and in so many words said that the meeting *decided* that it is a displacement policy that is needed – it is only implied. This leaves the meeting's resolution and direction rather unclear.

By the time it reaches *EPW*, it has become a consensus of the meeting, but 'fuzzy or blurred'. Besides, I am not aware of any such 'decision', but only of a consensus.

(4) I was the convener of the national workshop but not a member of the drafting committee. The draft it prepared was discussed during the final session and I was asked to edit it. I did that without changing its contents. In the covering letter with which I sent them the response I informed the participants about it. So Sen cannot attribute the fact that all his views were not accepted to me or anyone else. But he says:

> it can only be said to be 'unfortunate' that the statement of conclusions subsequently circulated by the convener of the meeting, though giving a hint of this consensus, avoids completely spelling it out as such: and as a whole it is fuzzy and blurred in what it says. Perhaps this is inevitable, when two schools meet but where one is the convener.

(5) The claim that the NWG document and I only speak about rehabilitation without questioning displacement is surprising. Beginning from its introduction (No 4) several times the NWG draft states the need to avoid large-scale displacement and mentions that the policy is to be had when displacement is unavoidable.

(6) In *EPW* Sen does not say where he got the impression that I too speak only about rehabilitation. In the critique prepared for the Delhi workshop he had referred to the critique of the draft rehabilitation policy I had prepared with Samyadip Chatterji. It has now been published in *Lokayan Bulletin*, March-April 1995, pp 29-40. In that we fault the draft policy at least six times (pp 29, 34, 35, 37 and twice on p 38) for taking displacement for granted though it recognises the need to rehabilitate those who pay the price of development. We continue: "it can be argued that displacement itself is an offshoot of the present pattern of development. Thus, the thinking behind ... has to be questioned" (p 29). Our conclusion begins with "A rehabilitation policy cannot accept displacement as inevitable" (p 3[illegible]). Based on this we mention the need for non-displacing alternatives (p 32). Only in this context is rehabilitation as a right brought up as one of the basic issues (p 33). So we fail to understand how Sen can attribute this view to me and say that the Delhi workshop was a discussion between this mainstream and his (Sen's) view.

(7) More than its contents, the tone of Sen's discussion sounds over-bearing. One is left with the impression that an idea has to be accepted because it comes from him. The credibility of those who disagree with him has, therefore, to be questioned. A tone of dialogue is missing. Genuine progress can be made only through dialogue and not with such a pontificating tone which can only divide a movement.

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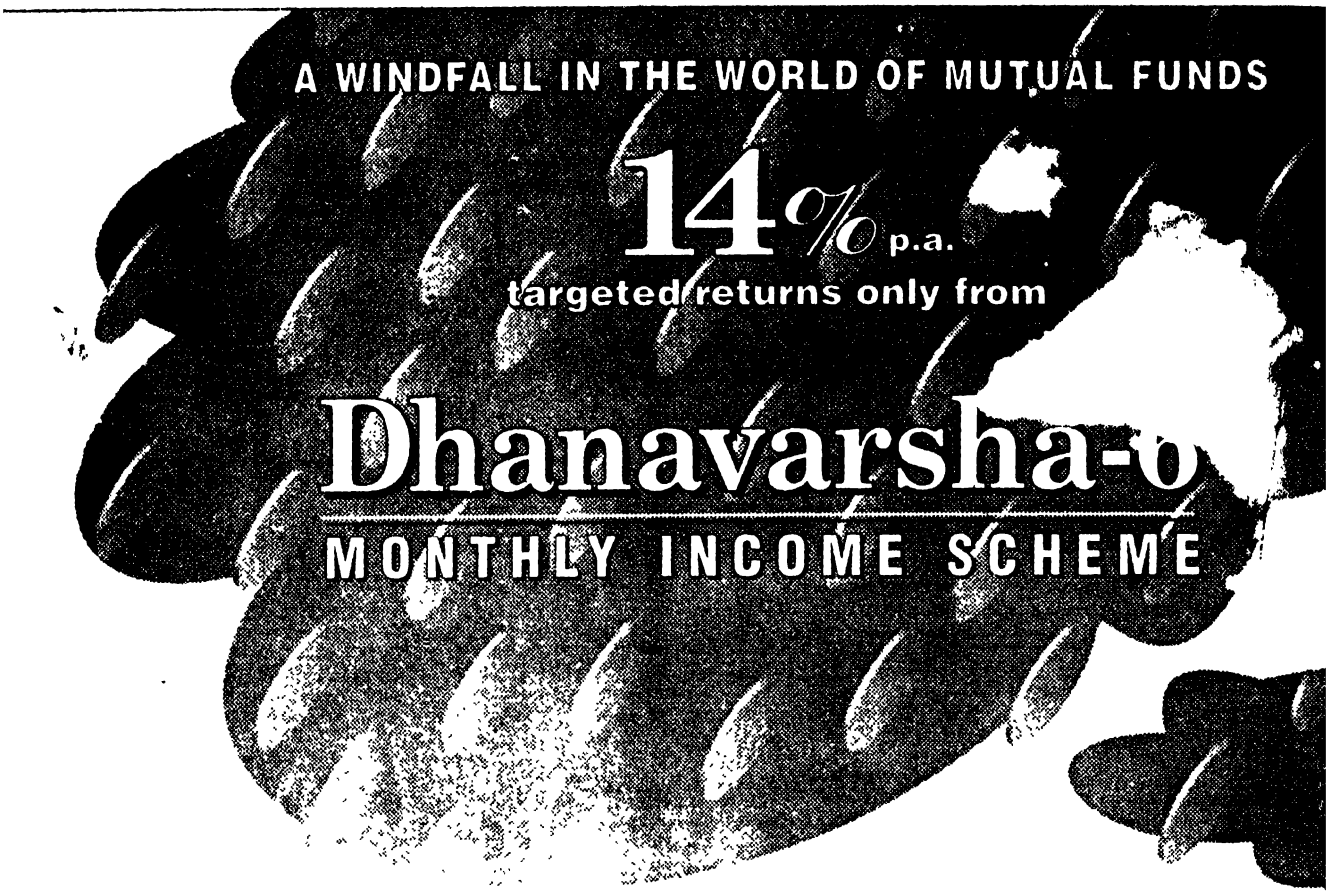
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